

Committee: ECOFIN

Topic: The question of taxation in achieving the Sustainable Development Goals

Chair: Sofia Rangel Pary

School: Frankfurt International School

Summary

The seventeen United Nations Sustainable Development Goals, or UN SDGs, aim to be a joint framework for sustainable progress, meaning it "meets the needs of the present without compromising the ability of future generations to meet their own needs". Taxation is a primary way of collecting funds in order to create change that helps implement the ideals of the Sustainable Development Goals. Specific taxation policies can also aid in reducing inequality and promoting sustainable production and consumption. However, tax avoidance and other issues decrease the availability of taxation funds. This disproportionately impacts the more vulnerable LEDCs but can be ameliorated by collaborative efforts.

Definition of Key Terms

Environmental tax – a tax on the costs of activities or the prices of products that harm the environment.

Tax avoidance strategies – any legal method a taxpayer uses to minimise the income tax owed.

Tax competition – the reduction of a country's fiscal burdens (e.g., taxation rates) to attract Foreign Direct Investment (FDI).

LEDCs – Less Economically Developed Countries

MEDCs – More Economically Developed Countries

Background Information

The 2030 Agenda for Sustainable Development was adopted by the United Nations in order to serve as a shared blueprint for the planet's prosperity. Within it are the seventeen Sustainable Development Goals (SDGs), interconnected aims that address necessary areas of international improvement to be achieved by 2030.

The first Sustainable Development Goal is "End poverty in all its forms everywhere". A massive challenge to eradicating poverty has been the COVID-19 pandemic: around four years of global progress against poverty have been erased due to it. Unemployment cash benefits during the pandemic and other protective measures against vulnerability have been sparse in LEDCs compared to MEDCs (0.8% versus 52.2%). Additional causes of this increase in the poverty rate include rising inflation, conflict – namely, the ongoing war in Ukraine – and natural disasters. In this case, taxation could be used in public social welfare programmes, for example.

The second Sustainable Development Goal is "End hunger, achieve food security and improved nutrition and promote sustainable agriculture". Conflict, the COVID-19 pandemic, and growing inequalities have been significant hindrances to the progress of this goal. Food prices are soaring, and the crisis in Ukraine has caused major food shortages, particularly of wheat, maize, and sunflower seed products. Currently, 1 in 10 people suffer from hunger, and 1 in 3 lack regular access to adequate nutrition. Revenue from taxation could be used in the funding food aid programmes in struggling areas.

The third SDG is "Ensure healthy lives and promote well-being for all at all ages". The most considerable challenge to achieving this goal has been the pandemic. It caused millions of deaths, disrupted essential health services in 92% of countries, increased rates of mental illnesses, and stopped progress on universal health coverage. 22.7 million children lack basic and necessary vaccination due to the interruption of health resources. The upkeep, staffing, and quality of hospitals and other health centres could be funded by taxation. Additionally, this funding could be used in the establishment of aid programmes in remote areas that might not have access to modern healthcare.

The fourth SDG is "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all". The pandemic has set off a global learning crisis. Entrenched inequalities in access to education, such as gender or economic class, have only worsened, along with the quality of the learning environment infrastructure. Children affected by conflict must also be accounted for due to possible interruptions in essential aspects of their education. Taxation could aid in the institution of schools in remote areas, or programmes providing tools for online education when needed, for example.

The fifth goal is "Achieve gender equality and empower all women and girls". Women accounted for 39% of employed individuals in 2019 but 45% of employment losses in 2020. More than 1 in 4 women above fifteen years old have suffered from partner violence. 47% of women cannot make personal informed decisions on reproductive healthcare, and only 26% of nations have comprehensive gender-responsive budgeting systems. Tax revenue could be used to fund protection facilities for women suffering from domestic violence, or educational campaigns informing them of their reproductive health and choices.

