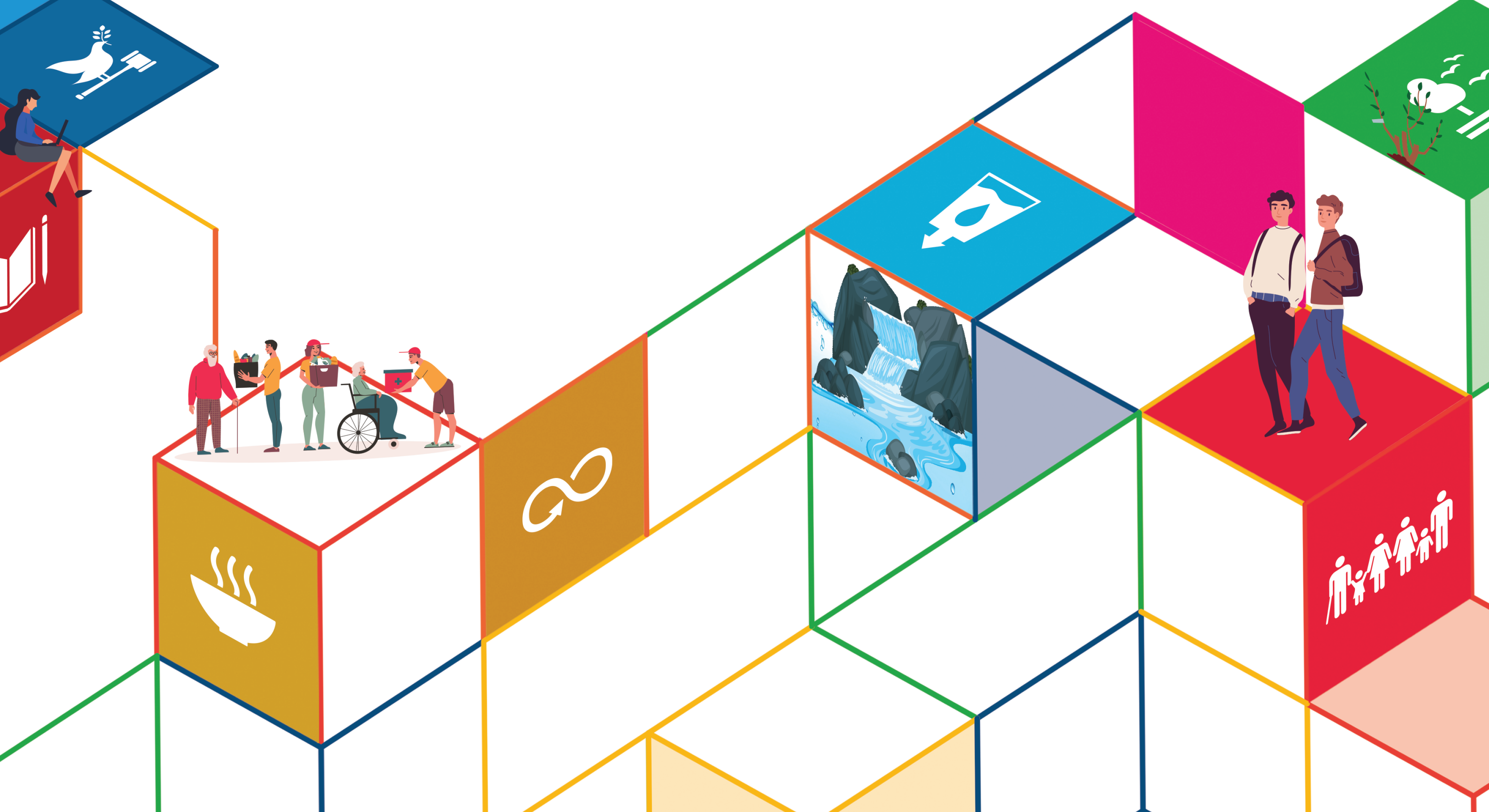
Tax for SDGs Initiative

United Nations Development Programme

Tax for Sustainable Development Goals Initiative

Annual Report 2022



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List of Acronyms

ACBF	African Capacity Building Foundation
AEOI	Automatic Exchange of Information
CEP	Country Engagement Plans
CTI	Criminal Tax Investigations
DFL	Digital Forensic Laboratory
GDP	Gross Domestic Product
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goals
SIDS	Small Island Development States
STF	Sustainable Development Goals Taxation Framework
TE	Tax Expenditures
TIWB	Tax Inspectors Without Borders
UN	United Nations
UNDP	United Nations Development Programme

Foreword

From the continuing socio-economic reverberations of the COVID-19 pandemic to an accelerating climate emergency and a devasting cost-of-living crisis that has tipped millions of people into poverty, many countries are struggling to raise the finances needed to respond to this era of polycrisis. That includes some 25 developing economy governments that have external debt service payments higher than 20% of their total revenue while official development assistance (ODA) is also failing to keep pace. In many developing countries, tax collection rates sit between 15-20% of their GDP, far below the levels needed to provide basic services.[1] Complex tax rules and lack of capacity in tax administrations also result in increased risks of tax evasion and illicit financial flows, representing significant losses in resources that could be channeled towards vital areas like climate action or quality healthcare and education. In short, there is often little room to fund progress on the Sustainable Development Goals (SDGs), the world's blueprint to address our common challenges.[2]

The Tax for SDGs initiative, made possible thanks to the support of the governments of Finland and Norway, has been specifically designed to increase domestic resource mobilization and channel these resources to the SDGs. Launched by United Nations Development Programme's (UNDP) Sustainable Finance Hub in 2022, it is boosting the capacity of governments to raise tax revenues including through digitalization. It also focuses on using tax as a policy instrument to recalibrate economies and encourage behaviours and choices that advance the SDGs, including in key areas such as climate, nature, wellbeing, and governance. This Annual Report of the Tax for SDGs Initiative details the initiative's initial ventures in 25 countries with a focus on Least Developed Countries and Small Island Developing States. That included establishing a global roster of experts and a new SDG taxation framework, which enables governments to align their tax systems more closely with SDG targets.

Reflecting UNDP's portfolio approach, this report also details the work of the OECD-UNDP Tax Inspectors Without Borders initiative, which continues to support countries to build their tax audit capacity. In 2022, that included expanding its efforts through 14 new programmes and supporting tax administrations to collect $2.07 billion in additional tax revenues.[3] For every $1 invested in Tax Inspectors Without Borders, a return of over $127 is generated in revenue for developing countries that can be invested in the SDGs.

As countries struggle to unlock the finance needed to meet the SDGs, tax remains the most stable and reliable source of state revenues for financing the SDGs. Ultimately both the Tax for SDGs and Tax Inspectors Without Borders initiatives are a reflection of a growing global recognition that the future of finance must be one where we align all flows, public and private, with sustainable, inclusive development.

Achim Steiner
Administrator
United Nations Development Programme

1 https://blogs.worldbank.org/impactevaluations/increasing-tax-revenue-developing-countries
2 https://www.undp.org/press-releases/debt-savings-us148-billion-could-be-unlocked-un-sdg-stimulus-plan-says-un-development-programme
3 As of February 2023

Overview

Global Context

The global economic outlook deteriorated throughout 2022, characterized by slow growth, high and persistent inflation, and continued uncertainties linked to the war in Ukraine and the ongoing COVID-19 pandemic. Rising food and fuel prices are also aggravating the global cost-of-living crisis. Crises including climate change, conflict and fragility exacerbate the situation for many countries, placing vulnerable groups most at risk of being left behind.

