Tax for SDGs Initiative

STF

# SDG TAXATION FRAMEWORK (STF)

## TOOLKIT

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## List of Abbreviations and Acronyms

| | |
|---|---|
| **BEPS** | Base Erosion and Profit Shifting |
| **CIT** | Corporate Income Tax |
| **CO2** | Carbon Dioxide |
| **DRM** | Domestic Resource Mobilization |
| **ECOSOC** | Economic and Social Council |
| **EI** | Extractive Industries |
| **FAO** | Food and Agriculture Organisation |
| **GDP** | Gross Domestic Product |
| **IEA** | International Energy Agency |
| **ILO** | International Labor Organization |
| **IMF** | International Monetary Fund |
| **IMO** | International Maritime Organization |
| **IOC-UNESCO** | Intergovernmental Oceanographic Commission of UNESCO |
| **IRENA** | International Renewable Energy Agency |
| **ITC** | International Trade Centre |
| **LDC** | Least Developed Countries |
| **MNE** | Multinational Enterprises |
| **OECD** | Organisation for Economic Cooperation and Development |
| **PIT** | Personal Income tax |
| **R&D** | Research and Development |
| **SDG** | Sustainable Development Goals |
| **SSB** | Sugar Sweetened Beverages |
| **SSC** | Social Security Contributions |
| **STF** | SDG Tax Framework |

| | |
|---|---|
| **TIWB** | Tax Inspectors Without Borders |
| **UNCCD** | United Nations Convention to Combat Desertification |
| **UNCDF** | United Nations Capital Development Fund |
| **UNCTAD** | United Nations Conference on Trade and Development |
| **UNDESA** | United Nations Department of Economic and Social Affairs |
| **UNDP** | United Nations Development Program |
| **UNDRR** | United Nations Office for Disaster Risk Reduction |
| **UNEP** | United Nations Environment Programme |
| **UNEP-WCMC** | UNEP- World Conservation Monitoring Centre |
| **UNESCO** | United Nations Educational, Scientific and Cultural Organization |
| **UNESCO-UIS** | UNESCO Institute for Statistics |
| **UNFCCC** | United Nations Framework Convention on Climate Change |
| **UNFPA** | United Nations Population Fund, formerly UN Fund for Population Activities |
| **UNICEF** | United Nations Children's Fund |
| **UNIDO** | United Nations Industrial Development Organization |
| **UNODC** | United Nations Office on Drugs and Crime |
| **UNSD** | United Nations Statistics Division |
| **UNTC** | United Nations Tax Committee |
| **UNWTO** | United Nations World Tourism Organization |
| **VAT** | Value Added Tax |
| **WHO** | World Health Organization |
| **WHO-FCTC** | WHO Framework Convention on Tobacco Control |
| **WTO** | World Trade Organization |

# 1. Overview of the SDG Taxation Framework (STF) and the Toolkit

SDG Taxation Framework (STF) is a comprehensive diagnostic framework that can be used by national and sub-national governments to understand the linkage of their tax system with respect to the specific targets/indicators of relevant SDGs and find opportunities within the tax policies and tax administration to achieve the specific SDGs.

Tax policies and tax administration capacity are critical to the achievement of SDGs. However, to leverage them it is important to identify the gaps between current tax policies and administration and the potential tax policies and administration which can be utilized for fulfilling SDGs.

The STF diagnostic framework can support governments in examining not only the magnitude of domestic tax collections but also in other SDG-related evaluation and how tax system can contribute to change behavior towards desirable outcomes for the SDGs. The SDGs are organized as follows:


In order to monitor UN Member States' progress in achieving SDGs, the SDG Report Dashboard presents an SDG Index Score for each SDG, with color-coded dots and arrows for each SDG. The dashboard tracks annual progress towards achieving SDG goals by each UN Member State. However, it does not show which policy mix – tax, budget support, regulations, or international assistance – were responsible for the effort to achieve the particular SDG.

**SDG Report Color-Coded Dashboard**

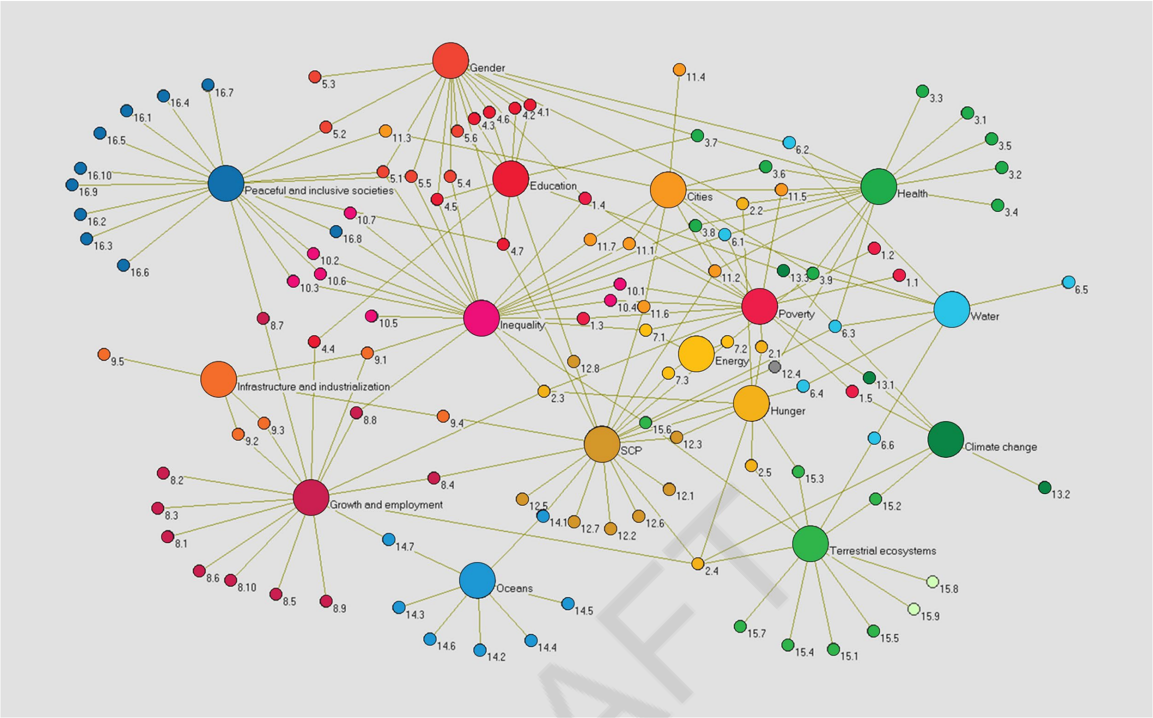
| | |
|---|---|
| 🟢 | A green dot in the dashboard indicates that the particular SDG indicator has been achieved already. |
| ↑ | A green arrow pointing upwards means the SDG achievement is on track and maintained. |
| 🟡 | A yellow dot in the dashboard indicates that challenges remain for the SDG. |
| ↗ | A yellow arrow pointing obliquely upwards means the SDG is moderately improving. |
| 🟠 | An orange dot in the dashboard indicates that significant challenges remain for the SDG. |
| → | An orange arrow pointing sideways means the SDG is stagnating. |
| 🔴 | A red dot in the dashboard indicates that major challenges remain for the SDG. |
| ↓ | A red arrow pointing downwards means the SDG is decreasing. |
| ⚪ | Information Unavailable |
| ⚪⚪ | Trend Information Unavailable |

Most SDGs are highly interdependent and interconnected. For example:

- SDG 1 (End Poverty), SDG 2 (Zero Hunger), SDG 8 (Decent Work), SDG 10 (Reduced Inequalities) and SDG 16 (Peaceful and Inclusive Societies) are interdependent.
- Several SDGs that have a bearing on environmental protection: SDG 6 (Clean Water and Sanitation), SDG 7 (Clean Energy), SDG 11 (Sustainable Cities), SDG 13 (Climate Action), SDG 14 (Sustainable Marine Life) and SDG 15 (Terrestrial Ecosystem).
- SDG 17 (Global Partnership and Domestic Resource Mobilization -DRM) are critical for all other SDGs since revitalizing the global partnership and DRM provide the resources needed to support funding for all SDGs.

These interconnections lead to both complementarity and tradeoffs and provides a blueprint for global synergy and collaboration between developed and developing countries to end poverty and hunger, reduce inequality and injustice, foster environmental protection, and safeguard the well-being of all people. Figure 1 illustrates this interconnection.

**Figure 1: Interconnectivity between SDGs**




## 1.1 Purpose of the STF



> The SDG Report 2023 highlights that, at the midpoint of the 2030 Agenda, all the SDGs are seriously off track. Despite significant efforts in some places, national governments in all continents have fallen short in integrating the SDGs into national policies and public investments.
>
> [Sachs, J.D., Lafortune, G., Fuller, G., Drumm, E. (2023). *Implementing the SDG Stimulus. Sustainable Development Report 2023.* Paris: SDSN, Dublin: Dublin University Press, 2023].

It is in the background of the SDG Report 2023 that the STF is intended to bring greater focus on the critical role of tax policy and revenue administration in achieving the SDGs by 2030. It provides an opportunity for countries to examine what additional measures can be taken to achieve the SDG targets. The STF is a benchmark of good practices being followed by different countries, and can, therefore, be used as an implicit guide for reforms. The self-evaluation provides a diagnostic of where the country stands with respect to using tax policies for SDGs vis-à-vis the opportunities drawn from the experiences in policy choices undertaken in other countries.

It is important to emphasize that tax measures are just one set of interventions that can help achieve the SDG targets. Other significant support will need to come from budget allocations, subsidies, grants, cash transfers, international assistance, and advocacy. The STF covers only the tax interventions that can significantly support achieving SDG targets, especially where challenges still exist.

The STF provides criteria based on practices being followed by different countries for relevant SDG targets. The countries can self-evaluate themselves, in terms of their tax policy alignment with these criteria. While the STF evaluates tax policy and administration in line with good practices being followed by different countries, it is important to keep in mind that all policy interventions must be designed in light of a country's social, political, and economic context as well as the existing tax regime, and the challenges faced by countries at different income levels and economic structure. For instance, countries that are largely dependent on agriculture, or where informality is prevalent, face more serious problems in collecting taxes than others.

The STF will be particularly useful in:

- Identifying the gaps in a country's efforts and success in leveraging taxation to achieve SDGs.
- Setting the reform priorities and implementation sequencing in areas where greater effort and assistance is needed to realign or leverage taxes to achieve the SDGs.
- Enabling a shared view of taxation and SDGs amongst all the stakeholders, including country authorities.

While the SDGs specify *what targets and indicators need to be achieved, the STF explains how tax policy and tax administrative reforms can be leveraged to achieve the specific SDG indicators and targets. The STF uses dimensions and sub-dimensions for each SDG target to inform stakeholders what further actions in tax reforms could be undertaken to support SDG achievement.*

The STF accomplishes this through a Toolkit, which can be used comprehensively or selectively, for the assessment of tax regimes in countries, in terms of their alignment with, and effectiveness in, supporting the achievement of the country's SDG priorities.

## 1.2 STF Implementation

The STF is implemented in three stages.


**1) Self-Evaluation.**

For conducting STF, countries can choose specific, or all SDGs based on their priorities and economic, political and social context. SDGs that are higher priorities, or are lagging behind, for a particular country, can be taken up for self-evaluation first. After the initial phase, STF can be used comprehensively for all the SDGs. The UNDP team will coordinate on next steps and provide the STF toolkit to relevant authorities.

The STF toolkit can be used to measure the alignment with, and effectiveness of, tax interventions in supporting the achievement of the SDGs. For each SDG, the STF toolkit identifies relevant targets which can be supported by tax interventions. A detailed background of tax measures, good practices and case studies is provided for understanding the linkage of taxation for the specific SDG and its targets.



For each target, there is a Performance Measurement Criteria that allows governments to self-evaluate their existing tax system with those targets. For each target, the STF provides dimensions and sub-dimensions, along with four maturity levels to self-evaluate on.

Countries need to provide evidence for their self-evaluated level. UNDP officials will guide government authorities during this process through virtual and in-person missions. The results are collected and provided with detailed insights through draft Self-Evaluation Report (SER). After the country authorities' feedback, the final version of SER is prepared.

**2) Recommendations**

Based on SER Results, the country authorities are provided with insights and recommendations to better align tax system with SDGs based on SER results.

**3) Country Support Plan**

Based on the national priorities, a country support plan for agreed areas is developed. Reforms are implemented through the support and collaboration of UNDP, government agencies and other development partners.

Periodic monitoring can be undertaken to measure progress with the tax reform agenda and anticipated outcomes (i.e., in relation to selective SDG targets). This could be done on a biannual basis or as needed.

## 1.3 Scope of STF evaluation – the Toolkit

STF Toolkit is designed to be a self-evaluation diagnostic framework that can be used by country authorities who are monitoring their own progress in achieving the SDGs. It is a menu of policy mix which can be employed by national governments to evaluate the tax system's alignment with the achievement of priority SDG targets, outlining wherever potential policy linkages exist between potential tax policy and administrative tools and specific targets/indicators of relevant SDGs. The use of recommendations and good practice in tax policy and administrative instruments to tackle specific objectives will vary depending on the economic, political and social context of a given country.

The process of self-evaluation is conducted through a STF toolkit which is an abridged version of this framework and is in the form of practical guide for self-evaluation which will be supported by the UNDP team and other development partners. The purpose of this STF toolkit is to:

- Provide country authorities with a structured methodology to undertake an objective evaluation of where a country stands with respect to the alignment of tax policy and administration with the achievement of the SDGs.
- Ensure the quality of data and evidence used for self-evaluation to enable a high degree of consistency in the evaluation made by different teams and across different countries.
- Determine the areas where more assistance is needed for the alignment of tax policy and administration for the fulfilment of the SDGs

The STF Toolkit does not provide any ranking of countries. The self-assessment is country specific. The aim is to use the STF scores to inform the government on what further policy reforms can be undertaken with respect to tax policy and administration, and what support may be needed, to undertake the tax reforms to achieve the SDGs, in areas where progress is lagging.

## 1.4 Architecture of the self-evaluation framework

From the perspective of alignment of taxation measures to SDGs, the most critical is SDG 17, since providing resources for the budget is an essential attribute of a sound public finance management and is vital for achieving SDGs. Therefore, for the architecture of the self-evaluation framework, SDG 17 (Global Partnership and DRM) will be the overarching theme. (Figure 2). SDG 17 is critical because it supports all other SDGs. Revitalizing the global partnership and improving DRM provide the resources needed to finance all SDGs.  DRM is impacted by both tax administration and tax policy outcomes. All other SDG targets are influenced mainly by tax policy interventions that are linked to the incentives or disincentives that purport to typically encourage behavioral changes relative to specific SDGs.

**Figure 2. Architecture of the self-evaluation framework**




## 1.5 Hierarchy of the self-evaluation framework

As stated earlier, tax interventions are just one set of measures to help achieve the SDG targets. More significant support is needed through budget allocations, subsidies, grants, cash transfers, international assistance and advocacy. The STF covers only the tax interventions that can significantly support achieving SDG targets. However, careful attention will be needed to ensure that increasing levels of DRM are sustainable and do not risk further impoverishment of vulnerable groups.

For each of these selected 49 SDG targets, one or more measurement dimensions and sub-dimensions are used. Thus, for the 49 selected targets that are used for the STF, there are a total of 59 measurement dimensions which include within them 94 sub-dimensions. The hierarchy of the measurement framework is shown in Figure 3.

**Figure 3. Hierarchy of the assessment framework**




The STF Toolkit focuses on only those targets and indicators that can possibly be achieved through tax interventions. Accordingly, out of a total of 169 SDG targets for the 17 SDGs, only 49 relevant targets are contemplated for use in the STF, since the other targets require mainly non-tax interventions such as budget grants, cash transfers, subsidies, international cooperation and advocacy.

## 1.6 Scoring methodology

**Overall structure.**

Each dimension or sub-dimension is evaluated using several criteria that determine these maturity levels, which are well-defined *evolutionary ladders* towards achieving specific SDG targets.

For each particular target/dimension/subdimension, the following scoring methodology is used:

- An ‘A’ score indicates that the country is at the top of the evolutionary ladder for that particular target and is following all the criteria of good international practice. Thus, it is well set to achieve the SDG target by using the tax interventions.

- A ‘B score indicates that, for the particular target/dimension/subdimension, the country is fulfilling the most important criteria and is close to using good international practice; with some additional effort, it is likely to achieve the SDG target.

- A ‘C’ score indicates that the country is utilizing just a few of the tax measures to achieve the particular SDG target and would need some important reforms of the tax laws and procedures to achieve the particular SDG target.

- Finally, a ‘D’ score indicates that the country has not met the basic requirements of a ‘C’ score and would need a good deal of reforms to move up the evolutionary ladder, including taking the tax measures that are needed to achieve the SDG target.

Each dimension and sub-dimension are measured against the aforesaid parameters set for the *evolutionary ladder* with criteria set for each level of the evolutionary ladder. In this manner, the STF demonstrates to the country authorities whether the tax measures they have taken are sufficient to achieve the SDG, and, if not, what further tax interventions need to be taken towards achieving the particular SDG targets.



It is important to emphasize that all SDGs are not equally relevant to all countries. For instance, for a land-locked country, Goal 14 on sustainable use of marine resources will be less relevant than for a small island state. Likewise, Goal 2 on ending hunger may be critical for a country facing food insecurity, but not for a country where food availability is adequate. Also, depending on level of maturity achieved with respect to different SDG, the significance of different SDG targets will vary.

Where, for a country, the SDG Dashboard indicates a green dot and a green arrow, showing that the country is on track for achieving a particular target/indicator, a self-evaluation may not be necessary for that particular indicator. However, where the SDG Dashboard indicates that challenges remain, the country would benefit from the tax intervention options to help achieve the particular SDG target.

## 1.7 Structure of Toolkit for each SDG

Discussions in every SDG include the following:

- The desired outcome for each SDG target which can be supported by tax intervention targets.

- A background of the tax measures and description of what represents international good practice or the maturity level of tax policy alignment for those targets, based on literature review.
- A detailed framework of performance measurement which contains the following column structure:

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|

For each SDG indicator, the Toolkit will present tracking from the SDG Dashboard in order for the authorities to acknowledge what has been achieved and how much additional effort is warranted for that particular indicator.

For the STF Toolkit, the maturity levels for targets under SDG 17 are presented first.

All other SDGs are arranged in the numerical order of the of the SDGs, i.e., from SDG 1 to SDG 16.

The SDGs should not be looked at in isolation but should be treated as “cogwheels” that are interdependent and interact with one another. The achievement of the SDGs will depend on providing synergies and trade-offs between different targets.

# 2. Goal 17: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

**Goal 17 is an overarching Goal and its achievement affects the achievement of all other Goals**

## 2.1 Relevant targets and indicators

*Target 17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection*

Indicator: 17.1.1 Total government revenue as a proportion of GDP, by source

Indicator: 17.1.2 Proportion of domestic budget funded by domestic taxes

*Target 17.3 Mobilize additional financial resources for developing countries from multiple sources*

Indicator 17.3.1 Foreign direct investment, official development assistance and South-South cooperation as a proportion of GNI

*Target 17.7 Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favorable terms, including on concessional and preferential terms, as mutually agreed*

Indicator 17.7.1 Total amount of funding for developing countries to promote the development, transfer, dissemination and diffusion of environmentally sound technologies

*Target 17.9 Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the Sustainable Development Goals, including through North-South, South-South and triangular cooperation*

Indicator 17.9.1 Dollar value of financial and technical assistance (including through North-South, South-South and triangular cooperation) committed to developing countries

*Target 17.16 Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries*

Indicator 17.16.1 Number of countries reporting progress in multi-stakeholder development effectiveness monitoring frameworks that support the achievement of the sustainable development goals

## 2.2 Preamble

Although the primary changes to improve domestic resource mobilization (DRM) must take place at the national level, where major revenue and spending take place, however, national tax systems are often highly dependent on international agreements and normative frameworks. The development of the international tax system relies to a large extent on negotiations where representation of developing countries is weak. Ensuring that the international tax system can respond to the challenges and capacities of developing countries is essential to ensure that it contributes to reducing inequalities and contributes to the fulfilment of the SDGs.

There are three main reasons why strengthening DRM in developing countries is important. First, where possible, domestic taxes need to work towards filling the gap between ambitious SDGs and available development finance. Second, more taxation is typically associated with more social spending, and third, greater state reliance on taxation can potentially lead to a more responsive, accountable and capable statehood and citizenry. Therefore, augmenting DRM is the primary focus of the 'Tax for SDG' initiative and Target 17.1 is the overarching target whose performance in countries will affect the performance of other SDG targets.

Both tax policy and tax administration are important for reinforcing DRM. In practice, tax policy and tax administration are intertwined. Policy changes are often triggered by improved administration, whereas ambitious policy reforms often stall or are undermined if the administration of taxes is weak. Hence, there are opportunities to improve the tax system through dual targeting of both. If the performance of the initiatives underlined under this target are improved, there is a strong likelihood of increasing DRM. The magnitude of increase in DRM, however, would depend on many factors that are specific to a country's economic and fiscal structure.



The seven sub-dimensions used to evaluate DRM are the following:

- Building the social contract
- Tax effort
- Monitoring tax expenditures
- Strengthening the tax administration
- Tackling tax avoidance and evasion
- Strengthening taxation of extractive industries

### *Building the social contract*

The relationship of people's rights and duties within a jurisdiction is often at the center of the "social fiscal contract" between taxpayers and the State. The connection between tax and governance manifests itself in different ways: The first is continuous bargaining between citizens and the state, centering on the payment of tax and the delivery of public goods and services. The second is through the state's incentive to promote growth, given that public finances depend on DRM. Finally, tax collection effectiveness is critically impacted by the quality and governance of institutions and organizations.

### *Tax effort*

In many developing countries there can be a significant tax gap, which means that the actual tax revenue collected is lower than what is legally owed (compliance gap) and what one would expect considering the country's economic output, degree of diversification of tax bases and stage of development (policy gap). It is well understood that the tax-to-GDP ratio in a country is determined by political choices as well as affected by a variety of economic and socio-cultural factors. At the same time, it is generally believed that ensuring basic public service provision for its citizens requires a tax-to-GDP ratio above 15 percent, but many developing countries have tax levels far below that level.

### *Monitoring tax expenditures*

Tax expenditures represent one of the most significant sources of revenue loss apart from hidden activities in the informal economy, base erosion and profit shifting (BEPS) and aggressive international tax planning practices. Monitoring tax expenditures provides the government and the people with knowledge of how much revenue is forgone as a result of tax reliefs such as exemptions, rebates, deductions, and other preferential tax regimes. Ideally, a sound monitoring of tax expenditures can be used to better evaluate the costs and benefits of specific tax expenditure provisions. The Global Tax Expenditures Database (GTED) provides information on tax expenditures worldwide. Whereas there are currently 103 reporting countries, the remaining 116 ones have never released any tax expenditure data.



### *Strengthening the tax administration*

Taxpayers expect that they receive value for tax money. Importantly, low quality in public service provision will often have a negative impact on tax morale. If administrative inefficiencies are high, taxpayer compliance costs will increase and taxpayers will have lower tax morale and willingness to contribute to the financing of government services. Improving audit capacities in countries is critical to ensure that large taxpayers including multinational firms (MNEs) who are likely to exploit tax planning strategies file accurate declarations. Tax administrations also need capital investments to upgrade their IT systems and improve information matching capacities. The widespread use of technology has helped improve the efficiency of many tax administrations in developing as well as developed countries.

### *Tackling tax avoidance and evasion*

Large corporations may have greater opportunities to get tax planning advice on reducing their tax liabilities. Reducing tax avoidance and evasion can help achieve greater equity in addition to enhancing efficiency in the tax system and enhance taxpayers' perception of the tax system being fair. Many areas with the highest potential to increase tax collection in developing countries are under domestic control, but international tax issues are also critically important (e.g., transfer pricing, profit shifting, tax avoidance, tax crime, etc.) Recovering tax liabilities due on MNEs' profits can often represent a greater source of potential revenue than other domestic reforms. BEPS practices cost countries an estimated USD 100-240 billion in lost revenue annually. Developing countries' losses tend to represent a much greater share of GDP compared to losses of more advanced economies. In addition to raising tax revenues and creating a level playing field, initiatives such as Tax Inspectors Without Borders (TIWB), the OECD/G20 BEPS project and Automatic Exchange of Financial Account Information in Tax Matters signal governments' commitment to address tax avoidance and evasion.

*Strengthening taxation of extractive industries*

Revenues from the extractive industries (EI) have major macroeconomic implications for many developing countries. EIs often account for over half of government revenue in petroleum-rich countries, and for over 20 percent in mining countries. Dependence on EI revenues in resource-rich countries has increased, at least in the medium term. Revenue objectives loom large in designing fiscal regimes for the EIs but involve complex trade-offs. EI revenues are highly unstable and prone to large fluctuations. Consequently, EI-dependent countries often fail to design an effective policy mix to promote economic diversification, rendering themselves more vulnerable to economic/global shocks. There is a growing recognition that international profit shifting by MNEs in the natural resource sector is a material threat to DRM. Without proactive and effective enforcement that sends a strong signal that transfer mispricing will be challenged, the mere presence of transfer pricing laws does not appear to deter profit shifting. There is a need for a concerted effort to close off many of the current profit shifting channels.