Rank	Country	Score		Score change	Rank change
		0-1	2022	2022	2022
1	Iceland	0.912		+0.004	-
2	Norway	0.879		+0.034	+1
3	Finland	0.863		+0.003	-1
4	New Zealand	0.856		+0.014	-
5	Sweden	0.815		-0.007	-
6	Germany	0.815		+0.014	+4
7	Nicaragua	0.811		+0.001	-
8	Namibia	0.802		-0.005	-
9	Lithuania	0.800		+0.001	+2
10	Belgium	0.796		+0.003	+4
136	Morocco	0.621		-0.003	-
137	Guinea	0.617		-0.030	-19
138	Benin	0.616		+0.004	-
139	Oman	0.614		+0.006	-
140	Congo, Democratic Republic of the	0.612		+0.036	+4
141	Mali	0.605		+0.003	-
142	Pakistan	0.575		+0.011	+3
143	Iran (Islamic Republic of)	0.575		-0.002	-
144	Algeria	0.573		-0.030	-4
145	Chad	0.570		-0.008	-3
146	Afghanistan	0.405		-0.030	-

The Global Gender Gap Index 2023 rankings

The sixth Sustainable Development Goal is "Ensure availability and sustainable management of water and sanitation for all". More than 733 million people live in countries with high to critical levels of water stress, and at least 3 billion people have access to water of unknown quality due to a lack of monitoring. Suppose the current rates of improvement remain until 2030. In that case, 1.6 billion people will lack safe drinking water, 2.8 billion people will lack safe sanitation, and 1.9 billion people will not have access to basic hand washing facilities. Sanitation and drinking water facilities could be funded through taxation.

The seventh Sustainable Development Goal is "Ensure access to affordable, reliable, sustainable and modern energy for all". In 2020, 733 million people did not have access to electricity, and 2.4 billion people used inefficient and polluting means of cooking. The rate of progress in energy efficiency is at nearly half of what it should be to keep up with current climate goals. Additionally, international financing flows to LEDCs for renewable energy have only been decreasing. Additional taxes could be added for the use of unsustainable energy as an incentive for renewable energy use.

The eighth SDG is "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all". The global economy has experienced significant setbacks due to the pandemic, rising inflation, supply-chain disruptions, policy uncertainties and labour market challenges. The ongoing war in Ukraine has also harmed the progress of this goal. The eighth

Sustainable Development Goal also concerns other aspects of the economy, such as child labour and worker productivity, which are also very present today. Investigations on poor work conditions could operate on government taxation funding, ensuring the protection of those suggested to inadequate employment situations.

The ninth Sustainable Development Goal is "Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation". The pandemic has severely affected global manufacturing, primarily small-scale industries, which mostly lack the necessary access to financial support for recovery. The passenger airline industry, in particular, has suffered catastrophic losses, with almost a 50% decrease in passengers from 2019 to 2021. Taxation could fund support systems and financial assistance programmes for struggling industries in order to encourage development.

The tenth Sustainable Development Goal is "Reduce inequality within and among countries". The COVID-19 pandemic has caused the first rise in between-country income inequality in a generation. Global refugee figures have hit a record high, with the war in Ukraine pushing this number even further. Additionally, 1 in 5 people have experienced discrimination prohibited under international human rights law. The amelioration of tax avoidance strategies could help decrease financial inequality among nations.

The eleventh SDG is "Make cities and human settlements inclusive, safe, resilient and sustainable". 99% of the world's urban population breathes polluted air, and municipal solid waste has increased dramatically in recent years. In many nations, Less Economically Developed Countries, mainly, there is severely restricted access to public transportation or disaster risk reduction strategies. Safe and accessible public transportation networks can be upkept and established using taxation funding.