Domestic revenue mobilization is increasingly important for many countries, particularly those facing multiple challenges. Developing countries are facing a growing SDG financing gap estimated at $4.2 trillion per year. Sixty percent of the poorest nations are estimated to be in debt distress or at high risk of default.[4] More than 71 million people globally have fallen (back) into poverty.[5] Approximately 1 billion people across more than 40 countries live in fragile and conflict-affected states.[6] Development assistance is no longer a stable, reliable source of revenue for developing countries as it can be diverted to address emerging development challenges.

Well-targeted taxation and fiscal policies play a key role in development financing. They can both generate revenue and promote effective, accountable and inclusive governance, strengthen the social contract, and achieve sustainable development.

With the support of development partners, countries across the world have increased government ownership, investment and commitment to promote effective, efficient and fair tax systems. In 2022, the United Nations General Assembly Second Committee adopted Resolution A/RES/77/244 that provides for a strengthened role for the UN to achieve a fairer international financial system and support countries in their tax reforms to finance achievement of the Sustainable Development Goals (SDGs).[7]

UNDP's Sustainable Finance Hub and Tax for SDGs Initiative

In 2019, UNDP established the Sustainable Finance Hub to aggregate its existing work and expertise on financing the SDGs. The Sustainable Finance Hub offers a comprehensive package of methods and tools to enable governments, the private sector and international financial institutions to accelerate financing for the SDGs.

As part of the Sustainable Finance Hub, UNDP's Tax for SDGs Initiative supports developing countries in increasing domestic resource mobilization and achieving the SDGs, mandated and guided by the Addis Ababa Action Agenda and the 2030 Agenda. The Initiative considers taxation as both a revenue collection tool and a policy instrument that can encourage sustainable growth strategies and influence behaviour towards outcomes related to climate, nature, well-being, and governance. Tax for SDGs leverages UNDP's role as an enabler, integrator and catalyst at the country level. It works to expand people's choices for a fairer, more sustainable future with planet and people in balance, and to achieve the vision set out in the 2030 Agenda.

UNDP has been implementing the Tax Inspectors Without Borders (TIWB) Initiative jointly with the Organisation for Economic Co-operation and Development (OECD) since 2015. In 2021, with co-funding from Finland and Norway, UNDP expanded its support to further integrate taxation issues into national development agendas and increase their impact and sustainability. The 2022 launch of the Tax for SDGs Initiative builds UNDP's footprint globally, engaging with countries across all regions on leveraging tax to achieve the SDGs.

4 https://www.imf.org/en/Blogs/Articles/2022/04/07/restructuring-debt-of-poorer-nations-requires-more-efficient-coordination
5 https://www.undp.org/press-releases/global-cost-living-crisis-catalyzed-war-ukraine-sending-tens-millions-poverty-warns-un-development-programme
6 https://www.imf.org/en/Blogs/Articles/2022/01/21/fragile-and-conflict-affected-economies-are-falling-further-behind
7 https://documents-dds-ny.un.org/doc/UNDOC/LTD/N22/697/88/PDF/N2269788.pdf?OpenElement

2022 Highlights

Tackling tax avoidance, tax evasion and illicit financial flows

14 new TIWB programmes

53 TIWB programmes

TIWB contributed **$2.07 billion** in additional tax collected

and **$4.94 billion** in additional tax assessed

Aligning tax and fiscal policies with the SDGs

25 Countries across 5 regions selected as focus countries with Country Engagement Plans (CEPs) in development and Tax for SDGs National Coordinators in recruitment

579 applicants for the Tax for SDGs Roster of Experts

192 experts

34% Women

selected across 15 thematic areas, representing **68** countries across all regions

Incorporating evidence and perspectives from developing countries into regional and international discussions on taxation

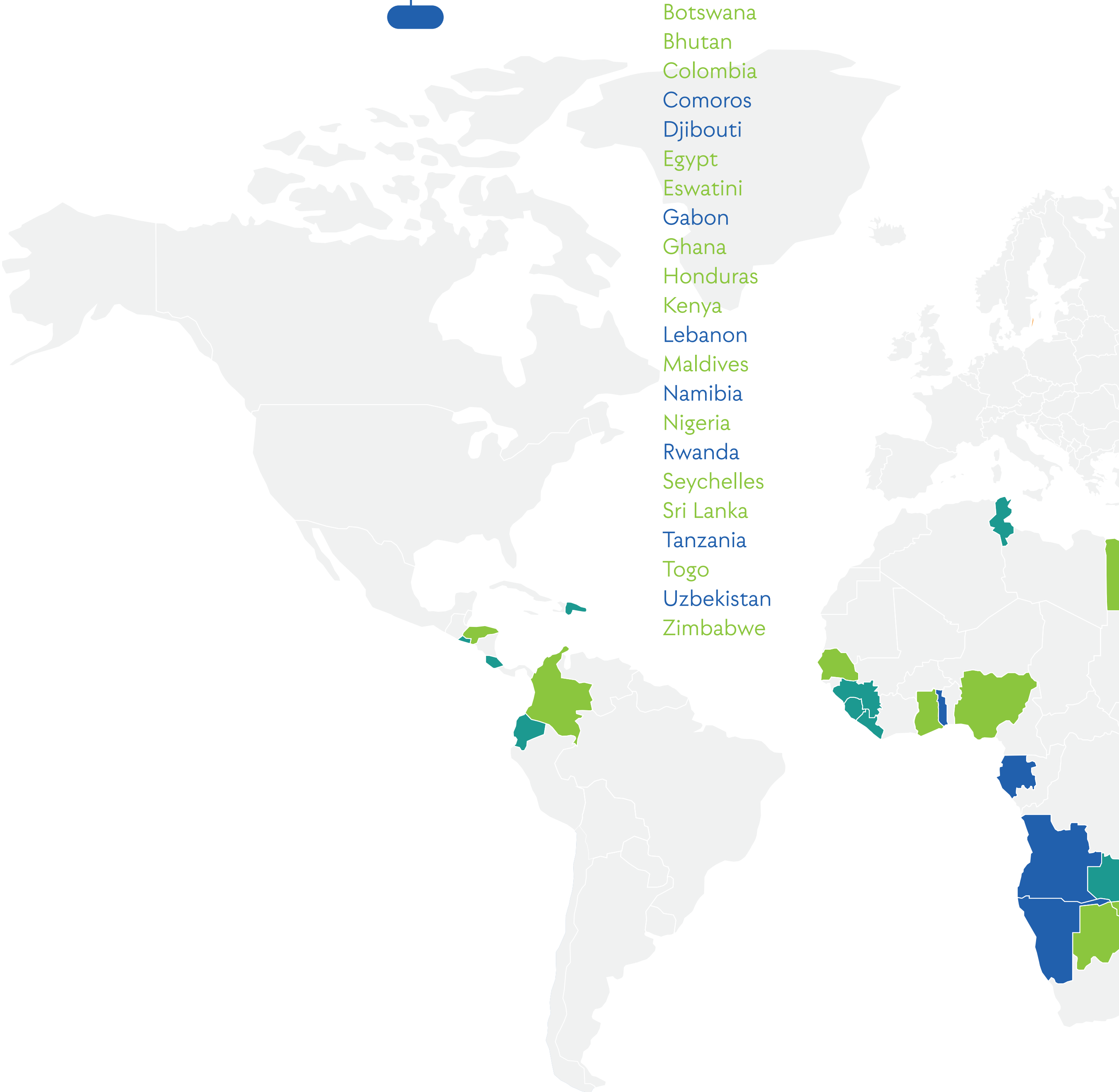
Over **700** participants worldwide at the Initiative's official launch