## 2.3 Performance measurement framework for Target 17.1

**The custodian agency** for indicator 17.1.1 is the **IMF** and the partner agencies are **OECD and World Bank.** This is a Tier I indicator.

**The custodian agency** for indicator 17.1.2 is the **IMF**. This is a Tier I indicator.

Table 17.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 17.1.

### Table 17.1. Performance Measurement Framework for Target 17.1

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 17.1 -** Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection | Indicators<br>17.1.1 Total government revenue as a proportion of GDP, by source<br>17.1.2 Proportion of domestic budget funded by domestic taxes | **G17-D1: Building the social contract** | **Sub-dimension 1:**<br>Extent to which tax administration publishes its operational and financial performance. | A | (i) Annual report of the full financial and operational performance of the tax administration is published on its website.<br>(ii) The annual report is published within six months of the end of the fiscal year |
| | | | | B | (i) Annual report of the full financial and operational performance of the tax administration is reported to the parliament.<br>(ii) The annual report is published within 12 months of the end of the fiscal year |
| | | | | C | (i) Annual report of either the financial or the operational performance of the tax administration is reported to the parliament.<br>(ii) Same as B (ii). |
| | | | | D | No annual report of the financial or operational performance is published. |
| | | | **Sub-dimension 2:**<br>Extent to which tax administration publishes its future plans. | A | Multi-year strategic plan of the tax administration is published on the website in advance of the period to which the plan relates. |
| | | | | B | Multi-year strategic plan of the tax administration is published on the website within six months after the start of the period to which the plan relates. |
| | | | | C | Short extract of the multi-year strategic plan is published on the website within nine months after the start of the period to which the plan relates. |
| | | | | D | No strategic plan is published |
| | | | **Sub-dimension 3:**<br>Monitoring of public perception of the tax administration and government's tax policy. | A | (i) The ministry of finance or tax administration commissions a survey of public perception of professionalism, level of service, and integrity in the tax administration based on a statistically valid sample.<br>(ii) The survey is conducted by an independent reputed third party every two years and the results are published soon after. |
| | | | | B | (i) Same as A (i)<br>(ii) Same as A (ii) except that the survey is conducted once every four years and results are published soon after |
| | | | | C | (i) Same as A (i)<br>(ii) The results of the survey are not published |
| | | | | D | No survey of public perception of the tax administration is conducted. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | **G17-D2: Tax effort** | **Sub-dimension 1:**<br>The value of tax to GDP ratio taken as an average of last 3 years. | A | The ratio of total net tax revenue as a percent of GDP is 15 percent or more taken as an average of last 3 fiscal years. |
| | | | | B | The ratio of total net tax revenue as a percent of GDP is at least 12 percent but less than 15 percent taken as an average of last 3 fiscal years. |
| | | | | C | The ratio of total net tax revenue as a percent of GDP is at least 10 percent but less than 12 percent taken as an average of last 3 fiscal years. |
| | | | | D | The ratio of total net tax revenue as a percent of GDP is less than 10 percent taken as an average of last 3 fiscal years. |
| | | | **Sub-dimension 2:**<br>Level of improvement in tax to GDP ratio over time. | A | The ratio of total net tax revenue to GDP has increased by 1.5 percent over the last three fiscal years. |
| | | | | B | The ratio of total net tax revenue to GDP has increased by 1 percent over the last three fiscal years. |
| | | | | C | The ratio of total net tax revenue to GDP has increased by 0.5 percent over the last three fiscal years. |
| | | | | D | The ratio of total net tax revenue to GDP has either remained stagnant or has increased by less than 0.5 percent over the last three fiscal years. |
| | | | **Sub-dimension 3:**<br>Distance to frontier: the degree to which the tax to GDP ratio approaches the global standard of 15 percent, expressed as a ratio of:<br>$\frac{(15 - t) \times 100}{15}$<br>where "t" is the country's tax to GDP ratio of the most recent fiscal year. "t" still counts as 15 if the tax to GDP ratio is higher than 15. | A | The distance to frontier is zero |
| | | | | B | The distance to frontier is greater than zero and up to 25 percent |
| | | | | C | The distance to frontier is greater than 25 percent and up to 50 percent |
| | | | | D | The distance to frontier is greater than 50 |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | G17-D3: **Monitoring tax expenditures** | **Sub-dimension 1:** Governance of tax expenditures | A | (i) There is a legal requirement to annually report on tax expenditures (TEs) and to submit the report to the parliament.<br>(ii) TE reporting is integrated into the fiscal policy through the Government Budget Proposals which present information at the individual TE provision level, including (i) the description of policy objectives (ideally, with references to the SDGs), (ii) the costing (revenue forgone estimates) of TEs, and (iii) the intended beneficiaries.<br>(iii) As per the institutional setup, only the parliament is involved in the approval of new TEs and the modification or elimination of existing TEs.<br>(iv) There is a tax policy unit in the MoF/ or equivalent ministry with adequate capacity that examines proposals for new tax expenditure based on cost-benefit analysis |
| | | | | B | (i) Same as A (i)<br>(ii) TE reporting is integrated into the fiscal policy through the Government Budget Proposals which present information at the individual TE provision level, including (i) the description of policy objectives (ideally, with references to the SDGs), and (ii) the costing (revenue forgone estimates) of TEs<br>(iii) As per the institutional setup, only the Ministry/Department in charge of fiscal policy and/or the parliament are involved in the approval of new TEs and the modification or elimination of existing TEs |
| | | | | C | (i) There is a legal requirement to annually report on tax expenditures (TEs) but not to submit to the parliament<br>(ii) TE reporting is integrated into the fiscal policy through the Government Budget Proposals which present information at the individual TE provision level, including at least (i) the description of policy objectives (ideally, with references to the SDGs) or (ii) the costing (revenue forgone estimates) of TEs<br>(iii) As per the institutional setup, only the Ministry/Department in charge of fiscal policy is involved in the approval of new TEs and the modification or elimination of existing TEs |
| | | | | D | The criteria for score C are not met |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | **Sub-dimension 2:** Reporting of tax expenditure. | A | (i) The government publicly reports the level of tax expenditure for all national taxes on a yearly basis<br>(ii) The TE report provides revenue forgone estimates, at the individual TE provision level.<br>(iii) The TE report identifies the policy goals (ideally, with references to the SDGs), at the individual TE provision level |
| | | | | B | (i) Same as A (i)<br>(ii) The TE report provides revenue forgone estimates, not at the individual TE provision level but at the tax type level |
| | | | | C | Same as A (i) |
| | | | | D | The criteria for score C is not met. |
| | | | **Sub-dimension 3:** Evaluation of tax expenditure. | A | (i) There is an ex-ante examination framework which discusses policy objectives (ideally wrt SDGs) and fiscal cost (revenue forgone)<br>(ii) A periodic (every 3 to 5 years) cost-benefit analysis of the twenty largest TE (in terms of revenue forgone) is done to determine their benefits and whether they are fit for purpose (also with reference to the SDGs).<br>(iii) All TEs negatively evaluated in the last 7 years, except those evaluated in the last 2 years, have been amended or abrogated |
| | | | | B | (i) A periodic (every 3 to 5 years) cost-benefit analysis of the 10 largest TEs (in terms of revenue forgone) is done to determine their benefits and whether they are fit for purpose (also with reference to SDGs).<br>(ii) At least 60% of TEs negatively evaluated in the last 7 years, except those evaluated in the last 2 years, have been amended or abrogated |
| | | | | C | (i) A periodic (every 3 to 5 years) cost-benefit analysis of the 5 largest TEs (in terms of revenue forgone) is done to determine their benefits and whether they are fit for purpose (also with reference to SDGs).<br>(ii) At least 40% TEs negatively evaluated in the last 7 years, except those evaluated in the last 2 years, have been amended or abrogated |
| | | | | D | The criteria for score C are not met |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | **Sub-dimension 1:** Average recurrent cost of collection of national revenue agencies. | A | Recurring budget of the tax administration as a ratio of total revenue collected by it is 0.5 percent or lower. |
| | | | | B | Recurring budget of the tax administration as a ratio of total revenue collected by it is higher than 0.5 percent but less than 1.0 percent. |
| | | | | C | Recurring budget of the tax administration as a ratio of total revenue collected by it is higher than 1.0 percent but less than 2.0 percent. |
| | | | | D | Recurring budget of the tax administration as a ratio of total revenue collected by it is higher than 2.0 percent. |
| | | **G17-D4: Strengthening tax administration efficiency harnessing use of digital technology** | **Sub-dimension 2:** Level of automation of the taxpayer registration database. | A | (i) The taxpayer registration database is centralized and digitalized, contains all relevant details of taxpayers and interfaces with the filing and payment processing sub-systems.<br>(ii) The database generates tax declarations and provides secure user access to taxpayers through taxpayer portal.<br>(iii) The accuracy of the database is assured for identifying and removing inactive taxpayers using automated cross-checking of information with other government agencies. |
| | | | | B | Same as A (i) and either of A (ii) or A (iii). |
| | | | | C | Same as A (i). |
| | | | | D | The criterion for a C score is not met |
| | | | **Sub-dimension 3:** Extent of to which tax declarations are filed electronically. | A | 100 percent of declarations for VAT, CIT and PIT are filed electronically. |
| | | | | B | 75 percent of declarations for VAT, CIT and PIT are filed electronically. |
| | | | | C | 50 percent of declarations for VAT, CIT and PIT are filed electronically. |
| | | | | D | Tax declarations are either not filed electronically or are filed electronically in less than 50 percent of total declarations filed. |
| | | | **Sub-dimension 4:** Extent to which national taxes are paid electronically. | A | 100 percent of VAT, CIT and PIT are paid electronically. |
| | | | | B | Between 75 percent and 100 percent of VAT, CIT and PIT are paid electronically. |
| | | | | C | Between 50 percent and 75 percent of VAT, CIT and PIT are paid electronically. |
| | | | | D | VAT, CIT and PIT are paid electronically in less than 50 percent of total number of payments. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | **Sub-dimension 5:** Extent to which refunds are paid electronically | A | 100 percent of VAT, CIT and PIT refunds are paid electronically. |
| | | | | B | Between 75 percent and 100 percent of VAT, CIT and PIT refunds are paid electronically. |
| | | | | C | Between 50 percent and 75 percent of VAT, CIT and PIT refunds are paid electronically. |
| | | | | D | VAT, CIT and PIT refunds are paid electronically in less than 50 percent of total number of payments. |
| | | | **Sub-dimension 6:** Extent of use of automated or spontaneous cross-checking of third-party information on taxpayers. | A | Automated cross-checking of third-party information is routinely used from the following sources:<br>(i) Employers for salary data<br>(ii) Banks and other financial institutions for interest payments<br>(iii) Real estate registry<br>(iv) Motor vehicle registry<br>(v) Customs<br>(vi) Government procurement agencies<br>(vii) Social security agency<br>(viii) Shareholder registry |
| | | | | B | Spontaneous cross-checking of third-party information is routinely used from the any five of the sources mentioned in A (i) to A (viii) |
| | | | | C | Spontaneous cross-checking of third-party information is used from any three of the sources mentioned in A (i) to A (viii), but cross-checking is ad hoc |
| | | | | D | Third party information is not received automatically and there is no cross-checking of third-party information. |
| | | | **Sub-dimension 7:** Extent of use of fiscalization and electronic invoice matching for VAT payers. | A | (i) VAT/sales invoices are transmitted electronically from the point of sale (POS) to the tax administration.<br>(ii) The tax administration system automatically cross-checks VAT/sales invoices on a routine basis with data submitted in the return to check discrepancies.<br>(iii) Electronic cash register at POS displays transactions to the retail customer. |
| | | | | B | Same as A (i) and A (ii) but not (A (iii) |
| | | | | C | Same as A (i)<br>Same as A (ii) except that cross-checking of VAT/sales invoices is not automatic. |
| | | | | D | There is no electronic transmission of VAT/sales invoices |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | G17-D5: **Tackling tax avoidance and tax evasion** | **Sub-dimension 1:** Monitoring and analysis of tax gap. | A | (i) Tax gap analysis is conducted using a standard methodology for VAT and one other main tax and by industry sector.<br>(ii) The analysis is conducted once every two years.<br>(iii) The results of the analysis are published. |
| | | | | B | (i) Tax gap analysis is conducted using a standard methodology for VAT and one other main tax, but not by industry sector.<br>(ii) The analysis is conducted once every four years.<br>(iii) The results of the analysis are published. |
| | | | | C | (i) Tax gap analysis is conducted using a standard methodology for VAT only.<br>(ii) The analysis is conducted once every six years.<br>(iii) The results of the analysis are not published. |
| | | | | D | No tax gap analysis is conducted. |
| | | | **Sub-dimension 2:** Use of standard risk management techniques for identifying, evaluating, prioritizing, and mitigating compliance risks. | A | (i) The tax administration uses a standard risk management process to identify, evaluate, prioritize and mitigate compliance risk covering the main taxes, main taxpayer segments and all four taxpayer obligations.<br>(ii) The risk management is undertaken centrally, with inputs from the regions, and is part of a multi-year strategy. |
| | | | | B | (i) The tax administration uses a standard risk management process to identify, evaluate, prioritize and mitigate compliance risk covering the main taxes, all four taxpayer obligations but only the large taxpayer segment.<br>(ii) The risk management process is undertaken centrally, with inputs from the regions, and is part of an annual compliance plan, not a multi-year strategy. |
| | | | | C | (i) Same as B (i)<br>(ii) The risk management process is undertaken both centrally and regionally and is part of an annual compliance plan |
| | | | | D | The structure management process is weak and lacks a coherent approach. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
| --- | --- | --- | --- | --- | --- |
| | | | **Sub-dimension 3:**<br>Scope of tax audit programs and criminal tax investigation. | A | The audit program has the following features:<br>(i) Audit cases are selected centrally based on assessed compliance risk.<br>(ii) Uses a range of audit types including comprehensive audit, single issue audit and desk audits,<br>(iii) Covers the main taxes, key taxpayer segments and high-risk sectors.<br>(iv) Uses computer-assisted audit tools that automates the extraction, analysis and cross-checking of large volumes of data, especially in criminal investigation of tax fraud. |
| | | | | B | Same as A (i), A (ii) and A (iii) |
| | | | | C | Same as A (i) an A(ii)<br>Same as A (iii) except that it covers the main taxes and is focused mainly on the large taxpayer segment. |
| | | | | D | Audit cases are selected regionally and not centrally. |
| | | | **Sub-dimension 4:**<br>Scope of use of measures to counter transfer pricing and profit shifting | A | (i) The tax administration has a specialized large taxpayer office (LTO) that deals with large corporations with complex international financial transactions.<br>(ii) A critical number of auditors in the LTO are trained in transfer pricing issues and use it routinely while conducting audit.<br>(iii) Advance pricing agreements and advance rulings are used for qualifying taxpayers.<br>(iv) The tax administration is part of Inclusive framework on BEPS and has implemented the 4 minimum standards<br>(v) The tax administration makes use of instruments of mutual assistance such as but not limited to automatic exchange of information, spontaneous exchange of information and exchange of information on request. |
| | | | | B | Same as A (i), A (ii) and A (iii).<br>(iv) The tax administration is part of Inclusive framework on BEPS but has not yet implemented the 4 minimum standards |
| | | | | C | Same as A (i) and A (ii). |
| | | | | D | The tax administration does not have a specialized large taxpayer office to deal with large corporations with complex international financial transactions. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | **G17-D6: Strengthening taxation of extractive industries** | **Sub-dimension 1:** Scope of fiscal measures to enhance revenue from extractive industries | A | (i) The government's total fiscal take is clearly stated and applied equally, comprising typical fiscal instruments such as production based royalties/product share, taxes targeted explicitly on rents, and the standard CIT.<br>Any 4 of the 5 below<br>(ii) If a production sharing contract (PSC) structure is utilized, whether the model PSC is public, and measures, if any, to publish suitably anonymized data about production shares achieved.<br>(iii) Transfer pricing rules are unambiguous<br>(iv) Transfer pricing rules are applied in the extractive sector<br>(v) The fiscal regime for EI limits tax incentives and the deduction of interest at project or entity level.<br>(vi) The fiscal take regime lists potential consequences of the interaction between the various instruments as well as with the general tax regime<br>(vii) The capital gains tax regime has a rule set for indirect transfers of assets in the extractive sector. |
| | | | | B | Same as criteria (i), and any 3 out of the remaining 5 for 'A' score. |
| | | | | C | Same as criteria (i) and any 2 out of the remaining 5 for 'A score. |
| | | | | D | The requirements for a 'C' score are not met. |

*International tax collaboration to increase domestic revenue mobilization*

International tax is both an issue for national tax systems and for international tax collaboration. At the international level it is mainly through the OECD and the UN agencies such as the IMF, World Bank, UNDESA and UNDP that normative adjustments and guidance are made and that policy debates are held. Developing countries are relatively more exposed and lose a higher share of their potential income tax revenue through an erosion of the tax base from tax avoidance and/or tax evasion.

The UN expert group, Committee for Development Policy, emphasizes the need for international tax cooperation and building capacity of national revenue authorities. Global rules need to promote a fair distribution of income and development opportunities at the international level.

*Tax Inspectors Without Borders*

The joint UNDP- OECD Tax Inspectors Without Borders (TIWB) is a significant effort in bridging the knowledge gap in critical areas of tax audit of high-risk cases and tax issues emanating from international transactions, particularly transfer pricing issues. TIWB programs provide tax administrations in developing countries with much needed assistance in building capacity to implement BEPS solutions and contribute to the DRM efforts of developing countries.

*The Platform for Collaboration on Tax*

The Platform for Collaboration on Tax (PCT)– a joint effort by the IMF, OECD, UN and the World Bank Group to facilitate and intensify co-operation between the four international organizations on international tax matters is producing a number of toolkits, such as the Tax Administration Diagnostic Assessment Tool (TADAT), to help low-capacity countries to implement reforms countering base erosion and profit shifting issues of particular concern to developing countries. In addition, technical assistance in critical areas of tax policy and tax administration is helping developing countries enhance their capacity for strengthening DRM.

*Inclusive Framework on BEPS and the Global Forum*

The Inclusive Framework includes 140 members, who, on an equal footing, monitor the implementation and contribute to the development of measures to combat Base Erosion and Profit Shifting (BEPS). The Inclusive Framework successfully responds to the Addis Ababa Action Agenda on Financing for Development commitment to 'scale up international tax cooperation'. Addressing the tax challenges raised by digitalization is currently the top priority for the OECD/G20 Inclusive Framework and has been a key area of focus of the BEPS Project since its inception. At the center of the debate is whether international income tax rules, developed in a "brick-and-mortar" economic environment more than a century ago, remain fit for purpose in the modern global economy. The consensus seems to be moving towards a system where a greater proportion of profits are allocated through fractional apportionment.

*International research network*

Research and higher education institutions, and individual researchers, can contribute to national tax systems by working directly with government agencies to co-develop applied research, models and data systems, and tailored policy analysis and advice. Further, they can create 'public good' research, data and models, such as the Global Tax Expenditure Database, that are used by government agencies, civil society organizations and other actors to improve the national tax system or disseminated to the general public to inform their views.

## 2.4 Performance measurement framework for Targets 17.3, 17.7, 17.9 and 17.16

**The custodian agencies** for indicator 17.3.1 are the **OECD and UNCTAD.** This is a Tier I/II indicator depending on the source.

**The custodian agency** for indicator 17.7.1 is the **UNEP** and the **partner agency is OECD**. This is a Tier I indicator.

**The custodian agency** for indicator 17.9.1 is the **OECD.** This is a Tier I indicator.

**The custodian agencies** for indicator 17.16.1 are the **OECD and UNDP** and the partner agency is UNEP. This is a Tier II indicator.

Table 17.2 sets out the criteria for scoring the dimensions and sub-dimensions of Targets 17.3, 17.7, 17.9 and 17.16.

## Table 17.2. Performance Measurement Framework for Targets 17.3, 17.7, 17.9 and 17.16

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 17.3:** Mobilize additional financial resources for developing countries from multiple sources<br><br>**Target 17.7:** Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favorable terms, including on concessional and preferential terms, as mutually agreed<br><br>**Target 17.9:** Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the Sustainable Development Goals, including through North-South, South-South and triangular cooperation<br><br>**Target 17.16:** Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries | Indicator 17.3.1 Foreign direct investment, official development assistance and South-South cooperation as a proportion of GNI<br><br>Indicator 17.7.1 Total amount of funding for developing countries to promote the development, transfer, dissemination and diffusion of environmentally sound technologies<br><br>Indicator 17.9.1 Dollar value of financial and technical assistance (including through North-South, South-South and triangular cooperation) committed to developing countries<br><br>Indicator 17.16.1 Number of countries reporting progress in multi-stakeholder development effectiveness monitoring frameworks that support the achievement of the sustainable development goals | **G17-D7: Level of cooperation with international institutions on domestic resource mobilization** | **Sub-dimension 1**: The extent to with the country avails of international collaboration to improve its domestic resource mobilization effort. | A | (i) The country avails itself of technical assistance and capacity building in tax policy and tax administration from international development partners.<br>(ii) The country participates in the Global Forum on Transparency and Exchange of Information for Tax Purposes.<br>(iii) The country avails itself of assistance in tax audit and other areas of support provided by the Tax Inspectors Without Borders where needed.<br>(iv) The tax administration has undergone a formal diagnostic assessment using the TADAT methodology.<br>(v) The tax administration and the ministry of finance routinely utilize for its own capacity enhancement research work on tax issues done by international institutions and academic institutions.<br>(vi) The country takes active participation in the work being conducted by the UN Tax Committee of Experts. |
| | | | | B | The country participates in, or avails of any four of criteria (i) to (vi) of 'A' score. |
| | | | | C | The country participates in, or avails of any two of criteria (i) to (vi) of 'A' score. |
| | | | | D | The requirements for a 'C' score are not met. |

# 3. Goal 1: End Poverty in all its forms everywhere

**Goal 1 has close synergies with Goal 2 (Hunger) and Goal 10 (Reducing Inequality) and should be examined together**

## 3.1 Relevant targets and indicators

*Target 1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day*

Indicator 1.1.1: Proportion of the population living below the international poverty line by sex, age, employment status and geographic location (urban/rural

*Target 1.2: By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its components according to national definitions.*

Indicator 1.2.1: Proportion of population living below the national poverty line, by sex and age

*Target 1.3: Implement nationally appropriate social protection systems and measures for all*

Indicator: 1.3.1. Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims and the poor and the vulnerable



## 3.2 Preamble

Reducing poverty and inequality are central to United Nations' SDGs. Poverty is closely linked to inequality. Societies that have large income and wealth inequalities witness concentration of nation's resources in the hands of a few, leaving millions of households in poverty. It is generally recognized by economists that inequality of pre-tax, pre-transfer, market incomes is the largest poverty enhancing factor. This means that making real progress on pushing the poverty rate down would be helped enormously by checking or even reversing the growth in market income inequality.

While income transfers and other forms of subsidies from the budget are best practice instruments of fiscal policy choice for removing poverty and inequality, well-designed and properly implemented tax policies can substantially contribute to reducing inequalities. The impact of tax policies can go far beyond just enhancing DRM, which in turn can support income transfers.

Reducing poverty and inequality are central to United Nations' SDGs. For those living in extreme poverty, social protection and livelihood programs are best practice instruments of fiscal choice for removing poverty and inequality. Nonetheless, the design of a tax system that aims to reduce inequality is an important element in the effort to reduce poverty.

While income transfers, social protection, cash transfers and other forms of subsidies from the budget are instruments of fiscal policy choice for removing poverty and inequality, well-designed and properly implemented tax policies can substantially contribute to reducing inequalities.[1] The impact of tax policies can go far beyond just enhancing DRM, which in turn can support income transfers. The design of a tax system depends on what the composition of the tax structure is. Does the country have a wealth tax, how progressive are taxes on labor incomes, what is the progressivity of social security taxes? Are there presumptive taxes and how are those structured? Dealing with these issues will help confront the twin issues of poverty and inequality. Addressing inequality is discussed in the chapter on Goal 10 but has relevance for this chapter too.

## 3.3 Performance measurement framework for Target 1.1

**The custodian agency** for Indicator 1.1.1 is the **World Bank** and the **partner agency** is **UNICEF**. This is a Tier I indicator and the data for the criteria used in STF can be accessed through the World Bank databank on World Development Indicators.

Table 1.1 sets out the criteria for scoring the dimension and sub-dimension of Target 1.1.

### Table 1.1 Performance Measurement Framework for Target 1.1

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 1.1 –** By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day | Indicator 1.1.1: Proportion of the population living below the international poverty line by sex, age, employment status and geographic location (urban/rural) | **G1-D1: Monitoring reduction in poverty level** | **Sub-dimension 1:** Extent of poverty reduction over time based on international poverty line | A | Population below the international poverty line (currently $2.15 per day) has reduced by 30 percent in the last 5 years. |
| | | | | B | Population below the international poverty line (currently $2.15 per day) has reduced by 20 percent in the last 5 years. |
| | | | | C | Population below the international poverty line (currently $2.15 per day) has reduced by 15 percent in the last 5 years. |
| | | | | D | Population below the international poverty line (currently $2.15 per day) has reduced by less than 10 percent in the last 5 years. |

1 ECOSOC (2019). ECOSOC- special meeting on International Cooperation in Tax Matters _Summary.pdf. April 2019. New York. https://www.un.org/esa/ffd/wp-content/uploads/2019/11/2019-ECOSOC-Tax-meeting_Summary.pdf

## 3.4 Performance measurement framework for Target 1.2

**The custodian agency** for Indicator 1.2.1 is the **World Bank** and the **partner agency** is **UNICEF**. This is a Tier I indicator and the data for the criteria used in STF can be accessed through the World Bank databank on World Development Indicators.