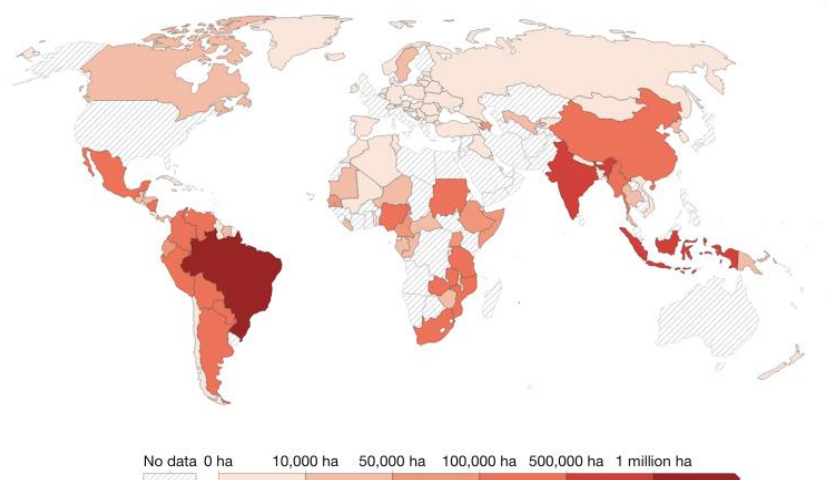
The twelfth SDG is "Ensure sustainable consumption and production patterns". Food is wasted or lost at all levels of the production and consumption process every day. Most electronic waste (77.2% global average) is not handled safely. These unsustainable consumption and production practices are the root causes of climate change, pollution, and biodiversity loss. Increased taxation for the waste misuse of corporations could be used as a deterrent.

The thirteenth Sustainable Development Goal is "Take urgent action to combat climate change and its impacts". Sea level, coral reef temperature, natural disaster and extreme weather frequency is rising exponentially due to climate change. Droughts are estimated to displace 700 million people by 2030. Climate change and greenhouse gas emissions must be dealt with urgently. Despite this, financing for climate falls short of its yearly commitment, and could be boosted with taxation allocation actions.

The fourteenth SDG is "Conserve and sustainably use the oceans, seas and marine resources for sustainable development". The ocean is Earth's largest ecosystem. It is being endangered by plastic pollution, overfishing, ocean warming, acidification, and eutrophication. Marine plastic pollution is projected to double or triple by 2040. 90% of fishers are employed in small-scale fisheries suffering financially due to the pandemic, increasing overfishing. These fishers or other professions in similar situations could use available welfare resources, funded by taxation.

The fifteenth SDG is "Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss". Ten million hectares of forest are destroyed annually – 90% for agricultural expansion – and around 40,000 species are at risk of extinction. Despite this, biodiversity is often neglected in pandemic recovery spending. A deforestation tax could be used as an encouragement to apply sustainable practices.

Annual deforestation, 2015



Source: UN Food and Agriculture Organization (FAO). Forest Resources Assessment.
 Note: The UN FAO publish forest data as the annual average on 10- or 5-year timescales. The following year allocation applies: "1990" is the annual average from 1990 to 2000; "2000" for 2000 to 2010; "2010" for 2010 to 2015; and "2015" for 2015 to 2020.
 OurWorldInData.org/deforestation · CC BY

The sixteenth SDG is "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels". We are experiencing the largest number of violent conflicts since 1946, and a quarter of the population lives in countries affected by conflict. Corruption is widespread and frequent: almost 1 in 6 businesses have received requests for bribery from public officials. 1/3 of the population fears walking alone at night, and 100 million people have been displaced worldwide. Capacity building programmes for corruption mitigation could operate on funding from taxation.

The final and seventeenth Sustainable Development Goal is "Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development". This goal includes capacity development, finances, scientific research, technology, and trade. Many LEDCs are under severe debt burdens post-pandemic. This restricts their ability to contribute to implementing the 16 other SDGs listed above.

Taxation is a powerful tool in accumulating resources to help finance the progress of the Sustainable Development goals. It can also reduce social inequalities and promote sustainable practices. Issues such as tax avoidance and abuse or harmful tax competition also factor into decreasing international tax cooperation and, by association, harming the development of the Sustainable Development Goals, and so must be addressed in order for progress to be accomplished.

The average tax collection in MEDCs is around 40% of gross domestic product (GDP); in LEDCs, it is only around 10-20%. This is due to several factors, including businesses engaging in tax avoidance strategies that go undetected by financial institutions. Furthermore, many modern tax collection reforms are centred around technology, which not all infrastructures can support.

Major Countries and Organizations Involved

Division for Sustainable Development Goals (DSDG) – this United Nations division of the Department of Economic and Social Affairs (UNDESA) provides significant support and capacity building for achieving the Sustainable Development Goals and plays an essential role in implementing the 2030 Agenda.

United Nations Development Programme (UNDP) – this UN organisation is dedicated to improving sustainable development and is very often involved in projects to further the implementation of the SDGs.