210 participants from **36** countries

and **34** organizations at the Dialogue on Tax and SDGs

(average participant rating: 4.53 out of 5.0)

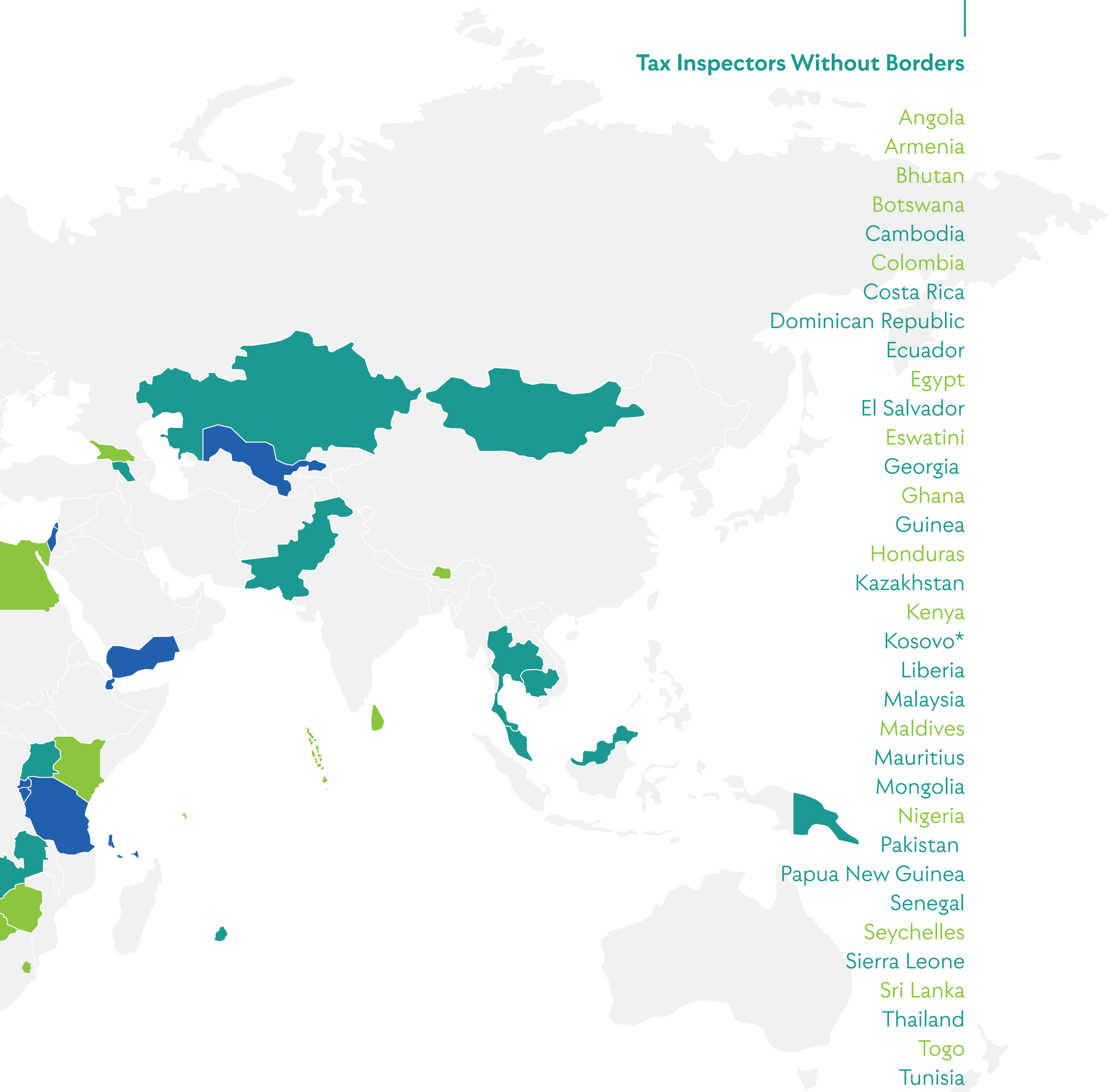
Countries Supported by UNDP's Tax for SDGs Initiative in 2022



Tax for SDGs

Angola
Armenia
Botswana
Bhutan
Colombia
Comoros
Djibouti
Egypt
Eswatini
Gabon
Ghana
Honduras
Kenya
Lebanon
Maldives
Namibia
Nigeria
Rwanda
Seychelles
Sri Lanka
Tanzania
Togo
Uzbekistan
Zimbabwe

Tax for SDGs Initiative Focus Countries
Tax Inspectors Without Borders
Countries under Tax for SDGs Initiative and Tax Inspectors Without Borders



Tax Inspectors Without Borders

Angola
Armenia
Bhutan
Botswana
Cambodia
Colombia
Costa Rica
Dominican Republic
Ecuador
Egypt
El Salvador
Eswatini
Georgia
Ghana
Guinea
Honduras
Kazakhstan
Kenya
Kosovo*
Liberia
Malaysia
Maldives
Mauritius
Mongolia
Nigeria
Pakistan
Papua New Guinea
Senegal
Seychelles
Sierra Leone
Sri Lanka
Thailand
Togo
Tunisia
Uganda
Yemen
Zambia
Zimbabwe

**References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999)*

Tax for SDGs Initiative: 2022 Achievements

Output 1: National tax administrations and related agencies have increased capacities to tackle tax avoidance, tax evasion and illicit financial flows.

Tax Inspectors Without Borders (TIWB)

The TIWB Initiative constitutes a core component of Output 1. Since 2015, TIWB has implemented 110 programmes in 56 jurisdictions. Fourteen new TIWB programmes were implemented in 2022. Thirteen of the 53 ongoing programmes are South-South cooperation programmes. As of February 2023, TIWB had contributed $2.07 billion in additional tax collected and $4.94 billion in additional tax assessed. During stakeholder meetings and consultations, host administrations have acknowledged the initiative's effectiveness in building capacities and strengthening institutions.

Four TIWB newsletters were published in 2022: Volume 10 (February); Volume 11 (May); Volume 12 (July); and Volume 13 (December).

'Taxes Matter: Bhutan's development is your success' Advocacy Campaign

Digitalized tax administrations for more resilient systems

UNDP supports national tax administrations to access digital solutions to better manage and improve client interfaces, exchange tax information with other revenue authorities, and enable continued remote tax assistance.

UNDP delivered the first phase of a digital forensic laboratory (DFL) to Honduras' Revenue Administration Service. This involved analysing the Service's capacity to host a DFL, developing its architectural and structural design, and assessing capacity building needs.

Under the TIWB pilot programme in Malaysia, UNDP connected the Inland Revenue Board of Malaysia with Chile's Internal Revenue Service, to help Malaysia design and set up an e-invoicing solution.

UNDP also worked with officials from Armenia, Tanzania, Nigeria, the Maldives and Eswatini to define their tax administrations' digitalization needs.