Table 1.2 sets out the criteria for scoring the dimension and sub-dimension of the Target 1.2.

**Table 1.2. Performance Measurement Framework for Target 1.2**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 1.2 -** By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its components according to national definitions | Indicator 1.2.1: Proportion of population living below the national poverty line, by sex and age | **G1-D2: Monitoring reduction in poverty level** | **Sub-dimension 1:** Extent of poverty reduction over time based on national poverty line | A | Population below the national poverty line has reduced by 30 percent in the last 5 years. |
| | | | | B | Population below the national poverty line has reduced by 20 percent in the last 5 years. |
| | | | | C | Population below the national poverty line has reduced by 10 percent in the last 5 years. |
| | | | | D | Population below the national poverty line has reduced by less than 10 percent in the last 5 years. |



*Sustainability of the social security base*

For those living in extreme poverty, social protection and livelihood programs are best practice instruments of fiscal choice for removing poverty and inequality. Many countries face the challenge of securing funding for their social security systems. The social security pension is, however, not a big issue in many low income countries where it is not well established.

## 3.5 Performance measurement framework for Target 1.3

**The custodian agency** for Indicator 1.3.1 is the **International Labor Organization** (ILO) and the **partner agency** is the **World Bank**. This is a Tier I indicator and the data for the criteria used in STF can be accessed through the World Bank databank on World Development Indicators.

Table 1.3 sets out the criteria for scoring the dimension and sub-dimension of the Target 1.3.

### Table 1.3. Performance Measurement Framework for Target 1.3

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 1.3** - Implement nationally appropriate social protection systems and measures for all | Indicator: 1.3.1. Proportion of population covered by social protection floors/ systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims and the poor and the vulnerable | **G1-D3: Sustainability of the social security base** | **Sub-dimension 1:** Level of effort to keep social security sustainable. | A | The social security system is funded through social security contributions and/or taxes and consists of:<br>(i) a non-contributory old age pension,<br>(ii) a contributory retirement savings scheme,<br>(iii) a health insurance,<br>(iv) unemployment insurance<br>[Note: Social protection programs (cash transfers, wrap around services, etc.), that are funded from the budget, are not evaluated here]: |
| | | | | B | Same as A (i) to A (iii) |
| | | | | C | Same as A (i) and A (ii) |
| | | | | D | The social security system is either skeletal or does not exist |

# 4. Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

**Goal 2 has close synergies with Goal 1 (Removing Poverty) and Goal 10 (Reducing Inequality) and should be examined together**

## 4.1 Relevant targets and indicators

*2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round*

2.1.2 Prevalence of moderate or severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES)

*2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.*

2.4.1 Proportion of agricultural area under productive and sustainable agriculture

*2.b Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round*

2.b.1 Agricultural export subsidies

The UN Food and Agriculture Organization (FAO) has designated 44 countries (34 in Africa, 3 in the Americas and 8 in Asia) as Low-Income Food-Deficit Countries(LIFDC) as of June 2023. Three countries (Bangladesh, Cote d'Ivoire and Ghana) have graduated out of the LIFDC list in 2023.

Source: FAO. *Low-Income Food-Deficit Countries (LIFDCs) List Updated June 2023.*

## 4.2 Preamble

Addressing global food security objectives is a multidimensional global challenge. The core contribution of agriculture can be encapsulated in the goal of achieving sustainable productivity growth, protecting the natural resource base and enabling future growth. Finding the appropriate policy tools to enhance the capacity of the food and agriculture sector to grow sustainably is a challenge for all governments and a target for the international community as established in the SDGs.

Ending hunger and malnutrition is among the greatest challenges humanity faces. A person is considered "food secure" when they have the physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life (as defined by the United Nations Committee on World Food Security). Urgent action is needed to address global food security. These are critical challenges for the world requiring international cooperation and policy reform.

Policy efforts must focus on sustainable solutions to build medium- and long-term resilience to food supply shocks for those people currently afflicted by chronic hunger and food insecurity. Socio-economically disadvantaged groups tend to consume less nutritious food, leading to suboptimal health outcomes. Increasing the incomes of the poor and tackling development challenges for countries are critical elements for achieving global food security.

*Role of tax policy in food security*

Since the primary cause of most food insecurity is poverty, providing access to low cost food should be an important part of food policy. Food banks and food subsidy are part of the equation from a public expenditure perspective. From a tax policy perspective, providing a reduced tax rate from consumption taxes for essential food items helps increase access to food for the poor. Policymakers need to be careful in targeting the right mix of food items, since a general rate reduction or exemption on food is bound to disproportionately help the rich. However, reduced rates often lead to compliance challenges.



Most food purchased by the poor, even if legally taxed, will never be taxed since the poor buy their food mainly in informal markets. The cost of collecting VAT in informal markets is not worth the collections raised. Hence, a tax on food is basically only a tax on high income individuals who purchase their food from supermarkets or such formal establishments. A better option to reduce rates for food is VAT credit for basic food items purchased by the poor sections of society.

## 4.3 Performance measurement framework for Target 2.1

**The custodian agency** for Indicator 2.1.2 is the **Food and Agriculture Organization** (FAO). This is a Tier I indicator.

Table 2.1 sets out the criteria for scoring the dimension and sub-dimension of Target 2.1.

### Table 2.1 Performance Measurement Framework for Target 2.1

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 2.1** - By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round | Indicator 2.1.2 Prevalence of moderate or severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES) | **G2-D1: Tax interventions for improving food security** | **Sub-dimension 1:** Consumption tax relief on targeted food products that are used by the poor and vulnerable section of society. | A | (i) VAT credit is provided for basic food consumed by low-income households.<br>(ii) While food typically consumed only by the poor is zero-rated, high-end food products including catering/restaurant services, alcoholic drinks, confectionery, crisps and savory snacks, sports drinks, ice cream, soft drinks and mineral water are taxed at standard rates.<br>(iii) For better targeting, detailed information with ingredient definition is provided to distinguish between items that are essential for food security and those that are not. |
| | | | | B | Same as (i) and (ii) of A |
| | | | | C | Same as (ii) of A |
| | | | | D | There is no VAT relief for ensuring food security. |



### *Sustainable and resilient agriculture production*

Today, agriculture faces a triple challenge. The production of safe and nutritious food will need to increase to meet the growing demand and ensure food security for all. The sector has to generate jobs and incomes and contribute to poverty eradication and rural economic growth. Furthermore, it has a major role to play in ensuring the sustainability of natural resources and in combating climate change. Many of the challenges faced by agriculture, especially in developing countries, can be met by successful structural transformation, including rural transformation. Labor productivity increases in agriculture promote food security, lead to higher wages, especially for the unskilled in the rural areas, and contribute towards the eradication of extreme poverty.

### *Tax policy and sustainable agriculture*

Tax policy is often used as a lever through which to affect behavior in the agricultural sector, impacting producer income, farmland transfer, investment, innovation, and sustainability outcomes. Tax interventions, in particular through income taxation, affect agricultural competitiveness through its impact on farm income levels and variability, investment in land and technology, labor and other input use, and the adoption of farm practices. For example, tax systems can incentivize farm investments by reducing taxable income through provisions for accelerated depreciation.

There is evidence that in many countries, tax provisions supported farm income, facilitated innovation and investment, thus allowing farm expansion. Another general finding is that tax instruments have limited capacity to improve sectoral productivity and sustainability when inefficient farms are largely exempted from taxation.

## 4.4 Performance measurement framework for Target 2.4

**The custodian agency** for Indicator 2.4.1 is FAO and the partner agency is the **UNEP**. This is a Tier II indicator.

Table 2.2 sets out the criteria for scoring the dimension and sub-dimension of the Target 2.4

**Table 2.2. Performance Measurement Framework for Target 2.4:**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 2.4** - By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality | Indicator 2.4.1 Proportion of agricultural area under productive and sustainable agriculture | **G2-D2: Tax policy promoting sustainable agriculture** | **Sub-dimension 1:** Promoting sustainable agriculture through tax reliefs on agricultural income, farm property, capital transfer of farmland and VAT on agricultural inputs. | A | (i) The tax law provides for allowance as a percentage of the amount of farm investment, which is allowed as a deduction from taxable income.<br>(ii) Accelerated depreciation or immediate expensing is allowed for investment in new technology that has the potential to raise agricultural productivity.<br>(iii) Farm income is subject to income tax and there is no income tax exclusion of farm income that tends to benefit large farmers.<br>(iv) The tax system allows farmers to smooth income variations over time by using tax averaging.<br>(v) There are tax rebates for agricultural property tax and land transfer tax as a means to allow structural change.<br>(vi) VAT reduced rate is allowed for sustainable agricultural inputs such as fertilizers, high yield seeds, animals, and animal feed, as a means to achieve structural transformation and lower cost. |
| | | | | B | Same as A (i), A (ii), A (iii) and A (v).<br>Reduced VAT rates are allowed for some agricultural inputs. |
| | | | | C | (i) Same as A (i) and A (ii).<br>(ii) Reduced VAT rates are allowed for some agricultural inputs. |
| | | | | D | Conditions for a C score are not met. |

*Export taxes*

Export taxes and import tariffs exhibit strong similarities or can even be equivalent in terms of their impact on domestic and foreign welfare. Another justification for eliminating export taxes is the consideration of net food-importing small countries that can be strongly harmed in the event of a food crisis and by the escalation of export taxes throughout the world. These countries do not have many policy instruments with which to address this kind of issue, and this has the potential of aggravating food crisis and hunger. Export taxes and export restrictions could clearly become a new and major bone of contention between high-income countries and agrifood exporting middle-income countries in trade negotiations.[2]

## 4.5 Performance measurement framework for Target 2.b

**The custodian agency** for Indicator 2.b.1 is the **World Trade Organization** (WTO). This is a Tier I indicator.

Table 2.3 sets out the criteria for scoring the dimension and sub-dimension of Target 2.b.



**Table 2.3. Performance Measurement Framework for Target 2.b:**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 2.b -** Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round | Indicator 2.b.1 Agricultural export subsidies | **G2-D3: Limiting trade restrictions** | **Sub-dimension 1:** The extent to which export taxes and other trade restrictions on food and agricultural products are eliminated. | A | (i) Export taxes on agricultural products including food are eliminated.<br>(ii) If export taxes on agricultural products are levied, they are imposed on targeted products that are affected by domestic food crisis.<br>(iii) The export taxes mentioned in (ii) are temporary and are removed, soon after the food crisis is over. |
| | | | | B | (i) Export taxes are not well targeted and are levied on food products that are not affected by a food crisis.<br>(ii) Same as A (iii) |
| | | | | C | (i) Export taxes are not well targeted and are levied on food products that are not affected by a food crisis.<br>(ii) Export taxes are removed, but many years after the food crisis for particular products is over. |
| | | | | D | Export taxes on food products are permanent and levied on a large variety of such products. |

2 Ibid.

# 5. Goal 3: Ensure healthy lives and promote well-being for all at all ages

## 5.1 Relevant targets and indicators

**Target 3.4** *By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being*

Indicator 3.4.1 Alcohol per capita consumption (aged 15 years and older) within a calendar year in litres of pure alcohol

**Target 3.5** *Target 3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol*

Indicator 3.5.2 Alcohol per capita consumption (aged 15 years and older) within a calendar year in litres of pure alcohol

**Target 3.8** *Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all*

Indicator 3.8.1 Coverage of essential health services

**Target 3.9** *Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination*

**Target 3.a** *Strengthen the implementation of the World Health Organization Framework Convention on Tobacco Control in all countries, as appropriate*

Indicator 3.a.1 Age-standardized estimates of current tobacco use, tobacco smoking and cigarette smoking

**Target 3.b** *Support the research and development of vaccines and medicines for communicable and non-communicable diseases*

Indicator 3.b.1 Proportion of health facilities with a core set of relevant essential medicines available and affordable on a sustainable basis

## 5.2 Preamble

SDG 3 looks to ensure good health and well-being for all, addressing the principal causes of death and disability, as well as promoting 4 targets that identify concrete means for countries to achieve better health. Most deaths in low- and middle-income countries are caused by non-communicable diseases such as cancers, diabetes, heart disease, and injuries. Many of these deaths could be avoided by reducing smoking, excessive alcohol consumption, drug use and high-sugar diets.

Tax policy, both directly and indirectly, can influence many of the targets and indicators under this SDG.

Spending on health is traditionally seen as a key determinant of countries' ability to reach healthy outcomes, with a linear relationship existing up until a relatively high amount of spending per capita. Tax policy, as the key lever for mobilizing domestic revenue is therefore the strongest public policy towards ensuring good public health and achieving SDG 3.

The first way tax policy is used to achieve health goals is through the imposition of taxes on health-harming goods, known as 'health taxes'. These can help accelerate progress towards SDGs by (i) providing dis-incentives to change people's behavior with respect to their health outcomes, (ii) provide incentives for firms to change the content of their health-harming products, as well as (iii) raise revenues to finance health. Secondly, tax exemptions, rebate, or credit to compensate for the cost of health insurance premiums can incentivize households to obtain health insurance cover.

### *Non-communicable diseases*

Non-communicable diseases (NCDs) are the leading cause of death in the world, representing around 75% of all deaths. These are principally made up of cardiovascular diseases, cancers, respiratory diseases, and diabetes, with the share continuing to rise, particularly in low- and middle-income countries (LMICs),

There is overwhelming evidence showing that taxes on tobacco, alcohol and SSBs, often known as 'health taxes', are among the most cost-effective interventions for addressing NCDs. Conceptually, health taxes correct market failures as the costs of negative health outcomes are often not fully borne by the consumer, representing an *externality*. If they are successful, health taxes will incorporate these two forces into the purchasing decisions of individuals, so that by increasing prices, consumption of health-harming goods decreases.

It should be emphasized that tax policies are not the only policy in promoting healthier consumption, and in many ways not the most effective. Smoking has decreased throughout the world, part because of higher tobacco taxes and the cost of smoking, but also because of public smoking bans, front of packet labels, advocacy campaigns on the dangers of smoking, among others. Similarly, such policies for all health-harming products and for the promotion of health-improving behaviors and consumption should be pursued in partnership with these tax policies.

## 5.3 Performance measurement framework for Target 3.4

**The custodian agency** for Indicator 3.4.1 is the **World Health Organization** (WHO). This is a Tier I indicator.

Table 3.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 3.4.

### Table 3.1. Target 3.4: Performance Measurement Framework

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 3.4** - By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being | Indicator 3.4.1 Mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease | **G3-D1: The scope of tax measures designed to prevent NCDs** | **Sub-dimension 1:** Extent to which health taxes are imposed to discourage the consumption of products that are harmful to health | A | (i) "*Appropriately high*" levels of specific excise taxes or other consumption taxes are levied to discourage consumption of the following unhealthy products:<br>a. Alcohol<br>b. Cigarettes and other tobacco products<br>c. Sugar and sugar-sweetened beverages.<br>(ii) These taxes are based on the quantity of an unhealthy product, or its unhealthy ingredient rather than taxes based on the product's value.<br>(iii) Where no excise taxes are levied on imported health-harming products, these are burdened by an equivalent tax at the border (import tariff and VAT on import), thus providing parity in pricing between domestically produced and foreign derived products. |
| | | | | B | Same as (i) a, (i) b, and (iii) of 'A' score |
| | | | | C | Same as (i) a, and (i) b of 'A' score |
| | | | | D | The requirements for a 'C' score are not met. |
| | | | **Sub-dimension 2:** Extent to which individuals benefit from tax policy that promotes healthy behaviors | A | (i) The tax system allows for reduced VAT for purchases of goods promoting good health such as fruits and vegetables, bicycles, fitness equipment, etc. only if cost benefit analysis indicates that the revenue lost as a result of the incentive is lower than the social and economic benefit of better health outcome.<br>(ii) The tax system places unhealthy foods, such as those high in sugar or saturated-fats in higher VAT rates than other food products.<br>(iii) The tax system allows for full or partial personal income tax deduction of expenses related to good health, such as bicycles, fitness equipment etc. only if cost benefit analysis indicates that the revenue lost as a result of the incentive is lower than the social and economic benefit of better health outcome. |
| | | | | B | Any two of (i), (ii) or (iii) of A |
| | | | | C | Either (i) or (ii) are met, but not both. |
| | | | | D | The requirements for a 'C' score are not met. |



### *Prevention of substance and alcohol abuse*

Alcohol is the second principal risk factor for NCDs, being responsible for approximately 5 percent of deaths worldwide. Consumption of alcohol contributes to immediate harms, such as injuries, road-traffic accidents and child and spousal abuse, and long-term ones, such as liver disease and mental health problems. Taxes on alcohol have been found to be particularly effective in lowering alcohol consumption and preventing the above-mentioned sources of death and disability.

## 5.4 Performance measurement framework for Target 3.5

**The custodian agency** for Indicator 3.5.2 is the **WHO**. This is a Tier I indicator

Table 3.2 sets out the criteria for scoring the dimensions and sub-dimensions of Target 3.5.

### Table 3.2 Performance Measurement Framework for Target 3.5

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 3.5 -** Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol | Indicator<br>3.5.2 Alcohol per capita consumption (aged 15 years and older) within a calendar year in litres of pure alcohol | **G3-D2: The extent of tax measures in place to discourage alcohol consumption** | **Sub-dimension 1:** Extent to which taxes are imposed to discourage the consumption of alcohol | A | (i) "*Appropriately high*" levels[3] of excise taxes or other consumption taxes are levied to discourage consumption of alcohol<br>(ii) These taxes are based on the quantity of pure alcohol, rather than the product's value.<br>(iii) Alcohol tax rates, based on alcohol content, are uniform across types, or tiered to be lower in beverages with lower alcohol content<br>(iv) Products imported into the country are burdened by an equivalent tax at the border, thus providing parity in pricing between domestically produced and foreign derived products. |
| | | | | B | Same as (i) and (ii) of 'A' score |
| | | | | C | Same as (ii-) of 'A' score |
| | | | | D | The requirements for a 'C' score are not met |
| | | | **Sub-dimension 2:** Extent to which tax and customs administrations and other law enforcement agencies enforce the payment of import and excise tax on alcohol | A | (i) A track-and-trace system is fully in place for the sale of alcoholic beverages<br>(ii) Effective monitoring and surveillance on the illicit trade or domestic production of alcoholic beverages<br>(iii) A well-functioning program to address unlicensed production of alcoholic beverages |
| | | | | B | (i) Parts of a track and trace system on alcoholic beverages are in place, such as the use of tax stamps for sale of alcoholic beverages<br>(ii) An existing program by customs administrations to address illicit trade of alcoholic beverages<br>(iii) An existing program to address unlicensed production of alcoholic beverages |
| | | | | C | Item (i) and (iii) of 'B' score |
| | | | | D | The requirements for a 'C' score are not met |



3 "Appropriately high" level would mean high enough to discourage most people from picking up the habit, but not high enough to encourage a black market. The level will vary by country and situation depending on the level of abuse of the unhealthy substance and

*Access to universal health coverage and affordable medicines*

Universal Health Coverage (UHC) reflects the ability of individuals to seek and receive health care without incurring exceptional expense. One such tax policy is to allow tax credit on personal income tax to low-income individuals for covering the cost of premiums for subscriptions to health insurance, or participation fees to community health insurance schemes. A second tax policy, which is more prevalent in economies with a relatively large share of formal sector employment, is allowing for enhanced corporate tax deductions for expenses related to enrolling employees into voluntary insurance schemes.

## 5.5 Performance measurement framework for Target 3.8

**The custodian agency for** Indicator 3.8.1 is the **WHO** and the **partner agencies** are **UNICEF, UNFPA, UNDESA** Population Division. This is a Tier I indicator

Table 3.4 sets out the criteria for scoring the dimensions and sub-dimensions of Target 3.8.



### Table 3.4. Performance Measurement Framework for Target 3.8

| | | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 3.8** - Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all | Indicator 3.8.1 Coverage of essential health services | **G3-D4: The scope of tax measures designed to improve financing and coverage of health services** | **Sub-dimension 1:** Extent to which the tax system provides incentive to individuals and household to participate in voluntary insurance schemes | A | The tax system allows for full tax rebates or credit to individuals to cover the cost of participating in voluntary health insurance schemes, including private health insurance schemes. |
| | | | | B | The tax system allows partial income tax rebates or credits to individuals to cover the cost of participating in voluntary health insurance schemes, including private health insurance schemes. |
| | | | | C | The tax system allows partial income tax rebates or credits to individuals to cover the cost of participating in voluntary health insurance schemes, but not private health insurance schemes. |
| | | | | D | The requirements for a 'B' or 'C' score are not met |
| | | | **Sub-dimension 2:** Extent to which the tax system provides incentives to firms on financing employee insurance plans | A | The tax system allows for:<br>(i) Enhanced deductions for firms for enrolling employees into voluntary health insurance schemes.<br>(ii) Tax deductions to firms for making contributions for employees into voluntary health insurance schemes. |
| | | | | B | The tax system allows for:<br>(i) normal deductions for enrolling employees into voluntary health insurance schemes.<br>(ii) partial tax deduction to firms for making contributions for employees into voluntary health insurance schemes. |
| | | | | C | (i) of 'B' score |
| | | | | D | The requirements for a 'C' score are not met. |

the enforcement capacity to check black market.

| | | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | **Sub-dimension 3:** Extent to which the tax system directs finance directly to health | A | There are tax mechanisms that direct financing toward health in a broad way:<br>(i) health programs are financed in part by a specific tax, in a non-legally binding way<br>(ii) contributions to social health insurance systems or publicly-financed health systems collected as part of the personal income tax process |
| | | | | B | There are tax mechanisms that direct financing toward health:<br>(i) health programs are fully financed by a tax, in a non-legally binding way<br>(ii) contributions to social health insurance systems or publicly financed health systems collected as part of the personal income tax process |
| | | | | C | There are tax mechanisms such that health programs are fully financed by a tax, in a legally binding way |
| | | | | D | The requirements for an ‘C’ score are not met. |

*Reducing illness and death from hazard chemicals and pollution*

Environmental and occupational risk factors cause an estimated 13.3 million deaths globally each year, while air pollution is estimated to cause nearly 7 million of these. This is the 4$^{th}$ largest risk for health, where certain diseases like chronic obstructive pulmonary disease are highly attributable to air pollution. Taxation on fossil fuels, also within carbon taxation mechanisms, represent the best way to drive behavior change away from fossil fuel combustion, by increasing the price of this as a fuel or energy source, in the same way that ‘health taxes’ incentivize lower consumption of other health-harming-goods. Fossil fuels can be taxed in a large variety of way, from extraction to refinement, distribution, and point of use.



## 5.6 Performance measurement framework for Target 3.9

**The custodian agency** for Indicator 3.9.1 is the **WHO.** This is a Tier I indicator

Table 3.4 sets out the criteria for scoring the dimensions and sub-dimensions of Target 3.9.

**Table 3.4. Performance Measurement Framework for Target 3.9**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 3.9** - Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination | Indicator 3.9.1 Mortality rate attributed to the household (indoor) and ambient (outdoor) air pollution | **G3-D4: The scope of tax measures designed to reduce consumption and combustion of fossil fuels** | **Sub-dimension 1:** Extent to which the tax system imposes tax on fossil fuels | A | The tax system imposes taxes on fossil fuels, (i) at the point of sale of fossil fuels for motor vehicles and other transport, (ii) at the point of combustion and emissions, (iii) at the point of refinement and distribution (if present), and (iv) at the point of extraction (if present). |
| | | | | B | The tax system imposes taxes on fossil fuels, (i) at the point of sale of fossil fuels for motor vehicles and other transport, (ii) at the point of combustion and emissions, and (iii) at the point of extraction (if present). |
| | | | | C | The tax system imposes taxes on fossil fuels, (i) at the point of sale of fossil fuels for motor vehicles and other transport, and (ii) at the point of extraction (if present). |
| | | | | D | The requirements for a 'B' or 'C' score are not met |

*Tobacco Control*

Tobacco use is seen as one of the most important *risk factors* for NCDs. Unlike for other health-harming products, there exists a generally accepted set of targets for tax, where the WHO recommends that at least 75% of the final retail price be made up of tax. Compared to alcoholic beverages, taxes on tobacco products are more frequently imposed on the quantity of products sold and consumed, as a specific tax.



## 5.7 Performance measurement framework for Target 3.a

**Custodian agencies** for Indicator 3.a.1 are the **WHO and WHO-FCTC**. This is a Tier I indicator

Table 3.5 sets out the criteria for scoring the dimensions and sub-dimensions of Target 3.a.

### Table 3.5. Performance Measurement Framework for Target 3.a

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 3.a** - Strengthen the implementation of the World Health Organization Framework Convention on Tobacco Control in all countries, as appropriate | Indicator 3.a.1 Age-standardized estimates of current tobacco use, tobacco smoking and cigarette smoking | **G3-D5: The scope of tax measures designed to reduce the consumption of tobacco products** | **Sub-dimension 1:** Extent to which taxes are imposed to discourage the consumption of tobacco. | A | (i) "*Appropriately high*" levels of excise taxes or other consumption taxes are levied to discourage consumption of tobacco<br>(ii) These taxes are based on the quantity of tobacco, either the number of sticks, or g of tobacco.<br>(iii) There is effective surveillance and control on the recollection of excise taxes, on tobacco products, manufactured in the country, or import duties on those imported to the country. |
| | | | | B | Same as (i) and (iii) of 'A' score |
| | | | | C | Same as (iii) of 'A' score |
| | | | | D | The requirements for a 'C' score are not met. |
| | | | **Sub-dimension 2:** Extent to which tax and customs administrations and law enforcement agencies enforce the payment of import and excise tax on tobacco products | A | (i) A track and trace system is in place for the sale of tobacco products<br>(ii) Effective monitoring and surveillance on the illicit trade of tobacco products by the program of customs administrations to address illicit trade of tobacco products<br>(iii) The country has signed the Protocol to Eliminate Illicit Trade in Tobacco Products |
| | | | | B | (i) Parts of a track and trace system on tobacco products is in place, such as the use of tax stamps on cigarette cartons<br>(ii) An existing program by customs administrations to address illicit trade of tobacco products<br>(iii) The country has signed the Protocol to Eliminate Illicit Trade in Tobacco Products |
| | | | | C | The country has signed the Protocol to Eliminate Illicit Trade in Tobacco Products |
| | | | | D | The requirements for a 'C' score are not met. |



## *Support for research and development of vaccines and medicines*

The global supply chain for medical goods depends on a small number of large producers in countries which have comparative advantage in Research and Development (R&D) in drug invention and manufacture. Drug manufacturing may be inefficient in countries where regulatory capacity for drug quality control and licensing is weak and drug research and innovation capabilities are limited or non-existent. However, from the point of view of ensuring health security and the potential provision of essential health commodities, a minimum level of limited productive capacity of essential medical goods, such as surgical masks and generic drugs, is considered crucial. long term tax policy, in this regard can be mobilized to incentivize a nascent pharmaceutical industry, or expansion across borders of existing firms, by providing enhanced deductions and benefits for investment in this area.

## 5.8 Performance measurement framework 3.b

**Custodian agencies** for Indicator 3.b.1 are the **WHO and UNICEF**. This is a Tier I indicator

Table 3.6 sets out the criteria for scoring the dimensions and sub-dimensions of Target 3.b.

### Table 3.6. Performance Measurement Framework for Target 3.b

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 3.b** - Support the research and development of vaccines and medicines for the communicable and non-communicable diseases | Indicator 3.b.1 Proportion of health facilities with a core set of relevant essential medicines available and affordable on a sustainable basis | **G3-D6: The scope of tax measures designed to promote the development and production of essential medical goods** | **Sub-dimension 1:** Extent to which taxes policies are implemented to encourage the development and production of essential medical goods at the national level | A | (i) a VAT exemption is allowed for medical goods found on the country's essential medicines list.<br>(ii) accelerated depreciation or full expensing for investment in equipment required exclusively for the production of essential vaccine<br>(iii) enhanced tax deductions for expenses related to research and development of pharmaceuticals and health technologies |
| | | | | B | Any two of 'A' score |
| | | | | C | Any one of 'A' score |
| | | | | D | The requirements for a 'C' score are not met. |

# 6. Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

**Goal 4 has synergies with Goal 8 (Sustainable Economic Growth and Productive Employment) and Goal 10 (Reducing Inequality), and should be examined together**

## 6.1 Relevant targets and indicators

*4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes*

4.1.1 Proportion of children and young people (a) in grades 2/3; (b) at the end of primary; and (c) at the end of lower secondary achieving at least a minimum proficiency level in (i) reading and (ii) mathematics, by sex

*4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education*

4.2.1 Proportion of children aged 24-59 months who are developmentally on track in health, learning and psychosocial well-being, by sex

*4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university*

4.3.1 Participation rate of youth and adults in formal and non-formal education and training in the previous 12 months, by sex



## 6.2 Preamble

SDG 4 aims to ensure inclusive and quality education and promote lifelong learning opportunities for all. Understanding the role of the tax system in the investment in human capital is important for both tax and skills policy makers. Economic returns are a key driver of individuals' decisions to invest time and money in education at pre-primary, primary, secondary, and beyond compulsory schooling, as well as of employers' decisions to finance employee training.

Taxes have an immediate or direct impact on the incentive to invest in skills formation through several demand channels. Taxes also affect the supply of skills through their impact on unemployment, work effort and labor market participation decisions, including those of parents, secondary earners and older workers eligible for retirement. Moreover, inter-jurisdictional differences between tax systems can influence the migration of highly skilled workers. Taxes also affect the demand of highly skilled workers either directly, through tax incentives, or indirectly, through the burden of employer social security contributions or through competing tax incentives that encourage alternative investments. The impact of taxes on the supply and demand of skills ultimately affects human capital investment decisions, albeit indirectly, by influencing the expectations of participating in the labor market, finding work that suitably matches the skills acquired, or working full-time.

*Investment in education*

Higher skill levels lead to higher wages and better employment prospects for individuals, higher

Understanding the role of the tax system in the investment in human capital is important for both tax and policy makers in the education and labor ministries. The impact of the tax system on physical capital is extensively studied and can be a significant factor in shaping tax policy reform. Similar consideration should be given to the impact of taxes on human capital. For instance, a tertiary degree more than pays for itself in terms of future expected after-tax income.

> Governments generally recoup the costs of their investment in tertiary education through higher income tax revenue. Estimates suggest that, on average, the extra income tax revenue gained from educating a typical student at the tertiary level amounts to 118 percent of government education costs across the OECD. This is in addition to other returns to skills investments for governments.
>
> [OECD (2017). Taxation and Skills. OECD tax Policy Studies, No. 24]



## 6.3 Performance measurement framework for Target 4.1

**The custodian agency** for Indicator 4.1.1 is **UNESCO-UIS** and the **partner agency** is **OECD**. This is a Tier I indicator

Table 4.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 4.1.

## Table 4.1. Performance Measurement Framework for Target 4.1

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 4.1** - By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes | Indicator 4.1.1 Proportion of children and young people (a) in grades 2/3; (b) at the end of primary; and (c) at the end of lower secondary achieving at least a minimum proficiency level in (i) reading and (ii) mathematics, by sex | **G4-D1: Investment in education** | **Sub-dimension 1:** The extent to which the government undertakes a comprehensive assessment of the level of underinvestment in education and vocational skill development. | A | Every five years, the government:<br>(i) Conducts a comprehensive assessment of the level of underinvestment in education and vocational skill development.<br>(ii) Examines whether education subsidies already provide incentives to raise investment in education to socially optimal levels.<br>(iii) Determines whether non-fiscal solutions that directly tackle underinvestment are administratively and politically feasible.<br>(iv) Undertakes an economic and social cost-benefit analysis of tax expenditure on education and skill development. |
| | | | | B | During the last ten years, the government:<br>(i) Has conducted a partial assessment of the extent of underinvestment in education and vocational skill development.<br>(ii) Has examined whether education subsidies already provide incentives to raise investment in education to socially optimal levels.<br>(iii) Has undertaken a partial cost-benefit analysis of tax expenditure on education and skill development. |
| | | | | C | The government has examined during the last ten years, whether spending subsidies already provide incentives to raise investment in education to socially optimal levels |
| | | | | D | The requirements for a 'C' score are not met. |
| | | | **Sub-dimension 2:** The scope of incentives for reducing the cost of education for low-income student and/ or low income parents of student. | A | The tax system provides for low-income individuals:<br>(i) Exemption of scholarship income from PIT of student.<br>(ii) Deduction of tuition costs and other educational expenses from PIT of student.<br>**OR**<br>Tax credit in PIT for expenses related to education.<br>(iii) Deduction of tuition costs and other educational expenses from PIT for parent's income.<br>(iv) Deductibility of interest on student loans from PIT. |
| | | | | B | The tax system provides any three of (i), (ii), (iii) or (iv) of 'A' score |
| | | | | C | The tax system provides any two of (i), (ii), (iii) or (iv) of 'A' score |
| | | | | D | The requirements for a 'C' score are not met. |

*Early childhood development*

Investing in early childhood education is a solution that creates upward mobility by ensuring all children have the opportunity to build foundations for long-term success in life. Children who receive a high-quality early childhood education are proven to be more likely to earn higher wages, live healthier lives, avoid incarceration, raise stronger families and contribute to society. The benefits of high-quality programs from birth through age five do not end with one child but instead extend to their entire family, now and in the years to come.

> Caretaking contributed to mothers' decisions to work part-time or take unpaid leave, but it played an even bigger role in deciding whether to work. Many countries have, therefore, used the tax code to address the problem that childcare expenses typically are linked with a parent's ability to work.

## 6.4 Performance measurement framework for Target 4.2

**The custodian agency** for Indicator 4.2.1 is **UNICEF** and the partner agencies are UNESCO**-UIS, OECD, World Bank, WHO**. This is a Tier II indicator.



Table 4.2 sets out the criteria for scoring the dimensions and sub-dimensions of Target 4.2.

**Table 4.2. Performance Measurement Framework for Target 4.2**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 4.2** - By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education | Indicator 4.2.1 Proportion of children aged 24-59 months who are developmentally on track in health, learning and psychosocial well-being, by sex | **G4-D2: Early childhood development** | **Sub-dimension 1:**<br>The extent of tax support provided to help low-income parents in reducing their cost of childcare for their children under five years. | A | The tax system encourages investment in childhood development by providing:<br>(i) Tax credits or deductions to fully compensate work-related childcare expenses incurred by low-income families with children under the age of five.<br>(ii) Deductions as business expenses to employers who provide childcare facilities for children of their employees. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | | B | The tax system encourages investment in childhood development by providing:<br>(i) Tax credits or deductions to partially compensate work-related childcare expenses incurred by low-income families with children under the age of five.<br>(ii) Deductions as business expenses to employers who provide childcare facilities for children of their employees. |
| | | | | C | The tax system provides any one of (i) or (ii) of 'B' score. |
| | | | | D | The requirements for a 'C' score are not met. |

*Vocational training*

Taxation is one among a range of influences on skills formation and utilization. Tax policy is, therefore, only one component of the whole-of-government approach to developing successful skills policies. As such, the tax treatment of human capital should be analyzed within the broader context of fiscal policy and the role of government in steering skills formation. For example, public funding for education can partly or fully offset any possible tax disincentives to invest in education. Creating incentives to invest in skills across society is a key component in lifting wage and productivity levels, and in ensuring that growth in the coming years is inclusive and sustainable.



## 6.5 Performance measurement framework for Target 4.3

**The custodian agency** for Indicator 4.3.1 is **UNESCO-UIS** and the **partner agencies** are OECD**, Eurostat, ILO.** This is a Tier II indicator.

Table 4.3 sets out the criteria for scoring the dimensions and sub-dimensions of Target 4.3.

### Table 4.3. Performance Measurement Framework for Target 4.3

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 4.3** - Target 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university | Indicator 4.3.1 Participation rate of youth and adults in formal and non-formal education and training in the previous 12 months, by sex | **G4-D3: Vocational training** | **Sub-dimension 1:** The scope of incentives provided to employees and employers to reduce the cost of skill enhancement | A | The tax system provides:<br>(i) Deduction as business expenses for employers providing training workshops to employees for skill development.<br>(ii) PIT deduction or tax credit for tuition costs incurred by the low income employees for their own skill development.<br>(iii) PIT deduction of interest on student loans taken by any low income employee to meet the cost of investment in skill development. |
| | | | | B | The tax system provides any two of (i), (ii) or (iii) of 'A' score |
| | | | | C | The tax system provides any one of (i), (ii) or (iii) of 'A' score |
| | | | | D | The requirements for a 'C' score are not met. |

# 7. Goal 5: Achieve gender equality and empower all women and girls

## 7.1 Relevant targets and indicators

*5.1 End all forms of discrimination against all women and girls everywhere*

5.1.1 Whether or not legal frameworks are in place to promote, enforce and monitor equality and nondiscrimination on the basis of sex

*5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life*

5.5.2 Proportion of women in managerial positions

*5.a Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws*

5.a.2 Proportion of countries where the legal framework (including customary law) guarantees women's equal rights to land ownership and/or control



## 7.2 Preamble

Gender equality in economic opportunities and outcomes is critical to inclusive and sustainable growth. Though normative frameworks are in place and much progress has been made in the last half century, women and other non-binary and underrepresented groups continue to be disadvantaged by almost every global measure and gender gaps remain significant on a global scale, due to gendered social expectations and stereotypes, legal restrictions or non-legal barriers to women's access to public services such as education, healthcare, financial services, access to property and asset ownership, and the labor force. Promoting gender equality has been shown to play an important role in boosting economic productivity and growth, enhancing economic resilience, and reducing overall income inequality.

Taxation impacts gender equality in a number of different ways: in how taxes are collected (with explicit and implicit biases) and in how much taxes are collected (in order to fund gender responsive public services). These include: (i) gender bias in tax policy concerning labour (PIT) with explicit bias against women considering tax units (household or joint): (ii) gender issues in CIT and transnational corporate tax practices; (iii) consumption taxes with implicit bias against women because of assumptions towards women's roles and identities in society, and disregard on how incomes are earned and spent; (iv) gender and capital taxation; and (v) gender equality in tax administration.

Substantial efforts are still required to reduce gender biases embedded in tax systems around the world. A recent study by the African Tax Administration Forum (ATAF) finds little to no evidence that tax policies in member countries were developed with any concern for their impact on inequality between the sexes. Taxation can impact gender outcomes in different ways, notably through tax policies, laws and administrative procedures that may give rise to explicit or implicit gender biases and in how tax revenue is allocated to gender responsive budget programs and public services.

### *Reporting and evaluation of gender equality (gender disaggregated data)*

In order to have informed decision making to address gender inequalities linked to taxation, there is need to improve the collection of gender-disaggregated data on taxation. Any kind of gender equality analysis of tax policies and systems requires, at a minimum, data that is disaggregated by gender, age, and social and economic status. For instance, income tax returns should include a field for gender. There are other indicators, such as level of education, that are also important to consider when exploring disaggregated data.

### *Explicit and implicit gender bias in the tax system*

Tax systems and taxation have gendered implications, affecting men and women differently with both explicit and implicit gender bias. Explicit gender bias occurs where tax provisions are legally linked to gender. Explicit gender bias occurs where tax provisions are legally linked to gender. Provisions in the tax code, or in formal administration requirements, that explicitly reference gender, often worsen inherent gender biases present in society.

Implicit bias arises where taxes and tax systems interact with differences in underlying patterns of economic behavior associated with gender roles and social values and expectations. One obvious example relates to the impacts of the tax system on second earners, given that second earners are predominantly women. Implicit bias can also manifest in informal taxation or user fees on services used more by women.

Tax policies that worsen explicit and implicit gender inequalities should be removed or modified, while policies aimed at reducing explicit and implicit gender inequalities should be promoted. The same holds true at the level of the tax administration, where procedures and services can be better tailored to the needs of women. This can range from basic facilitation measures such as convenient and consistent office hours of tax offices to sophisticated compliance improvement programs that aim to empower female taxpayers through digitalization.

### *Reducing gender inequality through taxation of income and consumption.*

Taxation of labor income is an important aspect of taxation approached from a gender perspective, because it is most directly linked to family and labor supply decisions, which in turn have a major impact on the incomes and security of women. A tax system can influence decisions by individuals and households notably with respect to the treatment of costs related to participating in paid employment through the progressivity of the system, the unit of taxation, and the definition of the tax base. The progressivity of the income tax system can reduce gender inequality by providing stronger work incentives to women at the low end of the income distribution. From a labor supply perspective, taxing household as a unit generally raises tax rates for secondary earners and lowers them for primary earners.

For consumption taxes, such as sales tax, value-added and excise, there is a relationship between externalities and differences in consumption patterns across genders and their interaction with taxes, for example, on female hygiene products and excise taxes. In many countries basic products used both by men and women have reduced VAT rates, but products (like menstrual hygiene products) used by women do not. It has been argued that exemption of menstrual hygiene products benefits richer women. It is, therefore, important to conduct cost benefit and incidence analysis before VAT exemption is considered for women's hygiene products. A better option is to allow poor women (below a certain threshold) to claim credit for VAT paid on these products. This will limit the benefit to poorer women.

## 7.3 Performance measurement framework for Target 5.1

**The custodian agency** for Indicator 5.1.1 is the **UN Women**, **World Bank, OECD Development Centre** and the **Partner agency** is **OHCHR**. This is a Tier II indicator.

Table 5.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 5.1.



**Table 5.1 Performance Measurement Framework for Target 5.1.**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 5.1** *End all forms of discrimination against all women and girls everywhere* | 5.1.1 Whether or not legal frameworks are in place to promote, enforce and monitor equality and nondiscrimination on the basis of sex | **G5-D1: Reporting and evaluating gender equality** | **Sub-dimension 1:** Extent of gender-based reporting and analysis. | A | (i) There is routine (every 3 to 5 years) reporting and evaluation of the impact of tax policy on gender inequality.<br>(ii) Gender analysis is routinely (every 3 to 5 years) conducted for the design, implementation and monitoring of tax policy choices<br>(iii) The relevant institution has in place a systematic gender disaggregation data system.<br>(iv) The relevant institution maintains gender-disaggregated data on property ownership in two major cities.<br>(v) The relevant institution maintains gender-disaggregated on consumption patterns<br>(vi) The relevant institution maintains gender-disaggregated data on taxation… |
| | | | | B | (i) Any two of A (i) to A (iii).<br>(ii) Same as A (iv) |
| | | | | C | (i) Any one of A (i) to A (iii) |
| | | | | D | Gender-disaggregated data does not exist and there is no gender analysis for designing or reforming tax policies. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | **G5-D2: Tax policy measures to reduce gender inequality** | **Sub-dimension 1:** Extent of proactive tax policy measures taken to reduce gender inequality in relation to taxation. | A | (i) Relevant institutions have a mechanism in place to conduct gender impact assessment for any review or new tax policy.<br>(ii) The authorities promote reducing implicit gender inequalities.<br>(iii) There are no tax provisions that explicitly perpetuate or worsen gender. |
| | | | | B | (i) Same as A (ii).<br>(ii) Same as A (iii). |
| | | | | C | (i) Same as A (ii) |
| | | | | D | No effort has been made in the last five years to remove tax provisions with explicit gender inequality. |
| | | **G5-D3: Reducing gender inequality through taxation of labor and consumption and corporate taxation** | **Sub-dimension 1:** Reducing gender inequality through labor taxation. | A | (i) Progressive Personal Income tax (PIT) rates are used.<br>(ii) Tax provisions allow credit for childcare costs to low-income families.<br>(iii) Tax provisions allow tax credits for working mothers.<br>(iv) In countries where household is taxed as a unit, the threshold at every tax bracket is at least double that for individuals.<br>(v) Lowest PIT marginal income tax rate is above poverty line so that those below the poverty line are exempted fully from personal income taxation.<br>(vi) Social contribution taxes in terms of both contributions and benefits are fully individualized |
| | | | | B | (i) Same as A (i).<br>(ii) Same as A (ii).<br>(iii) Same as A (iii)<br>(iv) Any two of (iv), (v) and (vi) |
| | | | | C | (i) Same as A (i)<br>(ii) Either of A (ii) and A (iii)<br>(iii) Any one of (iv), (v) and (vi) |
| | | | | D | Criteria for a C score is not met. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | **Sub-dimension2:** Reducing gender inequality through consumption taxes. | A | For poor households,<br>(i) There is VAT credit or tax exemption for female hygiene products.<br>(ii) There is VAT credit or tax exemption for infant food products.<br>(iii) There is VAT credit or tax exemption for childcare services. |
| | | | | B | Any two of A (i), A (ii) and A (iii) |
| | | | | C | Any one of A (i), A (ii) and A (iii) |
| | | | | D | There is no gender-specific consumption tax exemptions. |
| | | | **Sub-dimension 3:** Reducing gender inequality through corporate taxes | A | (i) Existing tax expenditures do not have gender bias (evidence will involve a review of tax expenditures with a gender lens).<br>(ii) Existing provision of tax incentives to corporations that increase the participation of women in employment.<br>(iii) Existing provision of tax incentives to corporations that increase the role of women in management.<br>(iv) Provision of tax incentives to corporations that increase the role of women in directorships.<br>(v) Provision of tax incentives to corporations that increase procurement from women-owned businesses |
| | | | | B | Any 3 of A (i), A (ii), A (iii) and A (iv) |
| | | | | C | Any 2 of A (i), A (ii), A (iii) and A (iv) |
| | | | | D | Criteria for a C score is not met. |



*Addressing gender inequality in tax policy and tax administration decision making roles.*

Gender responsive tax institutions are a precondition for ensuring tax policies contribute to advancing gender equality and women's economic empowerment. This requires ensuring the equitable and meaningful participation of both women and men in decision making about tax policies. Where women remain underrepresented in executive positions within tax administrations, their voices tend not to be heard and their experiences not to be considered when taxation systems are designed, implemented, analyzed, or evaluated and tax policy decisions. There is also ample scope for gender considerations at the level of the tax administration. This includes the development of female-friendly taxpayer services (depending on cultural contexts), dedicated efforts to educate female entrepreneurs and taxpayers to promote tax compliance and developing gender-sensitive communications strategies and outreach programs. For tax institutions to effectively embed gender equality into its service delivery, and eradicating discriminatory and harmful practices, ensuring a zero tolerance to gender-based violence and sexual harassment, and promoting work and life balance for all staff.

## 7.4 Performance measurement framework for Target 5.5

**The custodian agency** for Indicator 5.5.2 is the **ILO**. This is a Tier I indicator.

Table 5.2 sets out the criteria for scoring the dimensions and sub-dimensions of Target 5.5.

## 7.5 Table 5.2 Performance Measurement Framework for Target 5.5.

| Target | Indicator | Dimension | Sub-dimension | score | Criteria |
|---|---|---|---|---|---|
| **Target 5.5** **-** *Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life* | 5.5.2 Proportion of women in managerial positions | **G5-D4: Tax administration and the MOF as an example of gender equality ensure enabling working environments** | **Sub-dimension 1:** Extent of measures taken by the tax administration to improve gender equality in the workplace. | A | Relevant institutions such as tax administration and ministry of finance:<br>(i) Implement actions to narrow any existing the salary gap between men and women for the same job.<br>(ii) Ensure that at least 40% share of women occupy senior decision-making positions: secretaries, sub secretaries, directors, vice directors, and institutional and inter institutional committees.<br>(iii) Have a Zero tolerance policy and protocol to prevent and address gender-based violence and sexual harassment in the workplace is in place.<br>(iv) Have a policy/plan of action produced in a participatory way, to favor work and life balance, including promoting men's responsibility in unpaid care and domestic work.<br>(v) Ensure equal opportunities for recruitment and selection, professional development are formally and practically guaranteed, through gender mainstreaming or affirmative actions. |
| | | | | B | Same as A (i), A (ii), A (iii) and A (iv). |
| | | | | C | Same as A (i), A(ii) and A (iii). |
| | | | | D | The criteria for a C score are not met. |

| Target | Indicator | Dimension | Sub-dimension | score | Criteria |
|---|---|---|---|---|---|
| | | | **Sub-dimension 2:** Extent of gender capacities in tax institutions to enable gender equality | A | (i) The gender unit or team has an allocated budget attached to its work plan and reports directly to high level institutional authorities<br>(ii) The tax administration has approved and implements a gender responsive internal and external institutional communication policy<br>(iii) The tax administration has a gender unit or team with specialized human resources, advising gender mainstreaming in tax policies<br>(iv) Decision-making and institutional staff in charge of designing, implementing and/or monitoring tax policies/programs, have participated in gender capacity trainings in the last 12 months |
| | | | | B | Any three criteria on 'A' score |
| | | | | C | Any two criteria on 'A' score |
| | | | | D | The criteria for a C score are not met. |
| | | | **Sub-dimension 3:** Extent of which the tax administration engages with other organizations working on gender equality for informing tax policies development and implementation | A | (i) Tax administration and MOF have held at least one meeting in the last 12 months with civil society, trade unions, women and feminist organizations, to which it reports its efforts on advancing gender responsive tax policies.<br>(ii) The MOF and tax administration are engaged with civil society partners (centers for women's studies, cooperation, research, academic, non-governmental organizations, especially women's organizations), in initiatives for advancing gender responsive tax policies<br>(iii) The MOF and tax administration are engaged with other public institutions in initiatives for advancing gender equality |
| | | | | B | Same as A (ii), A (iii) |
| | | | | C | Same as A (ii). |
| | | | | D | The criteria for a C score are not met. |



### *Gender and taxation of capital/wealth*

Tax policy measures to reduce gender inequality in property ownership have been used in some countries. These include rebate in annual property tax for female owners. Likewise, some countries allow rebate on stamp duty, inheritance tax or other forms of property transfer tax if a property is transferred to a woman. Incentives related to property taxes and property transfer taxes or stamp duty, have encouraged female property ownership (e.g., India).

## 7.6 Performance measurement framework for Target 5.a

**The custodian agency** for Indicator 5.a.2 is the **FAO** and the **partner agencies** are the **World Bank and UN Women.** This is a Tier II indicator.