Capacity assessment of the African Capacity Building Foundation (ACBF) to support national tax training institutions on Tax for SDGs issues

While taxation and fiscal policies are critical to achieving the SDGs, there are gaps in tax administrators' and policymakers' understanding of their linkages, thus limiting their potential leverage.

From May to December 2022, UNDP supported ACBF in assessing its internal technical and operational capacity and assisting national tax training institutions on issues related to Tax for SDGs. As part of the assessment, UNDP consulted with units at ACBF and 11 African institutions. This strengthened the UNDP-ACBF partnership, led to the development of tools to support capacity assessment, and helped expand resources to support the ABCF's work to build tax administrators' capacity on relevant issues.

Country Engagement Plan of the Tax for SDGs programme in the Maldives signed

Output 2: Governments increasingly align tax and fiscal policies with the Sustainable Development Goals.

Tax for SDGs Country Engagement Plans

With the 2022 launch of Tax for SDGs, 25 countries across five regions were selected as focus countries. Tax for SDGs aims to support countries in particularly challenging situations, including the least developed, those with fragile economies, and Small Island Developing States (SIDS).

To expand its country-level support, UNDP developed comprehensive two-year Country Engagement Plans (CEPs) outlining Tax for SDGs programmes and activities to facilitate institutional development and enhance the role of tax authorities in financing and achieving the SDGs. Armenia, Eswatini, the Maldives, Nigeria and Tanzania finalized and signed CEPs. UNDP also launched Tax for SDGs programmes in Armenia and the Maldives, together with government counterparts, development partners and key stakeholders. By year-end, government counterparts in Bhutan, Colombia, Egypt, Ghana, Rwanda, Seychelles, Sri Lanka, Togo, Uzbekistan and Zimbabwe had reached an advanced stage of this process.

Discussions with governments involved high-level participation, including Commissioner Generals, Deputy Commissioner Generals and directors of tax policy divisions. This helped to ensure commitment and buy-in and maximize programmes' impact and sustainability.

To strengthen its policy and programme support and respond to countries' interest, UNDP also expanded its technical specialist team to widen the scope of the thematic offers. It also increased the number of Tax for SDGs National Coordinators to coordinate implementation of CEPs. By year-end, the first National Coordinator had joined UNDP Tanzania, while hiring had moved forward in Armenia, Bhutan, Egypt, Eswatini, the Maldives, Nigeria and Uzbekistan.

A Tax for SDGs Roster of Experts was established, covering 15 thematic areas.[8] Applicants totalled 579 (32 percent women), representing 101 countries. Of those, 192 experts (34 percent women) were selected, representing 68 countries across all regions.

Cooperation between the Egyptian government and UNDP through the Tax for SDGs Initiative has been underway to apply sound tax systems to improve the mobilization of domestic resources, in addition to a number of other cooperation areas, including digitalization of tax administrations. We value this cooperation and consider that promoting inclusive and effective international tax cooperation remains a critical prerequisite to the achievement of the SDGs.

Ambassador Osama Abdelkhalek
Permanent Representative of Egypt to the UN

8 The 15 thematic areas are: political economy of taxation; progressive taxation/tax and wealth; tax expenditures; tax and energy; tax and environment/carbon taxation; tax and extractive industries; tax and gender; tax and health; tax and trade; tax and social protection measures; fiscal decentralization; subnational taxation/property taxation; tax and informal sector; tax gap analysis; knowledge of medium-term revenue strategy procedures.

Tax for SDG Focus Countries 2022-2024/Status at 31.12.2022

Region	SDG focus countries	CEP finalized (**)/ advanced stage (*)	Coordinator hired (**)/ hiring in process (*)
Africa (14)	Angola	*	*
	Botswana	*	
	Comoros	*	
	Eswatini	**	*
	Gabon		
	Ghana	*	
	Kenya		
	Namibia		
	Nigeria	**	*
	Rwanda	*	
	Seychelles	*	
	Tanzania	**	**
	Togo	*	*
	Zimbabwe	*	*
Arab States (4)	Djibouti		
	Egypt	*	*
	Lebanon		
	Somalia		
Asia and the Pacific (3)	Bhutan	*	**
	Maldives	**	*
	Sri Lanka	*	
Europe and Central Asia (2)	Armenia	**	**
	Uzbekistan	*	*
Latin America and the Caribbean (2)	Colombia	*	
	Honduras		

SDG Taxation Framework

Tax for SDGs started developing an SDG taxation framework (STF), a diagnostic assessment tool which enables governments to evaluate the alignment of their tax systems with SDG targets and indicators in 10 thematic clusters (domestic resource mobilization; poverty; gender equality; education; employment; health; environment; infrastructure and innovation; governance and justice; and, global partnerships). Different STF clusters will be pioneered by governments in focus countries in 2023. The STF will be built as a methodology through learning from these pioneering countries.

Leveraging taxation to mitigate poverty and address inequality

The COVID-19 pandemic deepened the SDG financing gap, reduced fiscal space, and increased public debt in many economies across the world. For many developing countries, strengthening tax policies is critical for the provision of basic public goods and services and redistributing income and wealth.

Taxation and health: Tax policies can have effective, direct and indirect effects on health, including by increasing taxes on tobacco products, alcoholic beverages and sugar-sweetened beverages. Most countries lack specific taxes on these products or tax them at levels far below those that would deliver the highest tax revenues or the highest health outcomes. In 2022, a tax and health offer was developed and a series of launch events will be held in 2023. UNDP completed a health tax assessment in Bahrain and is completing three others (Thailand, Ghana and Cape Verde) that focus on excise tax revenue. In Armenia, the Initiative's first priority was to work with the country's Ministry of Finance on a proposed increase in excise taxes on tobacco products.

Tax and Islamic finance: Islamic finance is an ethics- and principles-based form of financing that combines elements of debt and equity and emphasizes socially responsible and sustainable development. The global Islamic finance market is estimated to exceed $2 trillion. A UNDP offer to support an enabling environment for Islamic finance transactions was designed to support countries that allow such transactions to ensure that they are tax-neutral and build their tax administrations' capacity. Working initially in Tanzania, the Initiative made recommendations regarding tax regulations, including appropriate tax treatment for the most common Islamic finance transactions (*murabaha*, diminishing *musharika*, *sukuk* (onshore special purpose vehicle), property *ijara*, service contract *ijara*, *salaam* and *istisna)* and a rulings regime for more complex transactions.

A training session on tax and Islamic finance in Tanzania

Taxation to foster responsive governance systems, leading to stronger social contracts

A progressive and fair taxation system is critical to promoting inclusive governance, building trust between government and citizens, and deepening the social contract. On the other hand, illicit financial flows, lack of financial integrity, and the weak participation of developing countries in global normative discussions undermine trust.

Aligning tax expenditures with SDGs: Governments worldwide use tax expenditures (TEs) to pursue policy objectives such as attracting foreign direct investments, boosting research and development and innovation, tackling inequality, and greening the economy. However, TEs are costly and, when ill-designed, can be ineffective and trigger undesired effects. Structural conditions, including governance, reporting and evaluation frameworks, need to be in place to ensure their effectiveness. In 2022, UNDP began developing a hands-on, two-stage structural and analytical toolkit to assess the alignment of national TE systems with the SDGs. The first stage is based on three specific dimension (governance, reporting, and evaluation) and one overarching dimension (revenue forgone). The second is based on the design of individual TEs, which analyses TE provisions by assessing their alignment with the SDGs.