Table 5.3 sets out the criteria for scoring the dimensions and sub-dimensions of Target 5.a.

**Table 5.3. Performance Measurement Framework for Target 5.a.**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 5.a** - Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws | 5.a.2 Proportion of countries where the legal framework (including customary law) guarantees women's equal rights to land ownership and/or control | **G5-D5: Reducing gender inequality through property ownership** | **Sub-dimension 1:** Reducing gender inequality through rebate in capital ownership. | A | (i) There is a rebate on stamp duty, for property transferred to a woman.<br>(ii) There is a rebate in the annual property tax for property owned by women.<br>(iii) There is a rebate on inheritance tax for property transferred to a woman. |
| | | | | B | Any two of the criteria for 'A' score. |
| | | | | C | There is rebate in either annual property tax OR in stamp duty OR inheritance tax for women property owners. |
| | | | | D | There is no rebate on annual property tax OR stamp duty (or other property tax) for women property owners. |



### *Gender sensitive taxation of the informal sector*

Informal workers and businesses do not pay income tax in the same way as formal ones. Informal businesses also do not pay VAT to the government because they are not registered with the government. But they do pay VAT on inputs they purchase, without any chance of a refund (which is available only to VAT-registered companies). They are taxed through fees, charges and licensing costs and presumptive taxes (based on turnover).

## 7.7 Performance measurement framework for Target 5.c

**Custodian agencies** for Indicator 5.c.1. are the **UN Women, OECD and UNDP.** This is a Tier II indicator.

Table 5.4 sets out the criteria for scoring the dimensions and sub-dimensions of Target 5.c.

### Table 5.4 Target 5.c. Performance Measurement Framework

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 5.c** - *Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels* | 5.c.1 Proportion of countries with systems to track and make public allocations for gender equality and women's empowerment | **G5- D6: Reducing gender inequality using gender sensitive tax and fiscal policies for the informal sector** | **Sub-dimension 1:** Reducing gender inequality by fair taxation of the informal sector. | A | Country has in place<br>(i) Gender responsive tax policy for the SME sector and cross border traders.<br>(ii) Simplified presumptive tax regime for SME and small traders<br>(iii) The tax authorities provide taxpayer education and outreach targeted to women entrepreneurs to build their capacity for voluntary tax compliance. |
| | | | | B | Any two from A (i), A (ii) and A (iii) |
| | | | | C | Any one from A (i), A (ii) and A (iii) |
| | | | | D | The criteria for a C score are not met. |

6

# 8. Goals 6: Ensure availability and sustainable management of water and sanitation for all

**Target 6.3 does not directly lend itself to tax policy intervention. Indirectly, the issue of environmental degradation is dealt with under other SDGs**

# 9. Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

**Goal 7 has synergies with Goal 13 (Climate Change) and should be examined together**

## 9.1 Relevant targets and indicators

*Target 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services*

7.1.2 Proportion of population with primary reliance on clean fuels and technology

*Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix*

7.2.1 Renewable energy share in the total final energy consumption

*Target **7.3:** By 2030, double the global rate of improvement in energy efficiency*

7.3.1 Energy intensity measured in terms of primary energy and GDP

*Target 7.b. By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular, the least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support.*

7.b.1 Investment in energy efficiency as a proportion of GDP and the amount of FDI in financial transfer for infrastructure and technology to sustainable development services Proportion of women in managerial positions

## 9.2 Preamble

SDG 7 looks at way to ensure affordable, reliable, sustainable and modern energy. Developing and emerging economies would benefit from better-designed energy taxes accompanied by targeted support to low-income groups. Well-designed energy and carbon taxes can strengthen efforts to improve domestic revenue mobilization. While the revenue potential varies across countries, countries could generate revenue equivalent to around 1% of GDP if they set carbon rates on fossil fuels equivalent to EUR 30 per tonne of CO2.

Reducing subsidies which tend to benefit wealthier consumers and improving tax design could provide additional revenues for more targeted support to enhance energy access and affordability. It should be noted that there are important trade-offs to be taken into account in evaluating and implementing policy options. Geography, level of economic development, population size, resource endowments and the regulatory framework/operation of energy markets will influence the choice of appropriate policy instruments and other interventions.

Electrification of major forms of energy consumption (e.g., transportation) and energy efficiency are key drivers of change in this approach. On the other hand, decarbonization of the energy sector to move towards renewables is the largest part of the production side of the equation. The achievement of SDG7 in developing countries can be supported through an enabling tax policy and administrative framework that will meet the requirements for a just and inclusive energy transition. The primary focus will be on supporting the move towards renewables, followed by the other areas above.

Removing harmful fossil fuel subsidies which tend to benefit wealthier consumers could provide additional resources for more targeted support to enhance energy access and affordability. The Glasgow Climate Pact emanating from COP26, required the phasedown of unabated coal power and phase-out of inefficient fossil fuel subsidies, in particular, on household cooking fuels, such as kerosene.

*Carbon pricing*

Carbon taxes— charges on the carbon content of fossil fuels—and similar arrangements to increase the price of carbon, are the single most powerful and efficient tool to reduce domestic fossil fuel CO2 emissions producers. Carbon prices can improve resource efficiency and boost investment in clean energy and low emission goods and services and encourage replacing carbon-intensive activities by low- and zero-carbon activities. There are four instruments capable of conferring an explicit or implicit price on carbon: carbon taxes, emissions trading schemes (ETS), energy excise taxes or taxes based on energy use, and fossil fuel taxes.



*Energy taxes*

Unlike carbon taxes or an emission trading system (ETS), which are applied at the level of producers (extraction or import), energy taxes can be used to change consumer behavior with respect to clean energy at the retail level, if designed to reflect the carbon intensity of the primary fossil fuel product used in the generation of electrical energy. Taxing energy use can shift energy demand towards cleaner energy sources. Higher energy prices encourage citizens and businesses to consume less energy.

*Tax incentives for use of clean energy*

At the level of individual taxation, residential energy efficient property credit allows for a credit equal to the applicable percent of the cost of qualified property. Qualifying properties are solar electric property, solar water heaters, geothermal heat pumps, small wind turbines and fuel cell property.

Electrification of major forms of energy consumption (e.g., transportation) and energy efficiency are key drivers of change in this approach. On the other hand, decarbonization of the energy sector to move towards renewables is the largest part of the production side of the equation. The achievement of SDG7 in developing countries can be supported through an enabling tax policy and administrative framework that will meet the requirements for a just and inclusive energy transition. The primary focus will be on supporting the move towards renewables, followed by the other areas above.

*Other tax policy and administration interventions*

*Finally, the impact of tax measures that are designed to drive energy transition can lose much of their effectiveness where fossil fuels are kept at artificially low prices, and both consumers and businesses receive distorted price signals regarding use of fossil fuels. This measurement thus addresses the state of fossil fuel subsidies and relates it to tax measures. Fossil fuel subsidies aggravate fiscal imbalances and reduce the ability of governments to prioritize other public spending.* The primary targets for removal of fossil fuel subsidies should be in household fuels, e.g., kerosene (HHK) and LPG, which tend to be inefficient, and environmentally friendly alternatives, such as biogas, can be designed with appropriate technology that support poorer households.

## 9.3 Performance measurement framework for Target 7.1

**The custodian agency** for Indicator 7.1.2 is the **WHO** and the **partner agency is UN-Energy.** This is a Tier I indicator.

Table 7.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 7.1.



**Table 7.1 Performance Measurement Framework for Target 7.1**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 7.1** - By 2030, ensure universal access to affordable, reliable and modern energy services | Indicator 7.1.2 Proportion of population with primary reliance on clean fuels and technology | **G7-D1:** Gradual removal of tax incentives for industries using fossil fuel. | **Sub-dimension 1:** Extent to which tax relief for fossil fuels are withdrawn, and more targeted supports provided to the poor. | A | (i) There is a policy commitment made, and execution commenced, of planned, gradual removal of all tax relief such as accelerated depreciation etc. for industries (including transportation) using fossil fuel.<br>(ii) A program for targeted refundable tax credits for low-income households and individuals (e.g., transportation) is available.<br>(iii) A policy commitment made, and execution commenced, of gradual removal of fossil fuel subsidies, consistent with country needs and consumption patterns.<br>(iv) Assignment of a carbon equivalent for energy taxes. |
| | | | | B | Any two of the above measures are seen |
| | | | | C | One of the above measures is seen |
| | | | | D | The requirements for a 'C' score are not met. |

*Increasing the share of renewable energy in the global energy mix*

On the production side of energy, the existence of an appropriate policy regime to encourage the use of renewables can be brought into the measurement. This could cover both on-grid and off-grid power generation but can also apply to measures such as use of mixed fuel (e.g., plant-based ethanol) in the transition from fossil fuel installations. Similar measures can be considered for affecting fuel efficiency and renewable fuel use in capital goods such as plant and machinery and automobiles. The experience in some developed countries of providing direct cash subsidies for renewables has not proven to be very efficient. For developing countries with scarce resources, the focus in tax policy should be encourage private investment in energy transition within a defined framework, and with quantification and cost-benefit analysis of the tax expenditures involved.

## 9.4 Performance measurement framework for Target 7.2

**Custodian agencies** for Indicator 7.2 1are the **UNSD, IEA and IRENA**, and the **partner agencies** are **World Bank and UN- Energy**. This is a Tier I indicator.

Table 7.2 sets out the criteria for scoring the dimensions and sub-dimensions of Target 7.2.

**Table 7.2 Performance Measurement Framework for Target 7.2**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| ***Target 7.2:*** *By 2030, increase substantially the share of renewable energy in the global energy mix* | Indicator 7.2.1 Renewable energy share in the total final energy consumption | **G7-D2:** Effective behavioral targeting of energy taxes | **Sub-dimension 1:** Extent to which energy taxes are used to encourage reduced consumption of carbon fuels | A | (i) Environmental taxes (or suitable proxies) are a significant revenue generator and are designed to undergo periodic tax rate increases over the medium term. The target over a five-year period should be for this tax to account for at least one percent of GDP.<br>(ii) A structured policy framework to incorporate emitted carbon measurement in taxes imposed on energy use (e.g., in excises on fuels, air passenger duty, cooking fuel) is being executed<br>(iii) A preferential regime for automotive excises (and similar taxes) and import tariffs for both domestically produced and imported electric and hybrid vehicles to increase their use.<br>(iv) A well-designed regime is in place for encouragement of renewable energy production not only in electricity production but also transportation and household use. |
| | | | | B | (i) Environmental taxes account for at least one-half percent of GDP.<br>(ii) Any two of (ii), (iii) or (iv) of 'A' score. |
| | | | | C | Any two of (ii), (iii) or (iv) of 'A' score |
| | | | | D | The requirements for a 'C' score are not met. |

*Improvement in energy efficiency*

Increased energy efficiency is an important part of the energy transition. This can apply to both the production and the consumption of energy, but measures on the latter can be expected to provide nearer term outcomes, e.g., demand mitigation. For instance, moving from current incandescent and CFL to LED lighting can have immediate impact. Demand differentiation measures and better matching of demand and supply through pricing signals can impact energy efficiency. Household level transition in energy demand will also be an important metric. And finally, as measures such as a structured policy to tax carbon emissions bite, intermediate transitions, e.g., from coal fired to natural gas-based power can also increase energy efficiency on the production side.

## 9.5 Performance measurement framework for Target 7.3

**Custodian agencies** for Indicator 7.3.1 are the **UNSD and IEA** and the **partner agencies** are the **World Bank and UN- Energy.** This is a Tier I indicator.

Table 7.3 sets out the criteria for scoring the dimensions and sub-dimensions of Target 7.3.



**Table 7.3 Performance Measurement Framework for Target 7.3**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| ***Target 7.3:*** *By 2030, double the global rate of improvement in energy efficiency* | Indicator 7.3.1<br>Energy intensity measured in terms of primary energy and GDP | **G7-D3:** Effective use of carbon pricing | **Sub-dimension 1:** Extent and frequency of use of carbon pricing | A | Carbon pricing is factored into goods with embodied carbon and is used in a systematic manner (every 5 years) to increase the price of carbon to a desired level and to boost investment in clean energy and low emission goods and services. |
| | | | | B | Carbon pricing is factored into goods with embodied carbon and is used in a systematic manner (every 10 years) to increase the price of carbon to a desired level and to boost investment in clean energy and low emission goods and services. |
| | | | | C | Carbon pricing is used in an ad hoc manner. |
| | | | | D | The requirements for a 'C' score are not met. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | **G7-D4:** Fiscal measures to encourage clean energy use at household level. | **Sub-dimension1:** Extent of incentives provided to individuals and households to switch energy use to cleaner options | A | Tax credit or deduction is allowed for residential energy efficient property including:<br>i. Solar panels to power household and any related storage systems;<br>ii. Solar water heaters;<br>iii. Small wind turbines;<br>iv. Fuel cell property;<br>v. Geothermal heat pumps;<br>vi. Energy efficient home insulation systems;<br>vii. Smart energy saving devices for homes;<br>viii. Other renewable energy sources. |
| | | | | B | Tax credit is allowed for any four of the qualified property specified for an 'A' score. |
| | | | | C | Tax credit is allowed for any two of the qualified property specified for an 'A' score. |
| | | | | D | The criteria for a C score are not met. |

*Expansion of infrastructure upgrade technology for modern and sustainable energy services.*

Many developing countries, especially the LDCs and SIDS mentioned in the Target, suffer from low investment and cannot access global capital markets on equal terms as other countries. Measures in this area would therefore need to be conscious of the country context, and the measurement framework should be broad enough to capture a range of options. These could include, e.g., the use of smart grids or demand management to better utilize current infrastructure, adoption of new technology or repurposing of existing infrastructure, e.g. use of petroleum pipelines to transport liquid hydrogen.



## 9.6 Performance measurement framework for Target 7.b

**The custodian agency** for Indicator 7.b.1 is **IRENA.** This is a Tier I indicator.

Table 7.4 sets out the criteria for scoring the dimensions and sub-dimensions of Target 7.b.

### Table 7.4 Performance Measurement Framework for Target 7.b

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| ***Target 7.b:*** By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support | **Indicator 7.b.1**: Investment in energy efficiency as a proportion of GDP and the amount of FDI in financial transfer for infrastructure and technology to sustainable development services | **G7-D5:** Fiscal measures to support expansion of infrastructure and upgrade technology for supplying modern and sustainable energy services. | **Sub-dimension1:** Extent of provisions that support firms in adopting technologies that help reduce or eliminate carbon in energy generation, transmission and use. | A | Tax measures including special deductions or incentives for:<br>(i) Smart local grids or demand management technology for power distribution when such services are provided by non-publicly owned entities<br>(ii) Provisions to support the production and adoption of fuel cells, hydrogen fuels, recycled oils that reduce or eliminate carbon emissions;<br>(iii) Provisions that support adoption of cleaner technology for fossil fuel based electricity generation;<br>(iv) Provisions that support implementation of charging networks, provision of less polluting transportation fuels, etc. that help reduce operational carbon in transportation;<br>(v) For countries with a resource endowment, measures to repurpose current infrastructure for use with renewables or for carbon capture and storage.<br>(vi) Ensuring tax neutrality or tax advantages for measures that de-risk financial investments in renewable energy. |
| | | | | B | Any three of the criteria for an A score are seen |
| | | | | C | Any two of the criteria for an A score are seen |
| | | | | D | The requirements for a 'C' score are not met. |

# 10. Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

**Goal 8 has synergies with Goal 1 (Ending Poverty, Goal 4 (Education) and Goal 10 (Reducing Inequality), and should be examined together**

## 10.1 Relevant targets and indicators

*8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services*

8.3.1 Proportion of informal employment in total employment, by sector and sex

*8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products*

8.9.1 Tourism direct GDP as a proportion of total GDP and in growth rate



## 10.2 Preamble

A country's rate of economic growth depends on many factors including the rate of economic growth of its main trading partners, the country's innovative capacity, the availability of venture capital, the amount and type of investment, the degree of entrepreneurship, the skills level and the mobility of the workforce, the flexibility of the labor market, the degree to which individuals have an incentive as well as an opportunity to participate in the labor market, the labor costs for employers of hiring workers, the availability of qualified workers, the administrative burden on businesses, product market regulations, the economic infrastructure as well as the legal certainty and the confidence level of consumers and businesses.

The tax system plays a crucial role as it is likely to impinge on many of these factors. The level of the taxes that are raised, the tax mix, the quality of the tax administration, the complexity of the tax rules and the tax compliance costs, the certainty and predictability for households and businesses of the taxes that have to be paid, as well as the specific design characteristics of individual taxes including the availability of tax incentives and the broadness of the different tax bases can have an impact on the country's rate of economic growth.

## 10.3 Performance measurement framework for Target 8.3

**The custodian agency** for Indicator 8.3.1 is the **ILO**. This is a Tier II indicator.

Table 8.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 8.3.

### Table 8.1. Performance Measurement Framework for Target 8.3

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 8.3** - Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services | Indicator 8.3.1 Proportion of informal employment in total employment, by sector and sex | **G8-D1: Labor utilization** | **Sub-dimension 1:** Scope of tax measures for increasing labor utilization | A | The tax system:<br>(i) Has low PIT rate for low-income wage-earners.<br>(ii) Allows earned income tax credits.<br>(iii) Provides other "in-work benefits" policies. |
| | | | | B | The tax system provides any two of (i), (ii) or (iii) of 'A' score |
| | | | | C | The tax system provides any one of (i), (ii) or (iii) of 'A' score |
| | | | | D | The requirement for a 'C' score is not met. |
| | | **G8-D2: Increasing productivity** | **Sub-dimension 1:** Scope of tax measures for increasing productivity | A | (i) Tax incentives are available for R&D expenditure.<br>(ii) The top marginal statutory rate on PIT is analyzed routinely to determine whether it affects productivity growth.<br>(iii) The CIT rate is analyzed routinely to determine whether it affects productivity growth |
| | | | | B | Same as A (i) and any one of (ii) or (iii) of 'A' score |
| | | | | C | The extent to which the tax system provides any one of (i), (ii) or (iii) of 'A' score |
| | | | | D | The requirement for a 'C' score is not met. |

*Tourism as a sector for employment growth*

A good business environment for tourism is essential to support the industry's central role in many countries' development strategies. Yet in many countries, tax systems for the tourism sector are characterized by exemption schemes and instruments that generate little revenue and burden business. Investments in the sector, which has significant growth potential, can have important positive spillovers on employment generation and poverty reduction.

The following guidelines are useful to mitigate potential costs when fiscal incentives are used for tourism:

- Choose incentives that have low revenue costs.
- Limit opportunities for discretion and enhance transparency by ensuring that incentives are provided by law and approved by the legislature. Incentives should be granted against a pre-defined set of criteria.
- Ensure that the incentive policy is not biased against local investors, who typically have less capital and limited access to markets.
- Regularly quantify the effects of the incentive scheme to monitor its impact on the budget.
- Establish effective control mechanisms, using regular tax filings and relevant forms as preconditions to qualify for any incentives.
- When incentives are provided to jumpstart an activity, establish a clear timeframe after which incentives are phased out.
- Tourism-specific levies may be justified when they are easy to administer. The widely used hotel room, entry, and exit taxes are easy to administer, complied with by taxpayers, and effectively generate revenues. Most of the many onerous taxes and parafiscal charges should be eliminated.
- Differential treatment of VAT in the tourism sector should be avoided in favor of a simple, evenly applied system that limits excessive compliance costs and reduces opportunities for abuse.



## 10.4 Performance measurement framework for Target 8.9

**The custodian agency** for Indicator 8.9.1 is the **UNWTO** and **partner agency** is **UNEP**. This is a Tier II indicator.

Table 8.2 sets out the criteria for scoring the dimensions and sub-dimensions of Target 8.9.

### Table 8.2 Performance Measurement Framework for Target 8.9

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 8.9** - By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products | Indicator 8.9.1 Tourism direct GDP as a proportion of total GDP and in growth rate | **G8-D3: Enhancing tourism (as a proxy for employment generation)** | **Sub-dimension 1:** Extent to which the taxation in the tourism sector is streamlined to encourage investment and reduce compliance costs. | A | (i) The tax regime provides allowances and tax credits for capital-intensive investments or accelerated depreciation for the tourism sector.<br>(ii) There is no or limited opportunities for discretion in applying the tax incentives<br>(iii) Incentives are granted in a transparent manner against a pre-defined criteria.<br>(iv) There is a clear timeframe for phasing out incentives provided to jumpstart tourism activity.<br>(v) Multiple local/regional taxes and charges are eliminated and consolidated into one basic tax for the tourism sector. |
| | | | | B | (i) The tax regime provides allowances and tax credits for capital-intensive investments or accelerated depreciation for the tourism sector.<br>(ii) There is no or limited opportunities for discretion in applying the tax incentives, and incentives are granted in a transparent manner against a pre-defined set of criteria. |
| | | | | C | (i) The tax regime provides allowances and tax credits for capital-intensive investments or accelerated depreciation for the tourism sector. |
| | | | | D | The requirement for a ‘C’ score is not met. |

9

# 11. Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

## 11.1 Relevant targets and indicators

**Target 9.3** *Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets*

Indicator 9.3.1 Proportion of small-scale industries in total industry value added

**Target 9.5** *Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending*

Indicator 9.5.1 Research and development expenditure as a proportion of GDP

**Target 9.b** *Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.*

9.b.1 Proportion of medium and high-tech industry value added in total value added



Preamble

Development happens through structural transformation, which shifts the balance of economic activity away from agriculture and towards manufacturing and service sectors, in the process creating better job opportunities. Countries need reliable infrastructure to connect supply chains and efficiently move goods and services across borders. Infrastructure connects households across metropolitan areas to higher quality opportunities for employment, healthcare and education. Clean energy and public transit can reduce greenhouse gases. Quality infrastructure lowers production costs and increases returns to investment. It increases business efficiency by saving time, improving reliability, and providing higher quality services and thus supporting economies of scale and making agglomerations of economic activity more productive.

Likewise, research and development (R&D) is an important driver of economic growth as it spurs innovation, invention, and progress. R&D spending can be capital-intensive, but also can lead to breakthroughs that can drive both profits and wellbeing for consumers. New research continues to show that investment in R&D spurs economic growth—where a 1 percent increase in R&D spending grows the economy by 0.61 percent. To support business expenditure in infrastructure and R&D, governments can offer direct financial support via grants or public procurement; or they can indirectly strengthen the incentives for firms to invest via the tax system. These two types of policy instruments are different in the way they are administered, the type of market failures they address and the different types of infrastructure and R&D they encourage.

## 11.2 Performance measurement framework for Target 9.3

**The custodian agency** for Indicator 9.3.1 is **UNIDO** and the partner agency is **UNCDF**. This is a Tier II indicator.

Table 9.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 9.3.

**Table 9.1. Performance Measurement Framework for Target 9.3**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 9.3** – Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets | Indicator 9.3.1 Proportion of small-scale industries in total industry value added | **G9-D1: Scope of reduced tax burden for small sized industries** | **Sub-dimension 1:** Extent to which the tax system promotes inclusion of small sized business into formal economy | A | (i) The tax system requires simplified accounting regime<br>(ii) There are easier requirements for registration for SMEs<br>(iii) There are less frequent filing and payment requirements for SMEs<br>(iv) Simplified declaration forms exist for SMEs<br>(v) Electronic platforms are available to facilitate business access to information on how to comply with payroll, income tax and social security systems |
| | | | | B | Any three out of (i) to (iv) of 'A' score. |
| | | | | C | Any two out of (i) to (iv) of 'A' score. |
| | | | | D | The requirements for a 'C' score are not met. |



*R&D tax incentives*

Tax incentives for R&D are used to mitigate the distortionary impact of CIT on investment. However, to stimulate economic growth, incentives for R&D should be carefully designed to encourage R&D conducted within the country that are at least partially owned by national or private sector actors. This will ensure that the country benefits from R&D domestically. In either case, their design can be improved by focusing the incentives on reducing the cost of investment, rather than providing tax relief on profit.

Many countries use tax incentives to stimulate private expenditure in R&D including the majority of OECD countries and other large economies such as China, India, Brazil and Russia. There seems to be a positive and significant impact of tax credits for R&D, implying a user-cost elasticity estimate of around –1.6. This magnitude implies around $1 in additional private R&D spending per dollar foregone in tax revenue. Recent years have observed an increase in the use of R&D tax incentives across countries.

It is important to underscore that what is feasible for OECD countries may not generate returns on investment in most developing countries with small markets and low skills. Investment in R&D is a high-risk venture and may not be viable for many developing countries. Incentives for R&D, therefore, need to be carefully analyzed, Instead, returns from investment in cost reduction measures and improving business practices and service delivery of both the private and public sector are far more important in spurring the development process

## 11.3 Performance measurement framework for Target 9.5

**The custodian agency** for Indicator 9.5.1 is **UNESCO-UIS**. This is a Tier I indicator.

Table 9.2 sets out the criteria for scoring the dimensions and sub-dimensions of Target 9.5.