In Kyrgyzstan, UNDP worked on the review and optimization of TEs, which resulted in legislative reform that requires TEs to support National Development Goals and be reviewed annually. An SDG mapping of TEs was also completed, and a detailed mechanism for an impact assessment of TEs on the SDGs is being designed as part of the second phase of the project.

Taxation to protect the environment

Taxation is key to addressing environmental challenges. Tax laws can incentivize, demotivate or deter behaviours that have environmental impacts. Opaque financial structures – such as tax haven entities – can enable deforestation, overfishing and illegal trade in endangered species and illegal activities by hiding identities or protecting against detection. However, many developing countries lack the capacity to leverage tax and fiscal policies for positive environmental outcomes.

Taxation to improve energy efficiency and reduce carbon emissions: Fuel and energy taxation reform can reduce environmentally-harmful subsidies, discourage the use of fossil fuels, and support climate protection goals. Tax for SDGs developed an offer leveraging the energy transition, taxation and SDGs. It is designed to help governments ensure fair and equitable energy access for all while also protecting the planet. It is intended to address both budget and tax measures.

Taxation for natural resources and extractive industries: Tax for SDGs developed an offer on natural resources, taxation and SDGs to help governments leverage taxation to obtain a fair share of revenues from extractive industries. Work began in Tanzania with a diagnostic workshop. Implementation will launch in five other countries in Q1 2023.

Taxation for gender equality

Prevailing tax policies and tax systems have explicit and implicit gender biases. Tax policies can be critical in addressing these challenges. Tax for SDGs, together with UNDP's Gender team, developed an offer to help governments establish gender transformative tax systems and create a system to measure gender equality in line with the Gender Equality Seal.

Tax for SDGs also began regional-level research on tax and gender to identify how women can further contribute to resource mobilization. The process will explore the realities in 20 African countries[9] to determine whether policies, the tax administration and its business processes are aligned with equal rights for women, including key aspects related to women's equal access to and information regarding point-of-service payments

Output 3: Evidence and perspectives from developing countries are incorporated into regional and international discussions on taxation.

Advocacy on Tax for SDGs through conferences and events

The Initiative organized wide-reaching events, strengthened key partnerships and raised the visibility of UNDP's work on Tax for SDGs. These events brought together stakeholders and supported the participation of policymakers from developing countries in global events.

Launch of Tax for SDGs: The Tax for SDGs Initiative was officially launched at a High-level Symposium on Tax and the SDGs on 26 April 2022, on the margins of the 2022 ECOSOC Forum on Financing for Development. More than 700 people worldwide participated.

In the lead-up to the launch, Tax for SDGs established a conceptual and visual identity, based on tax and fiscal policies as the building blocks of societies. The Initiative is centred around the three outputs of the programme's results framework as well as six thematic workstreams. Outreach materials were designed and are available to governments and tax administrations, civil society, and organisations worldwide.

UNDP Administrator Achim Steiner welcomes participants to the dialogue on Tax and the SDGs in New York, December 2022

9 Angola, Cameroon, Comoros, Côte d'Ivoire, DRC, Eswatini, Ethiopia, Gabon, Ghana, Kenya, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, South Sudan, Togo, Uganda, Zambia and Zimbabwe.

Dialogue on Tax and SDGs: UNDP, Columbia University and the Government of Norway co-organized the Dialogue on Tax and SDGs, held on 30 November – 2 December 2022 in New York, aimed at building a shared understanding of taxation and SDGs. This first-of-its kind event featured high-level representatives from the international development community, governments, tax administrations, renowned academic experts, policymakers and other stakeholders. Attendance totalled 210 participants from 36 countries. The Dialogue demonstrated the value of multi-stakeholder partnerships, conversations and discussions across all sectors.

Dialogue on Tax and SDGs: By the Numbers

Dialogue on Tax and the SDGs in New York, December 2022

The Dialogue on Tax and SDGs organised by UNDP together with Columbia University last December was helpful in looking at the different tax and SDGs intersections, as well as their usefulness to the economic growth of developing countries. Indeed, a rules-based and fair international tax system is critical to sustainable paths for growth for developing countries.

Ambassador Tijjani Muhammad-Bande
Permanent Representative of Nigeria to the UN

TIWB events:

- TIWB hosted its annual Experts Roundtable and Stakeholders Workshop virtually on 9-10 March 2022, bringing together experts, host administrations, partner administrations, regional/international partners and donors.
- The Sixth Meeting of the TIWB Governing Board was held virtually on 17 May 2022. The Board agreed to continue to scale up and expand TIWB[10] and to continue the effective hybrid model of TIWB support, combining on-site missions and remote assistance.
- In September, a global webinar on TIWB was organized for UNDP Country Offices to raise their awareness of the Initiative, engaging government counterparts and supporting them in placing assistance requests and implementing TIWB programmes.
- In October, OECD/UNDP launched the TIWB's Annual Report 2022 at the 14th Meeting of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting.

SDG Finance Academy on Tax and the SDGs: UNDP Country Office representatives in all five regions were trained on tax and the SDGs as part of UNDP's SDG Finance Academies. Country Offices beyond those identified as SDG focus countries expressed interest in the Initiative and support for specific tax reforms.

COP 27: In November, on the margins of the 2022 UN Climate Change Conference (COP 27), UNDP, together with Norad and the Government of Switzerland, organized a side event on Taxation for a Greener and More Sustainable Future. TIWB also launched its tax and environment offer.

Effective Development Cooperation Summit 2022: In December, the Tax for SDGs Initiative organized a session, 'Driving Effective Partnerships and Dialogue in International Tax to Achive the SDGs', at the Effective Development Cooperation Summit 2022. Showcasing the joint UNDP-OECD TIWB Initiative, it focused on the importance of sustained investments in effective multi-stakeholder approaches to strengthen countries' tax systems in achieving the SDGs.

UN Assistant Secretary-General and UNDP Director of the Bureau of External Relations and Advocacy, Ulrika Modeer, at the 2022 Effective Development Cooperation Summit

10 TIWB's ongoing areas of assistance are; tax audits; criminal tax investigations; effective use of the Automatic Exchange of Information; and digitalization of tax administrations. Potential areas of assistance are: extractive industries taxation; taxation and environment; and taxing the digital economy, including advisory support on implementing a Two-Pillar Solution.

Training session on tax for SDGs through the SDG Finance Academy in 2022

Capacity development course on Tax for SDGs

The Initiative made significant progress in developing a flagship e-learning-based virtual learning course on Tax for SDGs' to be launched in 2023. It aims to develop a shared understanding of tax and SDGs issues among tax administrations, policymakers, judges, academics, businesses, NGOs and other stakeholders. The module also links with the STF developed by the Tax for SDGs Initiative.

Capacity building on tax for SDGs is also conducted through the SDG Finance Academy offered by UNDP's Sustainable Finance Hub. The SDG Finance Academy provides practitioners around the world with training, knowledge, access to tools and experts across key areas of SDG finance, in order to leverage and align catalytic capital to deliver on the SDGs and deliver the $1 trillion 'Moonshot' target.