**Table 9.2. Performance Measurement Framework for Target 9.5:**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 9.5** - Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending | Indicator 9.5.1 Research and development expenditure as a proportion of GDP | **G9-D2: Scope of tax incentives for investment in R&D** | **Sub-dimension 1:** Extent to which the tax system promotes R&D through tax measures | A | (i) The tax system provides tax allowance or tax credit for investment in cost reduction measures and improving business practices and service delivery.<br>AND<br>Only in countries where investment in R&D is cost-effective and feasible, the tax system provides tax allowance or tax credit as incentive to mitigate the cost of investment in R&D.<br>(ii) The incentives are non-discretionary and based on a set of pre-defined conditions.<br>(iii) The incentive provides both CIT offset and payroll withholding tax credit.<br>(iv) Firms are allowed to carry forward unused claims for a certain number of years or are allowed refund for unused claim. |
| | | | | B | (i) Same as (i) of 'A' score.<br>(ii) Same as (ii) of 'A' score.<br>(iii) The incentive is allowed for either CIT offset or payroll withholding credit, but not both.<br>(iv) Carry forward or refund may not be allowed for unused claim. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | | C | (i) The tax incentive is used to provide tax relief on profit and not to mitigate the cost of investment.<br>(ii) The incentive may be provided in a discretionary manner on a case-by-case basis.<br>(iii) The incentive for R&D is allowed only for CIT offset.<br>(iv) Carry forward or refund are not allowed for unused claim. |
| | | | | D | The requirements for a ‘C’ score are not met. |

*Tax incentives for quality infrastructure*

Quality infrastructure investment is essential for sustainable and equitable economic growth. Yet, creating quality infrastructure has often been challenging. IMF analysis suggests that, on average, over one-third of the resources spent on public investment are lost due to inefficiencies in its public investment management processes. The benefits of additional investment depend crucially on the strength of infrastructure governance, i.e., public-sector institutions in planning, allocating, and implementing public investment in infrastructure. Strong infrastructure governance helps improve efficiency of public investment, thereby supporting economic growth and fiscal sustainability. IMF analysis shows that strong infrastructure governance can help countries close more than half of their efficiency losses.



## 11.4 Performance measurement framework for Target 9.b

**The custodian agency** for Indicator 9.b.1 is **UNIDO,** and **the partner agency** is the **OECD**. This is a Tier I indicator.

Table 9.3 sets out the criteria for scoring the dimensions and sub-dimensions of Target 9.b.

### Table 9.3. Performance Measurement Framework for Target 9.b

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 9.b** - Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities | 9.b.1 Proportion of medium and high-tech industry value added in total value added | **G9-D3: Scope of tax incentives for investment in infrastructure** | **Sub-dimension 1:** Extent to which the tax system promotes investment in quality infrastructure through tax measures | A | (i) Tax incentives in the form of exemptions, deduction, exclusions, or credits are allowed to lower the cost of financing infrastructure investment.<br>(ii) Tax-exempt bonds are provided for lowering the interest cost of investment in infrastructure projects.<br>(iii) Public-private partnerships with provision for toll tax are used to finance many infrastructure projects.<br>(iv) There is strong infrastructure governance mechanism which uses a cost-benefit analysis or performance audit to determine the efficiency of public investment in infrastructure. |
| | | | | B | Same as (i), (ii) and (iii) or 'A' score. |
| | | | | C | Any two of (i), (ii) and (iii) or 'A' score. |
| | | | | D | The requirements for a 'C' score are not met. |

# 12. Goal 10: Reduce inequality within and among countries

**Goal 10 has strong synergies with Goal (Ending Poverty) and Goal 2 (Ending Hunger), and should be examined together**

## 12.1 Relevant targets and indicators

**Target 10.4** *Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality*

Indicator 10.4.2 Redistributive impact of fiscal policy

**Target 10.6** *Ensure enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions*

Indicator 10.6.1 Proportion of members and voting rights of developing countries in international organizations

**Target 10.a** *Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements*

Indicator 10.a.1 Proportion of tariff lines applied to imports from least developed countries and developing countries with zero-tariff



## 12.2 Preamble

Reducing poverty and inequality are central to United Nations' SDGs. While income transfers and other forms of subsidies from the budget are best practice instruments of fiscal policy choice for removing poverty and inequality, well-designed and properly implemented tax policies can substantially contribute to reducing inequalities. The impact of tax policies can go far beyond just enhancing DRM. The progressivity of fiscal systems is key and must be part of the solution for fiscal policies to have an effect on reducing inequalities. It is important to keep in mind, however, that the least developed countries often have very narrow tax bases, with a substantial majority of their tax revenue generated from a very small number of taxpayers, with thresholds which exclude a majority of smaller taxpayers from the tax net. As such, progressivity in the personal income tax (PIT), for example, will not have the same impact in addressing inequality as it would in a country where the PIT tax base includes a sizeable majority of income earners.

International assistance must be consistent and focus on supporting countries' capacity to enact and finance their own development strategies. Likewise, global rules need to promote a fair distribution of income and development opportunities at the international level.

### *Strengthening horizontal and vertical equity*

When looking at tax fairness, two different goals in distribution are observed: vertical and horizontal equity. Horizontal equity is a tax principle based on the idea that individuals with the same income should pay an equal amount of tax, irrespective of the source of income, i.e., whether it is from labor (salary and wages) or from capital (dividend, interest, rent, profits). On the other hand, vertical equity is based on the idea of taxes paid increasing with an increase in income, also known as the “ability to pay tax” principle. Persons with higher resource access and wealth are hence required to pay more than those who have less, through progressive taxation whereby persons with higher income brackets pay higher tax rates. The explanation for this is that the marginal utility of every additional sum of money is much higher for a poor person as compared to a rich person

### *Monitoring inequality*

To monitor progress against the SDGs on reducing income and wealth inequality, national statistical systems, household surveys and poverty measurement methodologies are at the heart of tracking these global goals. As with poverty, there are many ways to measure income inequality. The most commonly used ones are the Gini index and the share of consumption or income held by each quintile of a country’s population. Currently, the Gini coefficient ranges from 63.0 for the greatest income inequality (South Africa) to 23.2 for the least unequal (Slovakia).

### *Tax mix*

Tax mix can be defined as the balance of different direct and indirect taxes that make up tax revenue of a country. Tax mix is important in any country since it is an indicator of the need for the type of taxes and the ultimate effects the taxes have for example costs on employees, the consumers and capital providers.

### *Personal income tax*

Personal income tax (PIT) is generally the tax policy instrument of choice for establishing progressivity in the tax structure and to help reduce inequalities. In order for progressivity to be truly effective, the progressive tax rates need to be applied to the individual’s global income, i.e., the aggregate of all types of income and from all sources earned during a year. To help reduce inequality, countries should stay away from schedular taxation, where different sources of income (dividend, interest, rent, profit, salary) are taxed independently at different flat rates making progressivity inoperable. Such systems allow high income taxpayers to shift income from one type to the other, depending on where the rates are lower. Some countries have a hybrid system where progressive rates are applied for wage income, and schedular flat rates for dividend, interest and rental incomes. These tax policy choices further exacerbate income inequality by increasing the tax burden on labor and reducing the tax burden on capital incomes, which are typically earned by the rich. Where the PIT tax base is very limited (most likely in the least developed countries), other measures will be necessary to ensure progressivity and fairness in the tax system.

### *Strengthening progressivity beyond PIT*

Beyond PIT, it is the overall progressivity of the tax system that matters. Accordingly, it is desirable to introduce or strengthen progressivity beyond PIT. A new trend in some Baltic countries has been to move away from corporate income taxation (CIT) based on annual business profit to a tax on distributed profit. This compromises the neutrality of CIT and makes the system highly regressive, since owners of capital can postpone paying taxes indefinitely until they decide to distribute their profits. This runs counter to SDG 10 and needs to be discouraged.

### *Removing tax expenditures that are not well-targeted at redistributive goals*

Scaling back tax expenditures that are not well-targeted at redistributive objectives may help achieve both greater efficiency and a narrower distribution of disposable income. Cost-benefit and incidence analyses are critical before any tax expenditure is introduced. Tax bases should be broadened first by removing or reducing tax expenditures that disproportionately benefit high income groups. Examples of such tax expenditures/incentives in PIT include deduction of interest on mortgage loans for PIT, preferential rates for incomes from dividend and capital gains.

### *Taxing immovable property and wealth*

Wealth inequality has been growing significantly over the last few decades. The world average Gini coefficient on wealth has increased from 0.804 in 2008 to 0.904 in 2018. Annual taxes on immovable property are not only efficient but can also be designed in an equitable way. Governments could consider taxing land at higher rates because a land tax is efficient and land ownership is likely concentrated amongst wealthier households. Wealth inequality can be reduced by introducing a progressive tax on net wealth. It is a better measure of the ability of wealthy taxpayers to pay taxes and to contribute to the common good.[4]

### *Strengthening inheritance tax*

There is a pro-inclusive growth case for strengthening inheritances taxes. Not only are inheritance taxes less distortionary than personal and corporate income taxes, but they can help achieve intergenerational equity goals and greater market income equality. By reducing and dispersing wealth holdings on death, taxes on inheritances and gifts can play an important role in strengthening equality of opportunity and limiting inter-generational inequality. Inheritance taxes can also contribute to reducing disincentives to work and thereby promote greater market income equality. An inheritance tax, particularly a progressive one, would also enhance vertical equity.

## 12.3 Performance measurement framework for Target 10.4

**The custodian agency** for Indicator 10.4.2 is the **World Bank**. This is a Tier II indicator.

Table 10.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 10.4.

4 Thomas Piketty (2015). *Capital and Wealth Taxation in the 21st Century*. National Tax Journal. June 2015, 68 (2), 449–458

## Table 10.1. Performance Measurement Framework for target 10.4

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 10. 4** - Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality | Indicator 10.4.2 Redistributive impact of fiscal policy | **G10-D1: Monitoring income inequality** | **Sub-dimension 1:** Level of income inequality as measured by the Gini coefficient. *(World Bank data)* | A | The Gini income coefficient is less than or equal to 30.0 |
| | | | | B | The Gini income coefficient is greater than 30.0 and up to 40.0 |
| | | | | C | The Gini income coefficient is greater than 40.0 and up to 50.0 |
| | | | | D | The Gini income coefficient is greater than 50.0 |
| | | **G10-D2: Depth of progressivity in income taxation** | **Sub-dimension 1:** Extent of progressivity in personal income tax (PIT). | A | (i) The PIT base, i.e., the total taxable income, includes the aggregate of all incomes from all sources.<br>(ii) There are four or more income brackets from lower to higher taxable incomes.<br>(iii) There are progressively higher marginal rates for higher income brackets.<br>(iv) The is no schedular or flat tax rates for different income types and there is no final withholding.<br>(v) Taxpayers are required to file annual PIT declaration, aggregating incomes from all sources and applying the appropriate progressive rate.<br>(vi) The tax administration conducts periodic fiscal impact analysis to evaluate the progressivity of the entire system, including through subsidies to the poor. |
| | | | | B | (i) The PIT base, i.e., the total taxable income, includes the aggregate of income from all sources except capital gains.<br>(ii) There are three or fewer income brackets.<br>(iii) Same as A (iii).<br>(iv) Same as A (iv) except that there may be a separate schedular system for taxation of capital gains income with flat tax rate.<br>(v) Same as A (v). |
| | | | | C | (i) The PIT base, i.e., the total taxable income, includes the aggregate of income from salary, rent and business profit, but not from capital gains, dividend or interest.<br>(ii). There are three or fewer income brackets.<br>(ii) Same as A (iii) except that marginal progressive tax rates apply only to salary, business profit and rental incomes.<br>(iii) Same as B (iv) except that there may be separate schedular system for taxation of capital gains, interest, and dividend with flat tax rates and final withholding.<br>(iv) Taxpayers are required to file annual PIT declaration only in respect of incomes on which there is no final withholding of tax. |
| | | | | D | PIT is almost entirely schedular. Income from salary may, or may not, be taxed at a flat rate. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | **Sub-dimension 2:** Neutrality of corporate income tax. | A | (i) CIT is based on the annual accounting profit of the business with adjustments for allowable deduction under the tax law.<br>(ii) CIT has a single tax rate which is aligned with the highest marginal rate for PIT.<br>(iii) Companies file an annual CIT declaration but pay quarterly estimates of advance tax. |
| | | | | B | (i) Same as A (i)<br>(ii) Same as A (ii) except that the single rate may not be aligned to the highest marginal rate for PIT.<br>(iii) Same as A (iii). |
| | | | | C | (i) Same as A (i).<br>(ii) Same as A (ii) except that there may be more than one rate for companies with different turnover and the rates may not be aligned to the highest marginal rate for PIT.<br>(iii) Companies may be required to file quarterly declarations for CIT. |
| | | | | D | Companies are not taxed on their adjusted annual profits but only on distributed income (dividend), whenever distribution occurs. |
| | | | **Sub-dimension 3:** Extent of targeting tax expenditure to redistribution goals. | A | (i) The ministry of finance or the tax administration monitors annually the level of tax expenditure for all national taxes.<br>(ii) The ministry of finance, parliament and/or tax administration conducts periodically (every 3 to 5 years) a cost-benefit analysis and rationalization of different tax incentives to determine their usefulness and whether they are fit for purpose with reference to SDGs).<br>(iii) Most incentives that do not have a redistribution role and those that disproportionately benefit the rich are removed. |
| | | | | B | (i) Same as A (i) and A (ii)<br>(ii) Only some of the incentives that do not have a redistribution role or those that disproportionately benefit the rich are removed. |
| | | | | C | (i) Same as A (i) |
| | | | | D | No monitoring of tax expenditure is conducted. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | **G10-D3: Scope of taxation of wealth and inheritance** | **Sub-dimension 1:** Extent to which wealth and inheritance are subject to tax. | A | (i) The country levies a tax on wealth of individuals that includes all assets (financial, physical and digital) above a sufficiently high wealth threshold.<br>(ii) The wealth tax is levied at progressive rates, considering the type and liquidity of assets.<br>(iii) There is an inheritance tax on all inheritance, with effective mechanisms in place to prevent tax avoidance and evasion.<br>(iv) The inheritance tax is levied at progressive rates and the tax administration has the capacity to accurately value inherited assets.<br>(v) The tax administration has in place a HWI compliance program and has the capacity to handle HWI cases.<br>(vi) The tax administration effectively uses technology for wealth and inheritance tax collection, including advanced analytics for tax compliance and digital tools for asset valuation.<br>(vii) The wealth and inheritance tax systems are designed and implemented considering their potential on income and wealth inequality, and regularly reviewed for their effectiveness in reducing inequality. |
| | | | | B | (i) Same as A (i)<br>(ii) The wealth tax is levied at a flat rate without differentiation based on type and liquidity of assets.<br>(iii) Same as A (iii)<br>(iv) The inheritance tax is levied at a flat rate with low capacity for asset valuation.<br>(v) The tax administration is in the process of establishing HWI compliance program<br>(vi) The tax administration is in the process of utilizing technology for wealth and inheritance tax collection, including advanced analytics for tax compliance and digital tools for asset valuation.<br>(vii) Same as A (vii) except that reviews for effectiveness in reducing inequality are not yet fully established or are irregular. |
| | | | | C | There is an inheritance tax OR a wealth tax which is levied at a flat rate. There is no HWI compliance program in place. |
| | | | | D | Criteria for a C score are not met. |



## 12.4 Performance measurement framework for Target 10.6

**The custodian agency** for Indicator 10.6.1 is **Financing for Sustainable Development Office (FSDO), United Nations Department of Economic and Social Affairs (UN-DESA).** This is a Tier I indicator.

Table 10.2 sets out the criteria for scoring the dimensions and sub-dimensions of Target 10.6.

## Table 10.2. Performance Measurement Framework for Target 10.6

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 10.6** - Ensure enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions | Indicator 10.6.1 Proportion of members and voting rights of developing countries in international organizations | **G10-D4: Scope of representation in decision making and international tax cooperation** | **Sub-dimension 1:** Level of participation in international organizations for tax cooperation | A | (i) The country is an active member of inclusive and representative international organization for tax cooperation (e.g., Global Forum Inclusive Framework (GF-IF), Addis Tax Initiative (ATI) and UN Tax Committee.<br>(ii) The country has attended and actively participated in all main tax meetings (working party and annual meetings, OECD, UNGA, IMF, World Bank and regional development organizations, etc.) in the last 5 years<br>(iii) The country has voted on major international tax cooperation decisions in the last 5 years.<br>(iv) The country has utilized and benefitted from World Bank projects related to any of the SDGs in the last 3 years<br>(v) The country has contributed significantly to the development of policy recommendations or guidelines in international tax forums in the last 5 years<br>(vi) The country has established and maintained cooperative initiatives with NGOs on international tax issues in the last 5 years, demonstrating its commitment to multi-stakeholder engagement in policy making |
| | | | | B | (i) Same as (i) of A<br>(ii) The country has attended and participated in some of the main tax meetings (working party and annual meetings, OECD, UNGA, IMF, World Bank and regional development organizations, etc.) in the last 5 years, but its participation is infrequent.<br>(iii) The country has voted on some of the major international tax cooperation decisions in the last 5 years, indicating limited engagement in global decision-making process.<br>(iv) The country has established cooperative initiatives with NGOs on international tax issues. |
| | | | | C | (i) The country is a member of inclusive and representative international organization for tax cooperation (such as the GF-IF, ATI and UN Tax Committee.<br>(ii) The country has attended some of the main tax meetings (working party and annual meetings, OECD, UNGA, IMF, World Bank and regional development organizations, etc.) in the last 5 years, with infrequent participation.<br>(iii) The country has occasionally voted on the major international tax cooperation decisions in the last 5 years, indicating limited engagement in the global decision-making process.<br>(iv) The country is in the process of establishing cooperative initiatives with NGOs on international tax issues. |
| | | | | D | Criteria for a C score are not met. |

*Reducing inequality across countries: Differential treatment of developing countries in trade*

Differential treatment constitutes an instrument to bring about substantive equality in an international community made up of unequal states but organized according to the principle of sovereign equality. The WTO agreements contain special provisions which give developing countries special rights and allow other members to treat them more favorably. These are "special and differential treatment provisions".

The World Bank estimates that a slump in investor confidence due to increased trade tensions among major players could push 30-50 million people into poverty by 20230, depending on the severity of the protectionist policies in place by advanced and developing economies.

World Bank Brief. February 2023



## 12.5 Performance measurement framework for Target 10.a

**Custodian agencies** for Indicator 10.a.1 are the ITC**, United Nations Conference on Trade and Development (UNCTAD) and WTO**. This is a Tier I indicator.

Table 10.3 sets out the criteria for scoring the dimensions and sub-dimensions of Target 10.a.

**Table 10.3. Performance Measurement Framework for Target 10.a**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 10.a** - Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements | Indicator 10.a.1 Proportion of tariff lines applied to imports from least developed countries and developing countries with zero-tariff | **G10-D5: Scope of differential treatment for developing and least developed countries to build their trade capacity** | **Sub-dimension 1:** Extent of free access of developing countries and LDCs to developed country markets | A | At least 80% of products originating in the country are given preferential treatment (zero or low duties) on imports to developed countries (in conformity with GSP) |
| | | | | B | At least 60% of products originating in the country are given preferential treatment (zero or low duties) on imports to developed countries (in conformity with GSP) |
| | | | | C | At least 40% of products originating in the country are given preferential treatment (zero or low duties) on imports to developed countries (in conformity with GSP) |
| | | | | D | Criteria for a C score are not met. |

# 13. Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable

## 13.1 Relevant targets and indicators

Target 11.a *Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning*

Indicator 11.a.1 Number of countries that have national urban policies or regional development plans that (a) respond to population dynamics; (b) ensure balanced territorial development; and (c) increase local fiscal space.

## 13.2 Preamble

Considering the rapid urbanization and growing public spending needs for making cities safe, inclusive, resilient and sustainable, municipal governments in developing countries are often ill-prepared to meet the challenge. Almost all developing countries suffer from serious vertical imbalances, with local government expenditure far exceeding revenue. Consequently, cities have relied heavily on transfers from central governments and borrowing to fill their large fiscal gaps. Moreover, many countries suffer from substantial horizontal (geographical developmental) imbalances.



Bringing taxing powers closer to the population invites a closer engagement between local authorities, who are more accessible and relevant to local citizens. Moreover, local governments in general will have a stronger understanding of local development priorities and will likely be able to better balance revenue mobilization with equity considerations than a centrally administered tax. Finally, local governments are better positioned to identify and gather information regarding property owners and businesses

Subnational revenues are typically generated from property taxes, vehicle taxes, administrative user fees for public goods and services such as water and sanitation, market fees, operating and business licenses, levies on the sales of firm assets, betterment charges, “nuisance taxes” etc. Many of these are not economically efficient and often there is limited coordination between various levels of government with respect to taxes imposed and rationalization with development priorities. Property tax is generally understood to be one of the few tax instruments with significant potential for local revenues.

Despite this positive rationale, establishing productive property tax in developing countries has proved difficult. In low-income countries property taxes represent an average of 0.04 percent of GDP in tax revenue; 0.3 percent in lower-middle income countries, and 0.4 percent in upper-middle income countries compared to 1.22 percent in high income economies and 3.37 percent of GDP in North America.

Some challenges stem from practical aspects: property taxes require fairly substantial administration – in identifying, registering properties, and clarifying ownership; in employing a valuation methodology which is feasible, well-structured to capture the increasing value and use of the property, and for which sufficient data is available; and identifying effective and efficient collection methods – particularly where local politicians are reticent to press for greater compliance. Effective property tax regimes also require valuations to be updated frequently which may be resource-consuming: financially prohibitive (depending on the methodology) and technical.

*Vacant land tax*

A carefully designed vacant land tax can be used to achieve several purposes: first to promote construction in urban areas for new residences, commercial and multi-use buildings, to alleviate housing shortages and provide commercial spaces. Tax incentives could be offered, in parallel to incentivize improvements to the land and making urban green spaces open for public use, with the effect of both preserving the cities "green lungs" and providing additional public outdoor spaces for healthy urban living. A better option is to tax the owner of culturally important buildings if they do not improve the property based on its significance.



## 13.3 Performance measurement framework for Target 11.a

**The custodian agency** for Indicator 11.a.1 is **UN-Habitat** and the **partner agency** is **UNFPA**. This is a Tier I indicator.

Table 11.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 11.a.

**Table 11.1. Performance Measurement Framework for Target 11.a**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 11. a** - Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning | Indicator 11.a.1 Number of countries that have national urban policies or regional development plans that (a) respond to population dynamics; (b) ensure balanced territorial development; and (c) increase local fiscal space. | **G11.D1: Augmenting use of local taxes** | **Sub-dimension 1:** The extent to which local revenue sources are sufficient to finance local mandates and development priorities. | A | (i) Local governments have autonomy in setting rates for subnational taxes<br>(ii) Local governments have autonomy in the administration and collection of local taxes<br>(iii) There is active cooperation between the national government and local governments for implementation of urban policies.<br>(iv) Municipal and state authorities are engaged in policy discussions concerning the use of revenue resources at subnational level.<br>(v) There is equitable representation by all regions in the country in the fiscal policy debate that is targeted towards subnational development. |
| | | | | B | Any three of the criteria for an A score are met. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | | C | Any two of the criteria for an A score are met |
| | | | | D | Criteria for a C score are not met. |
| | | | **Sub-dimension 2:** Extent of use of property tax at sub-national level. Extent of use of fiscal cadaster and computer-assisted mass appraisal of real property. | A | (i) Property tax collections in the country overall account for 2 percent of GDP or more.<br>(ii) Property tax revenues are fully managed by, and accrue to, local government budgets.<br>(iii) There is a central registry for public and private land and property.<br>(iv) The land registry and cadaster are digitized.<br>(v) More than 90 percent of private and public land and property are registered in the two major cities.<br>(vi) More than 75 percent of private and public land and property in the entire country are registered.<br>(vii) Local property tax offices have full and complete access to property register and cadaster database.<br>(viii) Local property tax offices use a valuation methodology that effectively captures land and building values.<br>(ix) Valuation of properties has been updated in the past five years. |
| | | | | B | (i) Property tax collections in the country overall account for 1 percent or more but less than 2 percent of GDP.<br>(ii) Any four of the criteria A (ii) to A (viii). |
| | | | | C | (i) Property tax collections in the country overall account for 0.5 percent or more but less than 1 percent of GDP.<br>(ii) Any two of the criteria A (ii) to A (viii). |
| | | | | D | Property tax collections in the country overall account for less than 0.5 percent of GDP. |
| | | | **Sub-dimension 3:** Use of property tax on vacant land | A | (i) Property tax is in place on vacant urban private land property to discourage non-use of urban land.<br>(ii) Property tax is in place on vacant built commercial and residential buildings to discourage extended vacancy of built-up property.<br>(iii) Tax incentives exist to promote the preservation of well-managed urban green spaces accessible to the public.<br>(iv) Tax incentives exist to promote the rehabilitation of historic and culturally significant vacant buildings. OR levy a tax on the owner if they do not rehabilitate culturally significant property. |
| | | | | B | (i) Same as A (i) and A (ii)<br>(ii) Any one of A (iii) or A (iv) |
| | | | | C | Any two of criteria in A. |
| | | | | D | The conditions of a C score are not met. |

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# 14. Goal 12: Ensure sustainable consumption and production patterns

**Goal 12 has synergies with Goal 13 (Climate Change) and should be examined together**

## 14.1 Relevant targets and indicators

**Target 12.3:** *By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses production and supply chain, including post-harvest losses.*

Indicator 12.3.1: Global food loss index

**Target 12.5:** *By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.*

Indicator 12.5.1 National recycling rate, tons of material recycled



## 14.2 Preamble

There are many aspects of consumption that with simple changes can have a big impact on society as a whole. For example, the global material footprint – an indicator of the pressure put on the environment to support economic growth and to satisfy the material needs of people – grew by 17.4 per cent to 85.9 billion metric tons in 2017 as compared to 2010. Reducing food loss and waste can contribute to environmental sustainability by lowering production costs and increasing the efficiency of food systems. Currently, we lose 13.8 per cent after harvesting and during transport, storage and processing alone, amounting to a cost of over $400 billion a year.