Tax, ESG standards and private sector governance

Understanding private sector governance and ensuring that it complies with public reporting obligations is critical to improve domestic resource mobilization to achieve the SDGs. In 2022, the role of tax behaviours in achieving the SDGs was assessed by extracting a list of 90 recommendations from reporting standards such as the Global Reporting Initiative. Initial results were presented at the margins of the COP 27 and at the November 2022 Dialogue on Tax and the SDGs. As the first such assessment, it will provide important guidance for future research.

2022 Regional Highlights

Africa

Africa has a low tax capacity of about 20 percent of gross domestic product (GDP) and a lower tax revenue-to-GDP ratio (17 percent) than other regions, as many African countries face multiple long-term and emerging challenges in collecting due tax revenue.[11] Further, a 2020 UNCTAD report estimated that Africa loses about $88.6 billion in illicit capital flight annually, equal to 3.7 per cent of the continent's GDP.[12]

To help countries increase revenues to achieve both the SDGs and Agenda 2063, UNDP strengthened its support for taxation and fiscal policies for African countries through the Initiative. Between 2012 and October 2022, the Initiative completed 57 programmes, spanning 37 jurisdictions in Africa, including 15 South-South cooperation programmes (ongoing and completed). Twenty-five of the 53 current programmes are ongoing in Africa. With its partners, TIWB has helped governments raise $1.3 billion in increased tax revenues; they could recover more than $2.9 billion following recently concluded tax assessments. The programmes have also trained 970 local tax officials, deploying 62 experts.

UNDP also developed a regional paper on Progressive and Pro-Equal Taxation Systems for a Renewed Social Contract focused on 12 African countries, to be published in 2023. It reviews relevant legislation and makes policy recommendations for dialogue on fiscal citizenship, progressive tax systems, wealth redistribution, and fair share of tax.

In May 2022, TIWB participated in the West African Tax Administration Forum's joint training with the Economic Community of West African States, GIZ and OECD on "Risk-based Auditing Using Computer Assisted Audit Techniques in the Mining Sector" in Lomé, Togo. The workshop trained tax officials from over 50 jurisdictions.

Country-level highlights

Angola: A new TIWB programme was launched to strengthen tax audit capacities on international transfer pricing in the oil and gas sectors. It also strengthens South-South cooperation between the General Tax Administration of Angola and the Federal Revenue of Brazil. Angolan government counterparts acknowledged UNDP's support in the area of tax and expressed their willingness to implement the Tax for SDGs Initiative. Work began on the CEP and recruitment of a National Coordinator should be finalized in early 2023.

Launch of the Tax Inspectors Without Borders Initiative programme in Angola

11 https://www.uneca.org/economic-report-africa-2019
12 https://unctad.org/system/files/official-document/aldcafrica2020_en.pdf

Botswana: Tax for SDGs worked closely with the government to develop the CEP, which should be finalized and implemented in early 2023.

Comoros: UNDP supported the Comoros' revenue authority to engage an expert to support transfer pricing issues. A CEP was also in development to support the government on tax issues.

Eswatini: A TIWB programme on tax and crime was launched with support from the African Tax Administration Forum and the South African Revenue Service. The Tax for SDGs CEP was completed, and a National Coordinator will be recruited in 2023.

Gabon: Tax for SDGs provided support on green taxation through the ongoing Integrated National Financing Framework. Work to complete a CEP and recruitment of a National Coordinator were also underway.

Ghana: A TIWB programme was launched in June, focused on auditing and transfer pricing in the extractive sector. With the support of the South African Revenue Service, it will enhance the skills of Revenue Authority auditors and provide them new tax audit tools. Tax for SDGs also began implementation of a CEP.

Kenya: UNDP held discussions with the government on developing a Tax for SDGs initiative, focusing on crucial Development Finance Assessment recommendations.

Namibia: Work began to develop a CEP and recruit a National Coordinator. At the December 2022 Dialogue on Tax and the SDGs, government counterparts acknowledged UNDP's support and reiterated their willingness to strengthen the country's implementation of Tax for SDGs.

Nigeria: Implementation continued for the two ongoing TIWB programmes on oil and gas and technical assistance on a mutual agreement procedure case and advance pricing agreement legislation. The country's Federal Inland Revenue Service requested further engagement with the expert in 2023 and a CEP was developed. A National Coordinator was recruited and is expected to start work in early 2023.

Rwanda: A CEP was initiated under Tax for SDGs. UNDP is working closely with the government to implement those activities in 2023.

Senegal: The *Direction générale des Impôts et des Domaines* launched its third TIWB programme in January with support from Morocco.

Discussions to strengthen UNDP-ACBF partnership for Tax for SDGs held in Zimbabwe, September 2022

Seychelles: Implementation of the TIWB programme continued, on transfer pricing, exchange of information and treaty analysis with support from India's Central Board of Direct Tax. UNDP initiated efforts to recruit a National Coordinator to develop and implement a CEP.

Tanzania: Tax for SDGs finalized and launched the country's CEP, focused on the digitalization of tax administration, tax compliance, accountability, tax expenditures, and taxation issues in Islamic finance and extractive industries. Discussions were also held on a possible TIWB programme, to be initiated in 2023.

Togo: Togo's first TIWB tax audit assistance programme was launched in May, in collaboration with the *Office Togolais des Recettes* and the *Direction Générale des Finances Publiques de la France*. Work began on developing a CEP and to recruit a National Coordinator.

Zimbabwe: The TIWB programme on capacity building and revenue mobilization in Zimbabwe was finalized, supported by the South African Revenue Authority. UNDP also conducted a mission in September to assess capacity development and co-define a capacity development strategy on Tax for SDGs with the ACBF. The mission strengthened partnerships and raised the visibility and awareness of UNDP's work.

Arab States

Weak domestic revenue mobilization, often associated with inefficient expenditure of public funds, has hampered many Arab States from achieving their development goals. This challenge is particularly acute in fragile and conflict-affected states, where the social contract between citizens and the state has been tenuous.

Shrinking fiscal space and the impacts of austerity measures posed two of the greatest challenges to Middle Eastern and North African countries in 2022. With GDP declining in most of them in the wake of the pandemic, the more recent impacts of the war in Ukraine, leading to food shortages, price increases and inflationary pressures, have exacerbated the economic crisis. Both Lebanon and Yemen face extreme inflation (Lebanon's averaged 178.0 percent in 2022 and it experienced an all-time high of 239.69 percent in January 2022[13]). These developments are highly correlated to domestic crises, eroding purchasing power and government revenues.

Country-level highlights

Egypt: Tax for SDGs began developing a CEP, with a mission planned for January 2023 to finalize it in consultation with government counterparts. Since the TIWB audit programme was launched in 2020, it has generated additional tax adjustments of EGP 2.7 billion ($363 million) and additional tax collections of EGP 598 million ($81 million). In 2022 alone, transfer pricing adjustments totalled EGP 1.993 billion ($285 million[14]). Additional tax assessed and collected totalled EGP 448.5 million ($64 million[15]), a 291 percent increase over 2020.

Egyptian tax administration at a feedback session on the impact of the Tax Inspectors Without Borders Initiative, June 2022

13 https://www.fitchsolutions.com/country-risk/lebanon-set-second-highest-inflation-rate-globally-2022-10-08-2022; Trading Economics
14 The exchange rate is indexed to the year the tax was imposed.
15 The exchange rate is indexed to the year the tax was imposed.