Producers can find new solutions that enable sustainable consumption and production patterns. A better understanding of the environmental and social impacts of products and services is imperative, both of product life cycles and how these are affected by use within lifestyles. Identifying "hot spots" within the value chain where interventions have the greatest potential to improve the environmental and social impact of the system as a whole is a crucial first step. Innovation and design solutions can both enable and inspire individuals to lead more sustainable lifestyles, reducing impacts and improving well-being. Tax policy can influence production methods in a number of ways.

Many SDG targets in the STF discuss taxation as a tool for influencing consumer and producer behavior. These dimensions, in addition to supporting the achievement of other Goals, will simultaneously help achieve the target mentioned with respect to Goal 12. For instance:

- Goal 2: several dimensions propose to use taxes to help achieve sustainable agricultural production and improve consumption of food for those vulnerable to food insecurity.
- Goal 3: several dimensions propose to use taxes to reduce consumption of alcohol and other substance that are deleterious to human health.
- Goals 7, 13, 14 and 15: several dimensions propose to use tax policy as an instrument to reduce carbon emission, reduce consumption of fossil fuel, reduce coastal pollution and marine eutrophication, encourage use of clean energy and to maintain a sustainable terrestrial ecosystem.

### *Tax policy's role in ensuring sustainable production and consumption*

Taxes are an important tool for moderating consumer and producer behavior. Tax increases reduce consumer disposable income and consumer spending, causing a decline in autonomous consumption. Price levels are the final non-income determinant. Selective increase in taxes on commodities that are harmful for the environment, e.g., plastic bottles and plastic bags can encourage citizens to be more responsible in avoiding purchases of products that harm our environment. Taxes can also be used for penalizing producers who do not close the loop on their materials input and byproducts and waste from the production process and consumption of those products. Such approaches place the onus on producers to reduce waste and promote closed-loop production and consumption, encouraging them to think through the entire life cycle of the products and services they offer.



Tax policy can play a significant role in effective waste management including plastics. Proposed policy instruments to tackle waste and plastics prevention, reduction, reuse and recycling include bans or restrictions and extended producer responsibility (EPR) mechanisms such as a) Take-back systems, b) Product stewardship, c) Deposit refund schemes (DRS), d) Pay-as-you-throw (PAYT) schemes, e) Taxes on production, distribution and consumption, and f) Waste management service charges. At least two of the five options employ tax policy instruments.

### *Taxes to reduce food and biomass waste*

Globally, an estimated 931 million tonnes of food waste were generated in 2019, 61 per cent of which came from households, 26 per cent from food service and 13 per cent from retail. In some countries, such as the United States, an estimated one-third of all food is wasted. Per capita food waste is actually higher in lower income countries (e.g., 91 kg/capita/year in LMICs).

Moreover, strong tax incentives can be introduced to encourage farmers to use compost, to ensure both a shift from heavy reliance on marine eutrophication-inducing chemical fertilizers, global soil restoration and a reliable economic demand for compost production. If effectively incentivized with taxes and other economic instruments, a private-sector, profitable composting sector can flourish and reduce food waste.

## 14.3 Performance measurement framework for Target 12.3

**Custodian agencies** for Indicator 12.3.1 are the **FAO** and **UNEP**. This is a Tier II indicator.

Table 12.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 12.3.

### Table 12.1. Performance Measurement Framework for Target 12.3

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 12.3** - By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses production and supply chain, including post-harvest losses. | Indicator 12.3.1 Global food loss index | **G12.D1:** Reduce food waste at production and consumption levels | **Sub-dimension 1:** Extent to which systems are in place to minimize food wastage | A | (i) Supermarkets and food shops are taxed based on volume of food waste or similar tax mechanisms to effectively encourage food waste-reduction innovations<br>(ii) Tax incentives in place for any foodstuffs covered under supplier take-back programs<br>(iii) Non-composted consumer bio/food waste taxed based on volume/weight<br>(iv) Tax credits/benefits offered for participation in initiatives and businesses to managing composting including onsite for agri-producers |
| | | | | B | Any two of the criteria A (i) to A (iv) |
| | | | | C | Any one of the criteria A (i) to A (iv) |
| | | | | D | Criteria for a C score are not met. |



### *Polluter Pays Taxes*

This instrument employs the "polluter pays" principle, charging citizens based on the amount of waste they dispose. However, implementing such schemes generally requires well-developed infrastructure to collect and calculate waste. Awareness campaigns and effective monitoring tools are also important to the success of these schemes.

### *Taxes on plastic packaging and single-use plastics*

Taxes on packaging and taxes on single-use plastic carrier bags can both be effective means of limiting plastics waste. In many instances, the introduction of such taxes has dramatically reduced the use of such products within the space of a few years. In practical terms, taxes are more economically efficient as compared to bans as they incentivize consumers and producers to alter behavior and innovate to reduce their fiscal burden.

*Taxes on waste, landfill deposits and Pay-as-you-throw (PAYT) schemes*

In the EU, many member states use taxes and other fees on producers (and consumers) to increase the costs of incineration and disposal of waste in landfills and encourage innovation, diversion and reuse of materials. These fees and taxes are often designed with end-of-life management costs and related waste disposal externalities incorporated into the rates. Such practices generally increase recycling by 30%. Korea introduced PAYT systems in 1995, which has had success in reducing waste substantially since its implementation.

## 14.4 Performance measurement framework for Target 12.5

**Custodian agencies** for Indicator 12.5.1. are the **UNEP and United Nations Statistics Division (UNSD)** and the **partner agencies** are **OECD, Eurostat and UNU**. This is a Tier I indicator.

Table 12.2 sets out the criteria for scoring the dimensions and sub-dimensions of Target 12.5.

**Table 12.2. Performance Measurement Framework for Target 12.5**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 12. 5** - Target **12.5:** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse | Indicator 12.5.1 National recycling rate, tons of material recycled | **G12.D2:** Reduce non-food waste generation and encourage recycling | **Sub-dimension 1:** Extent to which systems are in place to minimize non-food wastage and encourage recycling | A | (i) Tax instruments (e.g., excise) are in place at economically sufficient levels to effectively disincentivize the use of single-use plastics<br>(ii) Life-cycle costs and related externalities of production, use and disposal are factored into taxes levied on producers<br>(iii) Appropriate tax on virgin plastics that reflect the environment costs of the material<br>(iv) Waste disposal in landfills is effectively disincentivized by tax mix (e.g., by PAYT, landfill disposal tax, waste collection tax |
| | | | | B | Same as criteria A (i), A (iii) and A (iv) |
| | | | | C | Any one of the criteria A(i), A (iii) and A (iv) |
| | | | | D | Criteria for a C score are not met. |

# 15. Goal 13: Take urgent action to combat climate change and its impacts

**Goal 13 has synergies with Goal 7 (Sustainable Energy), Goal 12 (Sustainable Consumption and Production), Goal 14 (Sustainable Marine Resources) and Goal 15 (Sustainable Terrestrial Ecosystems) and should be examined together**

## 15.1 Relevant targets and indicators

*Target 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries*

Indicator 13.1.2 Number of countries that adopt and implement national disaster risk reduction strategies in line with the Sendai Framework for Disaster Risk Reduction 2015–2030

*Target 13.2 Integrate climate change measures into national policies, strategies and planning*

Indicator 13.2.2 Total greenhouse gas emissions per year



## 15.2 Preamble

Climate change has emerged as one of the most critical macroeconomic and financial policy challenges that the world will face in the coming years and decades. By contributing to a higher frequency and intensity of natural disasters, climate change is an existential threat that is already imposing large economic and social cost on many economies.

A progressive transition to net zero greenhouse gas emissions by around the middle of the century is essential for containing the risks of dangerous climate change. Limiting global warming to 1.5°-2°C, the central goal of the 2015 Paris Agreement, will require climate policy packages including tax policy measures that drive transformative changes in production and consumption patterns towards decarbonization. It also includes limiting or removing the use of fossil fuel subsidies currently available in many countries.

Carbon pricing impacts consumer choices by imposing an explicit or implicit price on the externality. Carbon pricing instruments are popular policy instruments used as a tool to support climate mitigation. Although carbon pricing is an effective instrument, a comprehensive package of measures is needed to enhance the overall effectiveness and acceptability of mitigation strategies.

Further to achieve the Nationally Determined Contribution (NDC) pledge under the Paris Agreement, fiscal policy intervention is essential to reduce emissions, limiting or removing the use of fossil fuel subsidies currently available in many countries. policy. The OECD online inventory on fossil fuel subsidies, providing practical information on the application of these instruments. Furthermore, the African Tax Administration (ATAF) policy brief on Carbon Taxation in Africa provides an overview on the design of carbon tax legislation.

### *Carbon pricing*

Carbon pricing is an efficient way to achieve emission reduction by taxing externalities. Apart from emission reduction, carbon pricing can assist in increased revenue mobilization and helps countries steer their economies towards and along a carbon-neutral growth path.

The ability to equate explicit and implicit carbon prices will be particularly relevant for developing countries, since implicit carbon taxes are disseminated across the spectrum, through different levels of development, whereas carbon taxes tend to be more concentrated in economies with a history of environmental protection. Recognizing carbon price equivalence implies a recognition that most developing countries are already implementing carbon pricing policies.

### *Fossil Fuel Subsidies*

In 2021 an important agreement was reached in COP26, and incorporated into the Glasgow Climate Pact,[5] to phase down inefficient fossil fuel subsidies. Subsidies are considered to be negative carbon pricing approaches because they have a diametrically opposite effect to the imposition of carbon taxes. A subsidy, by definition, aims to stimulate a behaviour (in this case, consumption of the carbon-intensive product such as coal, diesel and gasoline). Subsidizing energy use and consumption (e.g., coal and diesel) is still a widespread approach that is employed by many countries, including those enacting successful carbon taxes. Although such measures may be justifiable from a public policy and energy security perspective, they are contradictory to a robust and well-developed environmental policy. Urgent reform is needed to gradually eliminate fossil fuel subsidies that encourage the consumption of carbon rich fuels. The lack of a common definition in which to qualify FFSs hampers further unified international action to curb the widespread application of such policy.

## 15.3 Performance measurement framework for Target 13.1

**The custodian agency** for Indicator 13.1.2 is the **UNDRR** and the **partner agencies** are

**UN-Habitat and UNEP**. This is a Tier I indicator.

Table 13.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 13.1.

5 UNFCCC, Glasgow Climate Pact, 13 November 2021, available at: https://unfccc.int/documents/310475, last accessed 5 Jan 2023.

**Table 13.1 Performance Measurement Framework for Target 13.1**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 13.1** *Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries* | Indicator 13.1.2 Number of countries that adopt and implement national disaster risk reduction strategies in line with the Sendai Framework for Disaster Risk Reduction 2015–2030 | **G13-D1:** Extent of monitoring of the impact of climate change and measures to combat it | **Sub-dimension 1:** Extent to which there is regular monitoring of carbon emissions pricing, energy taxation and fossil fuel subsidies | A | The government develops a governance structure to implement the following actions:<br>(i) Monitoring of CO2 and CO2-equivalent emissions;<br>(ii) Adopting a national carbon pricing strategy in line with international best practices (explicit, implicit pricing and negative pricing taken into account);<br>(iii) Adopting NDC targets that are aligned with the Paris Agreement Climate Targets<br>(iv) Implementing a plan or a strategy to conceptualize inefficient fossil fuel subsidies under national law.<br>(v) Having in place a strategy to quantify inefficient fossil fuel subsidies using the concept employed in national law.<br>(vi) Conducting a program for the phasing out of fossil fuel subsidies in line with the commitments adopted under the Glasgow Climate Pact;<br>(vii) Having in place a strategy for energy substitution between fossil and non-fossil products. |
| | | | | B | The government has a mechanism for regular assessment of any three of the items specified for an 'A' score. |
| | | | | C | There is an ad hoc assessment of any two of the items specified for an 'A' score. |
| | | | | D | The requirements for a 'C' score are not met. |



### *Explicit pricing instruments*

Carbon taxes and Emission Trading Systems (ETS) are two major carbon pricing instruments. Carbon taxation is a policy instrument where a government sets the price of carbon and lets the market determine the total emissions. An ETS by contrast is a pricing instrument that sets a maximum limit on emissions and lets the market determine the price of carbon emissions.

### *Carbon Taxes*

Carbon taxation is the single most powerful and efficient tool to reduce domestic fossil fuel CO2 emissions by producers. A carbon tax is a specific tax on the implied carbon content in crude oil, coal and its by-products. It therefore is capable of creating a direct correlation between the carbon pollution and the price so applied via the tax. An upstream carbon tax is simple to administer and is capable of impacting both the formal and the informal economies, a point which is particularly relevant for middle- and low-income countries. Carbon taxes can also be applied at the downstream segment of the supply chain. These would be taxes incident either at the level of distribution or consumption of fossil fuel products and their derivatives.

A carbon tax can encourage a positive change in consumer behavior to the extent it provides an incentive for the consumer to acquire the least carbon-intensive product. Best practices assert that countries should start with the imposition of a relatively low carbon tax and have a plan for gradual increase of the tax rate over time. Since fossil fuel extraction and refining is a capital intensive, long-term project, it is recommended that the carbon tax law provide for future tax rate increases, to provide foresight over the costing of such projects. According to the IPCC, the tax rate should be set between 20 to 80 USD/tCO2e by 2030 and USD30 to USD 155 by 2050 per ton of carbon in order to meet the Paris Agreement goals.

*Emission trading systems*

ETS are the second type of explicit pricing mechanism. ETS schemes set a ceiling on the number of emissions released by certain sectors. Emissions permits are distributed to producers, either for free (grandfathering of permits tends to occur at the initial stages of operation of an ETS), or through the auctioning of permits. Polluters will be bound by the cap set for them in the regulatory process. If they pollute more than the cap, they are required to buy additional permits in a secondary market. If they produce less pollution than the cap, they are given the opportunity to trade their surplus permits in a secondary market, as if it were a capital asset. ETSs usually operate at the downstream level of the value chain. It is not a system that is geared towards obtaining a whole of economy carbon price. It aims to only price the externality of certain industries. Therefore, it is less effective at meeting a country's climate objectives. On the other hand, it can be used in combination with the administration of carbon taxes, as is the case in many countries.

*Implicit Carbon Prices*

Implicit carbon prices are downstream ad valorem taxes on a consumable energy product that is carbon intensive. Generally speaking, implicit carbon prices comprise energy taxes, fossil fuel taxes, pollution taxes, transport taxes, resource taxes and other taxes levied on energy products, on an ad valorem basis. National tax administrations could overcome the policy vacuum by establishing a legal definition and methodological approach to the computation of implicit carbon prices as part of a national strategy for carbon mitigation approaches under the NDCs.

Implicit carbon prices (or environmentally related taxes) might not necessarily be introduced to account for an environmental externality, even if it is possible to derive an indirect carbon price from it. A mathematical computation would to be derived and agreed internationally in order for countries to be able to compute those taxes towards their Nationally Determined Contributions.

## 15.4 Performance measurement framework for Target 13.2

**The custodian agency** for Indicator 13.2.2 is the **UNFCCC**. This is a Tier I indicator.

Table 13.2 sets out the criteria for scoring the dimensions and sub-dimensions of Target 13.2.

### Table 13.2 Performance Measurement Framework for Target 13.2

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 13.2** – Integrate climate change measures into national policies, strategies and planning | Indicator 13.2.2 Total greenhouse gas emissions per year | **G13-D2:** Effective use of carbon pricing instruments such as carbon tax or/ and emission trading systems (cap & trade) | **Sub-dimension 1:** The extent to which carbon pricing instruments such as carbon tax and emission trading systems are used to reduce the carbon footprint by producers. | A | (i) Carbon taxation is used to increase the price of carbon, and applied at the upstream level, at first entry of fossil fuel products in the supply chain.<br>OR<br>An ETS is in place to complement the administration of a carbon tax policy. Emissions permits are allocated through open auctioning, and targets the power generation and large industrial sectors<br>OR<br>Both a carbon tax and ETS<br>(ii) Carbon pricing instruments are employed and targeted towards improving resource efficiency and boosting investment in clean energy and low-emission goods and services.<br>(iii) There is a long-term strategy (50 years or more) for the gradual increase of the national carbon price through successive tax rate increases or subsidy reductions that is aligned with pledge under the NDC;<br>(iv) There is a plan in place to expand the tax base until full coverage of $CO_2$ and $CO_2e$ emissions is reached.<br>(v) A program is in place to alleviate the burden on the price on low income households. |
| | | | | B | (i) Same as (i) of A<br>(ii) Any two of (ii) to (v) of A |
| | | | | C | (i) The country only administers implicit carbon prices or ETS where the permits are 100% grandfathered<br>(ii) Any one of (ii) to (v) of A. |
| | | | | D | The requirements for a 'C' score are not met. |

# 16. Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development

**Goal 14 has strong synergies with Goal 13 (Climate Change) and should be examined together**

### 16.1 Relevant targets and indicators

*Target 14.1***:** *By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.*

Indicator 14.1.1 Index of coastal eutrophication and floating plastic debris density

*Target 14.4***:** *By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics*

Indicator 14.4.1 Proportion of fish stocks within biologically sustainable levels

*Target 14.7: By 2030, increase the economic benefits to small island developing States and least developed countries from the sustainable use of marine resources, including through sustainable management of fisheries, aquaculture and tourism.*

Indicator 14.7.1 Sustainable fisheries as a proportion of GDP in small island developing States, least developed countries and all countries



## 16.2 Preamble

The Food and Agriculture Organization (FAO) estimates that in 2019 around 61 million people were employed worldwide in fishing and fish-farming, with a majority of those employed by the capture fisheries sub-sector working in small-scale operations in developing countries. In 2019, fisheries and aquaculture produced roughly 178 million tonnes of fish of which the world capture fisheries in marine waters account for 80.4 million tonnes, generating over USD162 billion in exports, with 54 percent originating in developing countries.

Fish is a natural resource that belongs to the coastal country, in general, and to the coastal community, in particular. For this resource to be renewable, providing ecological sustainability into the future is critical to ensure that the coastal community continues to receive fishing revenues on an ongoing basis. The fisheries sector is notoriously vulnerable to overfishing and the "tragedy of the commons" looms large, where there is almost open access to a resource unhampered by shared social responsibilities and structures. Formal rules that govern access and use rights are difficult to enforce even in developed countries.

*Marine Pollution – plastics and eutrophication (e.g., from fertilizer run-off)*

Prevention of marine pollution by plastics, waste, toxins and eutrophication (e.g., agricultural fertilizers run-off) requires a complex mix of changing production and consumption behaviors, infrastructure systems designed to reduce pollution and instill circular economy practices, and the introduction of related public policies.

> An estimated 12 megatonnes of plastic leaks into the ocean every year. Recent studies estimate the cost of infrastructure to collect a 100% of existing plastic waste and ensure controlled recovery and disposal of future waste in OECD countries and 10 other selected countries at $54 to 74 billion

Eutrophication and wastewater discharge into marine waters is also a major concern. Addressing eutrophication will require innovative solutions, as there is evidence to suggest that legacy stores of nitrogen and phosphorus in catchments may be sufficient to sustain algal blooms and murky waters for decades to come. It is a complex issue – nutrient reduction strategies will need to take a holistic catchment-to-coast continuum approach to address eutrophication effectively, and nutrient reduction strategies must work to accurately apportion the fiscal burden to the appropriate agricultural or other sources. Tax incentives can be used to promote research and scientific innovation in addressing and clearing pollution from the oceans and coastal areas.



## 16.3 Performance measurement framework for Target 14.1

**The custodian agency** for Indicator 14.1.1 is the **UNEP** and the **partner agencies** are **IOC-UNESCO, IMO and FAO**. This is a Tier II indicator.

Table 14.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 14.1

**Table 14.1. Performance Measurement Framework for Target 14.1**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 14. 1** - By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution. | Indicator 14.1.1 Index of coastal eutrophication and floating plastic debris density | **G14-D1: tax policy measures to curb marine and coastal pollution** | **Sub-dimension 1:** Effective use of tax policy, regulatory fees and administrative measures and prevent pollution of coastal territories and oceans | A | (i) Marine eutrophication is disincentivized and progressively reduced by a regionally administered tax on agricultural fertilizer run-off<br>(ii) High regulatory fees are levied for disposal of plastics and other waste into the ocean.<br>(iii) Sewerage water disposal in coastal area is effectively disincentivized with appropriately high regulatory fees.<br>(iv) Tax incentives are in place to incentivize research, innovation and investment in wastewater treatment for restoring quality of marine waters and coastal areas |
| | | | | B | Any two of A(i) to A (iv). |
| | | | | C | Any one of A(i) to A (iv). |
| | | | | D | Criteria for a C score are not met. |



### *Revenues from sustainable fisheries*

Fishing revenues have provided welcome breathing space for several countries who were encountering fiscal difficulties. This needs to be converted into a more sustainable budget scenario moving forward. The first step for many nations is to recognize these are not temporary windfall revenues, but an ongoing feature of their own-source income, which may demonstrate volatility.

Most countries charge a resource rent for this natural treasure so that the community can benefit from it. At the same time, countries devise rules and safeguards to prevent overfishing. Enforcement of these rules are challenging even in advanced economies.

## 16.4 Performance measurement framework for Target 14.4

**The custodian agency** for Indicator 14.4.1 is the **FAO**. This is a Tier I indicator

Table 14.2 sets out the criteria for scoring the dimensions and sub-dimensions of Target 14.4.

**Table 14.2. Performance Measurement Framework for Target 14.4**

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 14. 4 -** *By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics* | Indicator 14.4.1 Proportion of fish stocks within biologically sustainable levels | **G14-D2: Rules to prevent overfishing** | **Sub-dimension 1:** Effective use of rules and safeguards to prevent overfishing | A | (i) Access rights license is required for foreign fishing vessels to regulate and enforce the volume of fishing.<br>(ii) Rules and safeguards are in place to prevent overfishing.<br>(iii) Customs and Coast Guards routinely monitor and enforce the rules to prevent overfishing.<br>(v) Aquaculture and farm fishing require license. |
| | | | | B | Same as (i) and (ii) of 'A' score. |
| | | | | C | Any one of (i) and (ii) of 'A' score. |
| | | | | D | Criteria for a C score are not met. |



## *Licensing of fishing rights*

Public revenue from fishing rights takes several forms. Pacific countries, for instance, have made significant steps towards maximizing their share of the incomes from fisheries, mainly through access right fees and license charges. These are levied on foreign fishing vessels. representing six per cent of the value of the catch. Since the value of catch by vessels that do not touch local ports is difficult, Pacific countries levy a benchmark charge of USD 8,000 per day per vessel. Foreign fishing access annually generates approximately USD 400 million for the 22 Pacific Island countries and territories.

## *Other taxes on fisheries*

In Alaska, a Fisheries Business Tax is levied on people who process or export fisheries resources from Alaska. The tax is collected primarily from licensed processors and exporters and is based on the price they pay to commercial fishermen. In Norway, in addition to revenues from selling of fishing rights, the Government proposes to introduce a production tax on farmed fish in 2021.

## *Export duties on fishery products*

Many countries around the world use export taxes on commodities for a variety of reasons. Two countries in the Pacific region, (Solomon Islands and Tonga) have export duties on fishery products – which apparently were imposed to prevent unfair transfer pricing by vertically integrated fishing/marketing companies. As discussed earlier, Yemen levies export fees on fish export at specific rates that depend on whether the fish is frozen, fresh or processed.

## 16.5 Performance measurement framework for Target 14.7

**Custodian agencies** for Indicator 14.7.1 are the **FAO and UNEP-WCMC**. This is a Tier I indicator.

Table 14.3 sets out the criteria for scoring the dimensions and sub-dimensions of Target 14.7.