UNDP Resident Representative in Egypt, Alessandro Fracassetti in a discussion with Minister of Finance of Egypt, Mohamed Ahmed Maait on ongoing areas of cooperation

Djibouti: UNDP held several consultations with the Ministry of Finance and tax authority to develop the country's CEP, focusing on climate fiscal and tax policy reforms, tax expenditure rationalization, and VAT reform. UNDP also explored creating a potential partnership between the Moroccan and Djiboutian tax administrations and joining a new task force (including the IMF and World Bank) to develop a revenue strategy for Djibouti. Discussions were also held regarding a TIWB programme on training for junior auditors and tax inspectors.

Tunisia: A TIWB mission in November revived discussions on the previously stalled TIWB programme. Specific support areas include a TIWB-Criminal Tax Investigations (CTI) pilot and the related development of an investigation manual.

Lebanon: UNDP, together with OECD, renewed engagement with the Ministry of Finance to explore a TIWB programme, which had been stalled since 2020. UNDP also explored information technology and digital systems to promote compliance and facilitate basic tax administration functions and discussed a potential programme to assess the existing tax information technology system and develop a roadmap to modernize it.

Yemen: A TIWB programme was launched in October on auditing tax files in specialized industries, including extractives and telecommunications.

Asia and the Pacific

The Asia-Pacific region is home to 60 percent of the global population and includes states at all development levels, from highly developed to least developed. Domestic revenue mobilization reforms remain critical for these countries, as many of them tax at levels well below their statistical capacities. Development challenges range from those facing SIDS and landlocked countries, such as multidimensional vulnerabilities and fragilities, to those facing others dealing with large populations.

The debt situation was of particular concern in 2022, with aggregate debt rising sharply. Several countries are already in or very close to debt distress. Countries at risk include Laos, Mongolia, the Maldives and Papua New Guinea; Sri Lanka has already defaulted on its debt repayments. Debt levels in the Pacific Island SIDS are also rising and are expected to rise further in coming years. In addition, most countries in the region that are candidates for graduation from Least Developed Country status by 2026, including Bangladesh, Bhutan, Nepal and Laos, have a low tax ratio. Measures to manage debt and fiscal positions are particularly relevant to them.

Country-level highlights

Bhutan: The implementation of the TIWB tax audit programme continued, with assistance from the Indian Central Board of Direct Taxes. An Indian Revenue Service tax expert was engaged to train Bhutan's Department of Revenue and Customs on international taxation and audits using a hybrid format. Tax for SDGs also initiated the development of a CEP with the Ministry of Finance and the Department, and recruitment of a National Coordinator began. The STF was also presented to Bhutanese government counterparts in an in-country mission, who expressed interest in implementing it in 2023.

Launch of the tax advocacy campaign in Bhutan

Cambodia: The TIWB audit programme continued implementation, with support from the UK's HM Revenue & Customs (HMRC) experts through a hybrid format.

Tax Inspectors Without Borders Initiative in Cambodia

Laos: The Tax for SDGs team joined the UNDP Health team to participate in a WHO-UNDP Tobacco Control mission to Lao PDR. It focused on an Investment License Agreement with the National Tobacco Company, which allows for one company to benefit from a lower excise tax rate on tobacco products than defined in law. Tax for SDGs continued working with a team of experts across agencies to advocate for the non-renewal of this agreement.

WHO-UNDP Tobacco Control mission to Vientiane, Lao PDR

Malaysia: Implementation of two TIWB programmes hosted by the Inland Revenue Board of Malaysia continued: the effective use of the automatic exchange of information (AEOI), supported by the UK's HMRC; and the digitalization of tax administrations, supported by Chile's Internal Revenue Service. The Board self-financed a study visit to Chile in September.

Maldives: Implementation of two TIWB programmes hosted by the Maldives Inland Revenue Authority continued: the transfer pricing audit programme in the tourism/hospitality industry, with support from a UNDP expert; and, the TIWB CTI programme, supported by the Australian Taxation Office since September 2022. Tax for SDGs finalized the CEP, which was launched in November. Recruitment of a National Coordinator began, to be onboarded in early-2023.

Tax Inspectors Without Borders experts meet with Maldives Inland Revenue Authority to discuss the criminal tax investigation programme in the Maldives

Mongolia: The two TIWB tax audit programmes hosted by the Mongolian Tax Authority continued implementation. One focuses on mining and the other, the coal industry. UNDP also provided support on staff retention and evidence-based tax policymaking.

Pakistan: Implementation of the pilot TIWB-CTI programme supported by HMRC continued. An in-country mission was held in October.

Papua New Guinea: A TIWB audit programme was implemented, focused on the forestry sector and supported by the Canadian Revenue Authority.

Sri Lanka: Working through the country's Ministry of Finance, Sri Lanka's Inland Revenue Department submitted an assistance request for a full TIWB audit programme in December. UNDP began discussions on a Tax for SDGs CEP with the Department and the Ministry.

Thailand: Implementation of a TIWB audit programme on transfer pricing audits, focused on the oil and gas sector and digital businesses, continued with support from the HMRC.

Director of UNDP's Sustainable Finance Hub, Marcos Neto, in an interactive discussion on revenue generation and economic recovery with Members of Parliament in Sri Lanka, August 2022

Europe and Central Asia

UNDP's work in this region covers diverse countries and territories across the Western Balkans, South Caucasus and Central Asia. Many of these countries are landlocked and have long-established trading relationships that can constrain economic diversification. Because reliance on revenues from the extractives sector is widespread, resource price volatility has a significant impact on revenue collection. Several countries were also affected by armed conflicts in the region, particularly the war in Ukraine.

Country-level highlights

Armenia: Implementation of two TIWB programmes continued, with support from the Italian Revenue Authority. The tax audit programme focused on building the State Revenue Committee's transfer pricing capacity and included drafting a transfer pricing manual. The CTI programme improved the Committee's ability to identify and investigate tax avoidance and evasion. The application process for the second TIWB programme – to establish the region's first DFL - began in 2022. UNDP also began supporting Armenia in the area of tax and health, focusing on an increase in the taxation of tobacco products and a possible new excise tax on sugar-sweetened beverages.

Azerbaijan: UNDP supported the preparation of a TIWB tax audit programme, which will begin in early 2023, with support from the HMRC.

Georgia: The TIWB tax audit programme on risk-based auditing of large businesses and corporates continued implementation.

Kazakhstan: TIWB continued implementation of the programme on transfer pricing audits of multi-national enterprises in the mining sector. In response to the increased demand from the tax administration, the TIWB expert provided weekly training sessions on the most challenging areas of transfer pricing and related topics.

Kosovo*: Implementation of the TIWB tax audit programme continued, with support from the Swedish and Norwegian tax administrations. [*References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999)]

North Macedonia: UNDP supported North Macedonia to complete its assistance request forms for a TIWB tax audit programme.

Ukraine: TIWB supported the implementation of the BEPS Actions on transfer pricing in Ukraine, and promoted voluntary compliance with transfer pricing documentation requirements and voluntary adjustments of tax base. Ukraine acknowledged TIWB's support and have requested another dedicated programme.

Uzbekistan: Working with the Ministry of Finance, the Initiative developed the CEP, to be implemented in 2023. The CEP includes support on natural resource taxation. Work also began on an SDG Assessment of Tax Expenditures to examine tax subsidies and expenditures for selected sectors/goods.