### Table 14.3 Performance Measurement Framework for Target 14.7

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 14. 7** - By 2020, increase the economic benefits to small island developing States and least developed countries from the sustainable use of marine resources, including through sustainable management of fisheries, aquaculture and tourism | Indicator 14.7.1 Sustainable fisheries as a proportion of GDP in small island developing States, least developed countries and all countries | **G14-D3: revenues from sustainable fisheries** | **Sub-dimension 1:** Resource rent and taxes on fisheries and aquaculture to ensure sustainable economic benefits for coastal communities | A | (i) Appropriate access right fees and/ or license charges are levied on foreign fishing vessels.<br>(ii) The access right fees and/ or license include levy of a benchmark charge per day per vessel in addition to a levy on the value of the catch.<br>(iii) Fisheries tax is levied on licensed processors and exporters of fisheries resources.<br>(iv) Production tax is levied on farmed fishing<br>(v) A carbon tax is levied on the $CO_2$ emission from fishing vessels. |
| | | | | B | Any two of (i), (iii) and (iv) of 'A' score. |
| | | | | C | Any two of (i), (iii) and (iv) of 'A' score. |
| | | | | D | Criteria for a C score are not met. |

# 17. Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss

**Goal 15 has strong synergies with Goal 13 (Climate Change) and should be examined together**

### 17.1 Relevant target and indicator

*Target 15.3*: *By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world*

Indicator 15.3.1 Proportion of land that is degraded over total land area

## 17.2 Preamble

Desertification and land and soil degradation are primarily affected by anthropogenic climate change. Climate change has emerged as one the most critical macroeconomic and financial policy challenges that the world will face in the coming years and decades. This issue has also been discussed in relation to SDG 13. By contributing to a higher frequency and intensity of natural disasters, climate change is already imposing large economic and social cost on many economies. Extreme weather conditions and frequency of droughts and floods are affecting vulnerable populations in many countries. In the period ahead, climate change is bound to affect macroeconomic and financial stability through numerous other transmission mechanisms, including fiscal positions, asset prices, trade flows, and real interest and exchange rates. A comprehensive strategy for the engagement on critical, climate-related policy issues starts with a stock-taking exercise that reviews global activities in this area thus far.

A progressive transition to net zero greenhouse gas emissions is essential for containing the risks of dangerous effects on the terrestrial ecosystem. Limiting global warming to 1.5°- 2°C, the central goal of the 2015 Paris Agreement, will require climate policy packages including tax policy measures that drive transformative changes in production and consumption patterns. It also includes limiting or removing the use of fossil fuel subsidies currently available in many countries.

Although carbon pricing is an effective instrument for preventing the terrestrial ecosystem from further damage, a comprehensive package of measures is needed to enhance the overall effectiveness and acceptability of mitigation strategies. Key elements potentially include a balance between carbon pricing and reinforcing sectoral instruments; supporting public investment and technology policies; productive and equitable use of carbon pricing revenues; and measures for a just transition, to address industrial competitiveness, and to reduce broader greenhouse gas emissions. Judicious use of carbon pricing revenues can make climate policy more inclusive and effective while containing the costs of clean energy transitions to the economy.

### *Carbon pricing*

The comments pertaining to carbon pricing, explicit carbon pricing, implicit carbon pricing and negative carbon pricing contained in the descriptors of SDGs 7 and 13 are also applicable to this section.

### *Feebates to address deforestation: Commodity Taxes and Rebate systems*

One technique that has been proved to be effective in combatting deforestation and land erosion due to deforestation is the application of a tax on deforestation-related commodities, and a corresponding rebate if the product is above the environmental benchmark for sustainability. This is called a feebate structure. Farming is responsible for much of the deforestation (including plant-based fibers, cereals, oilseed products, cattle meat, vegetables and fruits). The best practice is to apply a tax per unit of produced product and make it variable according to the production method employed in the production of those products. The more sustainable the production method, the lower the tax rate. However, determining the production methods is difficult. Some governments rely on certification agencies that provide information on production methods. The government then allows a tax discount or rebate if an accredited agency certified that the product was produced in a manner that is more sustainable than the default value. This approach was implemented in trading agreement between Indonesia and Switzerland, when transacting palm oil. Palm oil that was certified as being deforestation-free, received half of the tariff. The rate of the tariff on the border varied according to embedded carbon content.



## 17.3 Performance measurement framework for Target 15.3

**The custodian agency** for Indicator 15.3.1 is the **UNCCD** and **partner agencies** are the **FAO and UNEP**.

Table 15.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 15.3.

### Table 15.1. Performance Measurement Framework for Target 15.3

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 15. 3** - By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world | Indicator 15.3.1 Proportion of land that is degraded over total land area | **G15-D1:** Effective use of carbon pricing and emission trading systems | **Sub-dimension 1:** Extent to which carbon pricing and emission trading systems are used to reduce carbon footprint by producers | A | (i) Taxes are imposed on activities that contribute to land degradation like deforestation, overgrazing, and mining. The tax rate varies according to the production method employed<br>(ii) Land-based activities on activities known to be responsible for land degradation and deforestation are subject to certification processes for sustainable practices.<br>(iii) A rebate is granted to the producing agent provided the enterprise is graded as sustainable.<br>(iv) Incentives are present to foster land restoration by the producer<br>(v) Authorities use land use planning fees to develop sustainable land use practices |
| | | | | B | Any one of A (i) or A (ii) are regularly used (every 4 to 5 year) with the aim of reducing carbon footprint. |
| | | | | C | Any one of A (i) or A (ii) is used less frequently than 5 years |
| | | | | D | Criteria for a C score are not met. |

# 18. Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

## 18.1 Relevant targets and indicators

**Target 16.4** *By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime*

Indicator 16.4.1 Total value of inward and outward illicit financial flows (in current USD)

**Target 16.5** *Substantially reduce corruption and bribery in all their forms*

Indicator 16.5.1 Proportion of persons who had at least one contact with a public official and who paid a bribe to a public official, or were asked for a bribe by those public officials, during the previous 12 months

**Target 16.6** *Develop effective, accountable and transparent institutions at all levels*

Indicator 16.6.1 Primary government expenditures as a proportion of original approved budget, by sector (or by budget codes or similar)

Indicator 16.6.2 Proportion of population satisfied with their last experience of public service

**Target 16.8** *Broaden and strengthen the participation of developing countries in the institutions of global governance*

Indicator 16.8.1 Proportion of members and voting rights of developing countries in international organizations

Indicator 16.4.1 Total value of inward and outward illicit financial flows (in current USD)



## 18.2 Preamble

SDG 16 on peace, justice and strong institutions, includes specific targets to address corruption, increase transparency, tackle IFFs and improve access to information. As such, SDG 16 creates an enabling environment to achieve the entire 2030 Agenda.

In many countries, there are significant challenges in sustainable development due to weak governance institutions, low levels of transparency and accountability and entrenched corruption. Illicit financial flows (IFFs) also present a major hindrance to development, as they divert scarce resources away from development through corruption, criminal activities, tax evasion/avoidance, and mispriced commercial transactions. These resources could otherwise be channeled towards financing the SDGs. Estimates show that corruption, bribery, tax evasion and related illicit financial flows deprive developing countries of around US$1.26 trillion per year.

Effective tax systems and SDG 16 are mutually reinforcing. The connection between tax and governance manifests itself in different ways. The first is continuous bargaining between citizens and the state. The second is through the state's incentive to promote growth. Finally, tax collection critically depends on the quality of institutions and organizations. This illustrates the critical role that effective tax systems can have in promoting strong and resilient social contracts between the state and society.

Confidence and trust in the tax system is reinforced by an effective governance and public administration system based on transparency, accountability, and responsiveness to the needs of the population, in general, and taxpayers, in particular. A country's tax levels have long been associated with its degree of societal organization and effectiveness of rule-based institutions. Governments bear the ultimate responsibilities in providing basic services such as public safety, law, infrastructure, education and health, but the source of financing is highly dependent on the country's context.

### *Combatting illicit financial and arms flows all forms of organized crime*

IFFs are money or capital illegally earned, transferred, across borders. IFFs stem from corruption, crime, terrorism, and tax evasion. By depleting resources away from development, IFFs directly undermine countries' efforts to achieve the SDGs. The difficulty in the taxation of MNEs, as well as assets held by both firms and individuals in other jurisdictions, is linked to lack of transparency of cross-border transactions, as well as large-scale corruption. Endeavors at the international level to tackle BEPS are gathering momentum. These are dealt with and discussed under SDG 17.

Hidden, secret and fraudulent transactions prevent countries from enforcing the law and collecting taxes. Moreover, lack of financial transparency also creates uneven playing fields that harm small- and medium-sized businesses and undermine the equity and inclusiveness of economies.

IFF is a global problem that cannot be solved by individual countries but requires strengthened international collaboration. The Conceptual Framework for the Statistical Measurement of Illicit Financial Flows published by UNCTAD and UNODC provides the first ever UN wide definition of IFFs for statistical purposes. UNCTAD has recently finalised a draft of Methodological Guidelines to Measure Tax and Commercial IFFs for pilot testing with a mandate to collect and access relevant information. Likewise, the OECD Global Forum on Transparency and Exchange provides a multilateral response to the need to tackle offshore tax evasion. It brings together over 160 jurisdictions dedicated to improving transparency and the exchange of information for tax purposes. Similarly, the Financial Action Task Force (FATF) leads global action to tackle money laundering, terrorist and proliferation financing and examines how money is laundered and terrorism is funded. It promotes global standards to mitigate the risks and assesses whether countries are taking effective action.

## 18.3 Performance measurement framework for Target16.4

**Custodian agencies for** Indicator 16.4.1 are the **UNODC and UNCTAD. This is a Tier II indicator.**

Table 16.1 sets out the criteria for scoring the dimensions and sub-dimensions of Target 16.4.

### Table 16.1. Performance Measurement Framework Target 16.4

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 16.4** - By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime | Indicator 16.4.1<br>Total value of inward and outward illicit financial flows (in current USD) | **G16.D1: Extent of measures to prevent illicit financial flows** | **Sub-dimension 1:** Extent to which a country actively cooperates internationally in exchanging financial information to prevent tax evasion | A | The country actively cooperates and exchanges information with international and bilateral agencies that combat IFFs and other economic crimes as measured by Global Forum Assessment:<br>(i) The country is rated as "*Compliant"* on the Global Forum peer reviews to assess the standard of exchange of information on request (EOIR)<br>(ii) The AEOI legal framework for the AEOI Standard is determined to be "*in place*"<br>(iii) The effectiveness in practice of a country's implementation of the AEOI Standard is rated as *On Track* during the Global Forum peer review<br>(iv) The mutual administrative assistance convention (MAAC) is in ratified and in force. |
| | | | | B | (i) The country is rated as "*Largely Compliant"* on the Global Forum peer reviews to assess the standard of EOIR<br>(ii) The AEOI legal framework for the AEOI Standard is determined to be "I*n place but needs improvement*"<br>(iii) The effectiveness in practice of a country's implementation of the AEOI Standard is rated as *Partially Compliant* during the Global Forum peer review; or the legal framework and/or effectiveness in practice of the AEOI Standard has not been reviewed<br>(iv) The MAAC is in signed but not yet ratified. |
| | | | | C | (i) The country is rated as "*Partially Compliant"* on the Global Forum peer reviews to assess the standard of EOIR<br>(ii) The AEOI legal framework for the AEOI Standard is determined to be "*Not in place"*<br>(iii) The effectiveness in practice of a country's implementation of the AEOI Standard is rated as "*Non-Compliant*" during the Global Forum peer review; or the country has not committed to AEOI<br>(iv) MAAC has been requested to join |
| | | | | D | The requirement of a "C" score are not met. |

| Target | Indicator | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | **Sub-dimension 2:** Extent to which a country actively prevents money laundering | A | (i) Technical compliance of a country with FATF recommendations is assessed as *compliant* OR *largely compliant* in at least 35 recommendations AND no recommendation is rated *non-compliant*<br>(ii) Effectiveness of a country's Anti-money laundering /counter-terrorism financing system is assessed as *High* OR *Substantial* in at least 7 Immediate Outcomes AND none is assessed *Low* |
| | | | | B | (i) Technical compliance of a country with FATF recommendations is assessed as Compliant OR *Largely compliant* in at least 30 recommendations<br>(ii) effectiveness of a country's Anti-money laundering /counter-terrorism financing system is assessed as *High OR Substantial* in at least 5 Immediate Outcomes |
| | | | | C | (i) Technical compliance of a country with FATF recommendations is assessed as *Complaint* OR *Largely compliant* in at least 25 recommendations<br>(ii) Effectiveness of a country's Anti-money laundering /counter-terrorism financing system is assessed as is assessed as *High OR Substantial* in at least 3 Immediate Outcomes |
| | | | | D | The requirement of a "C" score are not met. |
| | | | **Sub-dimension 3:** Extent to which a country conducts tax crime investigations | A | The country scores *Aspirational/Established* on at least 8 of the 10 Global principles on fighting tax crimes developed by the Task Force on Tax Crimes and Other Crimes (TFTC) |
| | | | | B | The country scores *Progressing* on at least 8 of the 10 Global principles on fighting tax crimes |
| | | | | C | The country scores *Emerging* on at least 8 of the 10 Global principles on fighting tax crimes |
| | | | | D | The requirements of a 'C' score are not met. |



### *Anti-corruption measures*

Strengthening anti-corruption measures in tax administrations and tax systems is an integral part of advancing effective economic governance. Studies have shown that corruption negatively impacts overall tax revenue. Tax administrations are often perceived to be one of the most vulnerable to corruption due to many factors including the complexity of tax legislation, discretionary powers of tax officials and rent-seeking behavior, among others. The risks of corruption are tied both to the public and private sector as well as to political actors and are found in every area of tax administration – from the policy level to the organizational level, to the individual/service delivery level. Assessing how corruption risks manifest across different levels and putting in place measures to mitigate them are critical for strengthening integrity and effectiveness of tax administrations.

Using available political economy analysis or investing in corruption risk assessments are important tools in this regard. Efforts to address corruption range from prevention to enforcement and should be tailored to the country's context. These could include legal reform to increase tax compliance, capacity building for tax officials and the private sector, automation/digitalization of tax administrations, strengthening human resource management (systems of recruitment, ethics/integrity codes, etc.), strengthening internal mechanisms for audit and investigation, amongst others. A system audit of the tax administration, to see where there are points in the system that are corruption incubators, is a useful way of identifying the pressure points. This may include places where the system requires negotiation between taxpayer and tax officials, or where it takes very long to process tax refund.

## 18.4 Performance measurement framework for Target 16.5

**The custodian agency for** Target 16.5 is UNODC. This is a Tier I indicator.

Table 16.2 sets out the criteria for scoring the dimensions and sub-dimensions of Target 16.5.



### Table 16.2 Performance Measurement Framework for Target 16.5

| | | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 16.5 -** Substantially reduce corruption and bribery in all their forms | Indicator 16.5.1 Proportion of persons who had at least one contact with a public official and who paid a bribe to a public official, or were asked for a bribe by those public officials, during the previous 12 months | **G16-D2: Scope of measures to prevent corruption** | **Sub-dimension 1:** Overview of anti-corruption measures taken at the policy level, which are relevant to tax administrations | A | (i) There is an independent anti-corruption body that oversees anti-corruption policies and is empowered to investigate cases of corruption.<br>(ii) Corruption experience-based surveys on experience with the tax administrations are conducted on a regular basis and the results are published.<br>(iii) There are legal or non-legal frameworks in the public service to guide the ethical and professional behavior of all civil servants (E.g., whistle blower protection; conflict of interest)<br>(iv) The country is reviewed by Transparency International on its annual corruption perception index and the score is above 55. |
| | | | | B | (i) Same as (i), (ii) and (iii) of 'A' score.<br>(ii) The country is reviewed by Transparency International on its annual corruption perception index and the score is below 45. |
| | | | | C | (i) Any two of (i), (ii) and (iii) of 'A' score.<br>(ii) The country is reviewed by Transparency International on its annual corruption perception index and the score is below 35. |
| | | | | D | The requirements of a 'C' score are not met. |

| | | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | **Sub-dimension 2:** Extent of measures taken to ensure transparency, integrity and anti-corruption at the tax administration/ organizational level | A | (i) There is an anti-corruption policy within the tax administration, including mechanisms for reporting corruption, fraud and misconduct such as an ethics or integrity unit.<br>(ii) There are clear operational guidelines and procedures in place in managing organizational resources, including budgeting and procurement processes.<br>(iii) Civil servants including tax officials are required to submit periodically declarations related to conflicts of interest and asset disclosure for scrutiny, including political positions, such as ministers, judges and parliamentarians).<br>(iv) There is a code of conduct/code of ethics for tax officials.<br>(v) There is a transparent and merit-based system of recruitment, retention and promotion within the tax administration. |
| | | | | B | Same as (i), (ii), (iii) and (iv) of 'A' score. |
| | | | | C | Any three of (i), (ii), (iii) and (iv) of 'A' score. |
| | | | | D | The requirements of a 'C' score are not met. |
| | | | **Sub-dimension 3:** Extent of measures taken to prevent corruption at the taxpayers' level. | A | (i) There is clear guidance and information that is regularly updated and published for taxpayers on tax regulations, requirements and processes for individuals, businesses and other entities.<br>(ii) There are (digital or non-digital) systems in place to detect tax evasion, fraud and other tax crimes.<br>(iii) There are systems in place for filing tax declarations and paying taxes due, electronically.<br>(iv) There are mechanisms in place for taxpayers to provide feedback or complaints related to corruption, fraud and misconduct<br>(v) There is an independent tax ombudsman that investigates complaints from taxpayers on systemic tax problems |
| | | | | B | Same as (i), (ii), (iii) and (iv) of 'A' score. |
| | | | | C | Any three of (i), (ii), (iii) and (iv) of 'A' score. |
| | | | | D | The requirements of a 'C' score are not met. |

*Effective, accountability and transparency*

Transparency and accountability are central pillars of effective governance systems. Their institutionalization reflects the principle that fiscal institutions should be answerable for the way they use public resources and exercise authority. To enhance public confidence and trust, tax administrations should be openly accountable for their actions within a framework of responsibility to the minister, legislature, and general public.

Examples of good practices that facilitate transparency and accountability include: (i) external oversight of the financial and operational performance; (ii) an internal audit unit responsible for adherence to the administration's internal control, risk management, and governance frameworks; (iii) public reporting of annual financial and operational performance as well as future strategies and plans.

*Civil society engagement to strengthen inclusive governance*

Civil society plays an important role in holding states accountable for the use of tax revenues and in engaging with state actors to respond to the needs of taxpayers. Constructive engagement between civic and state actors plays an important role in increasing trust, confidence and compliance in tax systems. However, to what extent, and how, civil society and other non-state actors can engage effectively in strengthening tax administration should be determined through a country context analysis, recognizing the different incentives, interests and political contestations on this topic.

## 18.5 Performance measurement framework for Target 16.6

**The custodian agency** for indicator 16.6.1 is the **World Bank.** This is a Tier I indicator.

The custodian agency for indicator 16.6.2 is the **UNDP.** This is a Tier II indicator.

Table 16.3 sets out the criteria for scoring the dimensions and sub-dimensions of Target 16.6.

**Table 16.3 Performance Measurement Framework for Target 16.6**

| | | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| **Target 16.6** - *Develop effective, accountable and transparent institutions at all levels* | 16.6.1 Primary government expenditures as a proportion of original approved budget, by sector (or by budget codes or similar) | **G16-D3:** Scope of measures to integrate effective governance through transparency and accountability | **Sub-dimension 1**: Extent of external oversight of the financial and operational performance of the tax administration | A | (i) An external oversight institution under the parliament conducts an annual audit of the tax administrations' financial performance.<br>(ii) An external oversight institution under the parliament conducts an annual performance audit of tax administration's operations.<br>(iii) The findings of the external reviews are published |
| | | | | B | (i) Same as (i) of 'A' score<br>(ii) An external oversight institution under the parliament conducts a performance audit of tax administration's operations once every two years.<br>(iii) The findings of the external reviews are published |
| | | | | C | (i) Same as (i) of 'A' score<br>(ii) There is no external oversight of the performance of tax administration's operations.<br>(iii) The findings of the external reviews are not published |
| | | | | D | The requirements for a 'C' score are not met. |
| | | | **Sub-dimension 2:** Extent of internal assurance provided to monitor adherence to the internal control framework | A | (i) The tax administration has an independent internal audit department/unit reporting directly to the Head of the tax administration that conducts an annual independent review of the financial performance of the tax administration.<br>(ii) The internal audit department/unit conducts an annual performance audit and IT systems audit of the tax administration's main operations.<br>(iii) The tax administration acts on the findings and recommendations of the internal audit department. |
| | | | | B | (i) Same as (i) of 'A' score.<br>(ii) The internal audit department/unit conducts a performance audit and IT systems audit of the tax administration's main operations once every two years.<br>(iii) The tax administration acts on the findings and recommendations of the internal audit department. |

| | | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | | C | (i) Same as (i) of 'A' score<br>(ii) There is no internal performance audit of the tax administration's operations.<br>(iii) The tax administration acts on the findings and recommendations of the internal audit department. |
| | | | | D | The requirements for a 'C' score are not met. |
| | | | **Sub-dimension 3:** Level of public reporting of annual financial and operational performance as well as future strategies and plans | A | (i) The tax administration prepares an annual report highlighting its financial and operational performance of the previous fiscal year.<br>(ii) The tax administration prepares a multi-year strategy highlighting plans for the future.<br>(iii) The annual report and strategic plan are made public. |
| | | | | B | (i) Same as (i) of 'A' score.<br>(ii) Same as (ii) of 'A' score.<br>(iii) Only the annual report is published. |
| | | | | C | (i) Same as (i) of 'A' score.<br>(ii) No strategic plan is prepared.<br>(iii) The annual report is published. |
| | | | | D | The requirements for a 'C' score are not met. |
| | Indicator 16.6.2 Proportion of population satisfied with their last experience of public services | **G16-D4:** Extent of measures to obtain public feedback and monitor public confidence in the tax system | **Sub-dimension 1:** Monitoring of public confidence in the tax system through stakeholder surveys | A | (i) An independent expert survey organization conducts a survey (commissioned by the Government) based on a statistically valid sample of citizens, taxpayers and other stakeholders to monitor public confidence in the tax system.<br>(ii) The survey is conducted at least once every two years.<br>(iii) The survey results are published. |
| | | | | B | Same as (i) and (ii) of A score |
| | | | | C | (i) Same as (i) of 'A' score.<br>The survey is conducted on an ad hoc basis |
| | | | | D | The requirements of a 'C' score are not met. |

| | | Dimension | Sub-dimension | Score | Criteria |
|---|---|---|---|---|---|
| | | | **Sub-dimension 2:** Methods used to ensure public engagement and consultation in designing the tax system | A | (i) The ministry of finance regularly consults taxpayers and other stakeholders before formulating tax policy changes.<br>(ii) The tax administration regularly consults taxpayers when developing new procedures.<br>(iii) Taxpayers and their representatives are involved in the testing of new systems or forms. |
| | | | | B | Any two of (i), (ii) and (iii) of 'A' score. |
| | | | | C | Any one of (i), (ii) and (iii) of 'A' score |
| | | | | D | The requirements of a 'C' score are not met. |

*Participation of developing countries in the institutions of global governance*

Fair representation of developing countries in international institutions active in tax policy field is a necessary condition for designing tax policies that will produce equitable and sustainable outcomes. For many years, the leading policy fora active in the field of taxation were biased towards protecting financial interests of large, capital-exporting, industrialized economies, while interests of developing, lower-income countries have often been overlooked, not lastly due to their limited opportunities to participate in the policy making process.

In recent years, efforts have been made to improve their inclusivity and to balance representation of developed and developing countries. While such measures did manage to increase the number of developing countries participating in international tax policy making, in terms of real opportunities to impact design of international tax standards, and influence gap between developed and developing countries remains. Unequal representation at international tax fora leads to unequal policy outcomes and deepens the inequality between the Global South and the Global North. Dissatisfaction of developing countries with the dominance of developed economies over setting the rules of international taxation led to a group of African countries demanding the center of tax policy making shifting from the OECD to the UN with the Resolution A/C.2/77/L.11/REV.1 at the United Nations General Assembly on "Promotion of inclusive and effective international tax cooperation at the United Nations". Having senior Ministry of Finance officials attend and participate in these international meetings of tax professions tends to be very helpful.

## 18.6 Performance measurement framework for Target 16.8

**The custodian agencies for** Indicator 16.8.1 are **UNDESA and FSDO. This is a Tier I indicator.**

Table 16.4 sets out the criteria for scoring the dimensions and sub-dimensions of the Target 16.8

### Table 16.4. Performance Measurement Framework for Target 16.8

<table>
<tr><th></th><th></th><th>Dimension</th><th>Sub-dimension</th><th>Score</th><th>Criteria</th></tr>
<tr><td rowspan="4">Target 16.8 - Broaden and strengthen the participation of developing countries in the institutions of global governance</td><td rowspan="4">16.8.1 Proportion of members and voting rights of developing countries in international organizations</td><td rowspan="4">G16 -D5: Membership of International Organizations</td><td rowspan="4">Sub-dimension 1: Extent to which countries enjoy equal representation in international organizations</td><td>A</td><td>(i) Developed and developing countries are a part of the regional bodies covering their geographic location and seek advice from that body when setting a position in the policy debate.<br>(ii) Countries understand the pros and cons of building a group based policy position, that is mutually beneficial to countries in a particular geographic coverage, or within an economic grouping of similarly minded countries. These groupings provide an environment for the discussion of policy priorities.<br>(iii) Countries exercise active voting rights in policy discussions happening at international level, at times voting individually and at times voting as a block to protect the interests of a group.<br>(iv) Countries use its regional representatives to voice domestic policy concerns with a view of steering the international tax agenda towards its policy priorities.<br>(v) Country engages in the building of international consensus that is fair towards the needs of developed and developing countries.<br>(vi) The country denounces international tax policy framing settings that are not inclusive of the opinions of all countries.</td></tr>
<tr><td>B</td><td>Countries meet three of the six criteria</td></tr>
<tr><td>C</td><td>(i) Countries meet two of the six criteria</td></tr>
<tr><td>D</td><td>The requirements for a ‘C’ score are not met.</td></tr>
</table>