At the Uzbekistan Economic Forum in Samarkand, 3-4 November 2022, which gathered more than 1,500 participants from around the globe, UNDP participated in a panel "Sustainable Development: Integrated National Financing Strategy for Uzbekistan" and presented how the Tax for SDGs initiative can be employed to accelerate Uzbekistan's achievement of the SDGs.

UNDP Resident Representative in Armenia, Natia Natsvlishvili, launches the Tax for SDGs Initiative together with Head of State Revenue Committee of Armenia, Rustam Badasyan, Deputy Minister of Finance of Armenia, Arman Poghosyan, and Ambassador of Finland to South Caucasus, Kirsti Narinen

The Tax for SDGs Initiative will support Uzbekistan's efforts in areas such as digitalization of tax administration, rationalization of tax expenditures and alignment of tax with the SDGs.

Ambassador Bakhtiyor Ibragimov
Permanent Representative of the Republic of Uzbekistan to the UN

The importance of tax for SDGs as part of the Integrated National Financing Strategy being discussed at the Uzbekistan Economic Forum 2022

Latin America and the Caribbean

In Latin America and the Caribbean, recovery has slowed after the region experienced a rebound from the impacts of the COVID-19 pandemic. Across the region, countries are experiencing increased inflationary pressures and uncertainty.[16] Tax-to-GDP ratios vary widely across the region, ranging from 12.4% in Guatemala to 37.5% in Cuba, with a regional average of 21.9%.[17] Strengthening tax systems and fiscal frameworks for domestic resource mobilization will be essential for achieving the SDGs.

Country-level highlights

Colombia: Three TIWB programmes continued implementation, with support from Mexico and Chile. UNDP developed Colombia's CEP and continued discussions with the *Dirección de Impuestos y Aduanas Nacionales* to finalize it by early 2023. Recruitment was also initiated for a National Tax for SDGs Coordinator.

Costa Rica: The TIWB CTI programme continued its implementation.

Dominican Republic: Implementation of the ongoing TIWB programme continued, focused on capacity building for tax audits.

Ecuador: The Servicio de Rentas Internas launched its second TIWB programme, focused on transfer pricing audits and advance pricing agreements in the civil engineering and construction sectors, with support from the HMRC. A third assistance request form was also submitted, on transfer pricing audits in the mining industry.

El Salvador: Implementation of the TIWB programme continued, covering covers general transfer pricing and international tax matters.

Honduras: The TIWB CTI programme that started in 2019 continued its implementation, including the establishment of a DFL within the Servicio de Administración de Rentas. Tax for SDGs also provided financial support to procure equipment for the DFL. Discussions on the CEP will begin in early 2023.

Peru: The Superintendencia Nacional de Aduanas y de Administración Tributaria expressed interest in implementing a TIWB programme on risk assessment and effective use of AEOI in an anonymized manner, as a constitutional law in Peru prohibits sharing any taxpayer information - even anonymized - with third parties.

Saint Lucia: The Inland Revenue Department completed an assistance request form seeking support for the effective use of AEOI. The programme is expected to start in Q2 2023.

16 OECD et al. (2022), Latin American Economic Outlook 2022: Towards a Green and Just Transition
17 OECD et al. (2022), Revenue Statistics in Latin America and the Caribbean 2022

Partnerships

In 2022, the Tax for SDGs Initiative further strengthened its partnerships with the following entities:

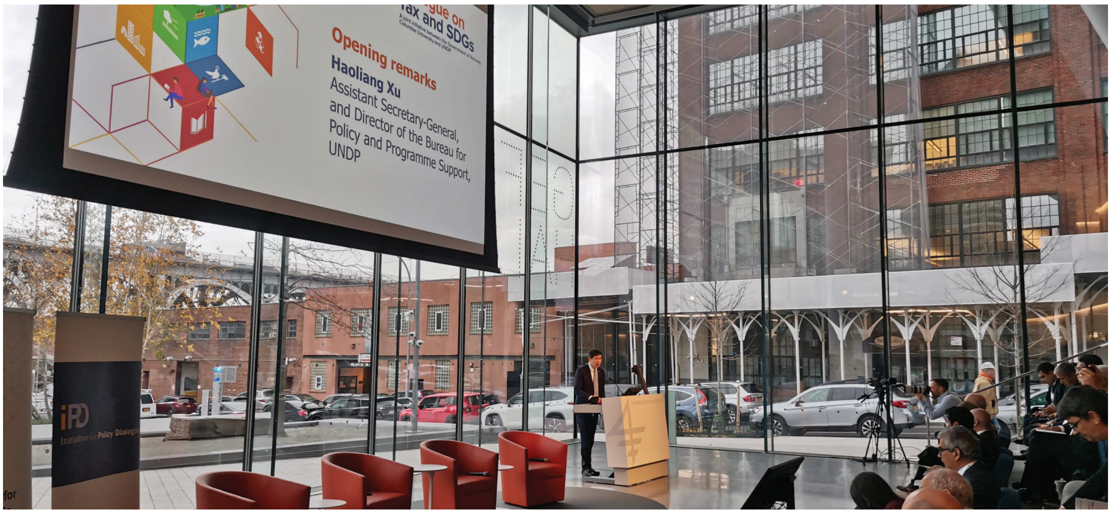
- ***African Capacity Building Foundation:*** Tax for SDGs continued working closely with the ACBF to support national tax training institutions on Tax for SDGs issues as one of the workstreams under the Initiative.

- ***Columbia University:*** A partnership with Columbia University, led by Nobel Laureate Joseph E. Stiglitz, paved the way for the success of the Dialogue on Tax and the SDGs, which amplified the visibility of UNDP's work. It also created opportunities for partnerships with other academic institutions in the United States, England and Scotland.

- ***Global Development Network:*** A partnership was established to hold a joint event on tax and data during the 2022 Global Development Conference.

- ***OECD:*** The UNDP-OECD partnership was further consolidated through continued successful implementation of the Initiative in its current countries and expansion to others. Governments, international development partners and other key stakeholders recognize that TWIB offers strong support in mobilizing domestic resources to achieve the SDGs and the Addis Ababa Action Agenda commitments to strengthen international tax cooperation. In addition, UNDP's presence in over 170 countries, access to high-level policymakers, and policy and programme expertise in public finance complements the OECD's technical competence in tax matters and its network of experts.

- ***United Nations System:*** UNDP worked closely with UN agencies to further expand the taxation agenda. They include: the United Nations Department of Economic and Social Affairs on the Tax Committee and the Platform on Collaboration on Tax; the United Nations Conference on Trade and Development to conduct research on e-commerce taxation; and the United Nations University World Institute for Development Economics Research on tax data for evidence-based tax policies and achievement of the SDGs. Initial discussions were held with United Nations Economic and Social Commission for Asia and the Pacific on work related to the digital world and tax in the Asia-Pacific region.



Haoliang Xu, UN Assistant Secretary-General, UNDP Assistant Administrator and Director of Bureau for Policy and Programme Support speaks at the Dialogue on Tax and SDGs, December 2022

Taxation and fiscal policies play a key role in development financing. Taxes provide the necessary funding, promote new and more sustainable growth strategies, and are the most stable and reliable source of state revenue.

Haoliang Xu
UN Assistant Secretary-General, UNDP Assistant Administrator and Director of Bureau for Policy and Programme Support








Tax for SDGs Initiative

SUSTAINABLE FINANCE HUB

Norway

Ministry for Foreign Affairs of Finland