The Organisation for Economic Co-operation and Development (OECD) – is dedicated to discussing sustainable economic progress and coordinating domestic and international economic policies.

The United States – is the United Nations's largest financial contributor.

Timeline of Events

Date	Description
1972	– The UN Conference on the Human Environment, held in Stockholm, established that development and sustainability should be considered intertwined issues.
1987	– The World Commission on Environment and Development's report "Our Common Future" popularises the term "sustainable development". It was defined as "development which meets the needs of the present without compromising the ability of future generations to meet their own needs".
1992	– More than 178 countries adopted Agenda 21 (a predecessor to the SDGs) at the Earth Summit in Rio de Janeiro, Brazil.
1993	– The Commission for Sustainable Development was established to monitor the implementation of Agenda 21 further.
2000	– All United Nations member states adopted the Millennium Declaration at the Millennium Summit in New York. The Millennium Summit led to the creation of eight Millennium Development Goals (MDGs) to ameliorate poverty, the predecessor to the SDGs.
2002	– Further development on and commitment to Agenda 21 and the MDGs at the South Africa World Summit on Sustainable Development.
2012	– The United Nations Conference on Sustainable Development in Rio de Janeiro, Brazil, established a project to develop the Sustainable Development Goals.
2015	– The 17 SDGS were adopted at the UN Sustainable Development Summit in New York.

Relevant UN Treaties and Events

High-level Political Forum on Sustainable Development – Held annually, this platform serves as the primary United Nations forum for follow-up discussions and review of the Sustainable Development Goals.

ECOSOC Special Meeting on International Cooperation in Tax Matters – Held in 2023 to further dialogue on taxation as a lever for sustainable development and making the international taxation system transparent and effective.

ECOSOC Forum on Financing for Development – a forum held annually to discuss and review participation in the Addis Ababa Action Agenda (AAAA) and other financing projects to implement the SDGs.

Previous Attempts to Solve the Issue

UNDP Tax for SDGs Initiative – The United Nations Development Programme (UNDP) Tax for SDGs Initiative aims to support LEDCs in increasing resource mobilisation to achieve the Sustainable Development Goals. This initiative will aid national tax administrations and ministries of finance in LEDCs to reduce tax avoidance and make fiscal policies more aligned with the SDGs.

Addis Ababa Action Agenda (AAAA) – was established at the Third International Conference on Financing for Development in Addis Ababa, Ethiopia. It presented a framework to align financing flows and policies with the efforts of the 2030 Agenda for Sustainable Development and the SDGs.

Monterrey Consensus – was produced as the outcome of the 2002 United Nations International Conference on Financing for Development in Monterrey, Mexico. It is an agreement on international cooperation in sustainable development, especially regarding resources and finances.

Possible Solutions

Capacity-building activities – are aimed at strengthening the ability of nations to independently design and implement strategies that progress the Sustainable Development Goals. In relation to taxation, they can also be collaborative measures to improve the handling of taxation revenue and tax avoidance supervision in LEDCs.

Progressive tax systems – are tax rates that increase as taxable income increases. This helps to further SDG 10 in the sense that it ameliorates the taxation burden on lower-income individuals, thus reducing inequalities. However, progressive tax systems can lead to dishonest reports of individual wealth, and some may argue they penalise workers for achieving financial prosperity.

Transparency in tax allocation – open and honest practices in tax allocation in order to ensure the proper use of public government funds collected through taxation. This will ensure that maximum resources are used to progress the Sustainable Development Goals.

Environmental taxation – Such policies work simultaneously as fund collection for SDG financing and incentives for the private sector to progress SDGs related to environmental issues.

Bibliography

"Addis Ababa Action Agenda." Wikipedia, en.wikipedia.org/wiki/Addis_Ababa_Action_Agenda

Baine, Mary. "Tax That Supports Sustainable Development." SDG Action, 2 June 2023, sdg-action.org/tax-that-supports-sustainable-development/.

"Capacity Development." United Nations Department of Economic and Social Affairs, sdgs.un.org/topics/capacity-development.

"ECOSOC Forum on Financing for Development 2023." United Nations Industrial Development Organization, www.unido.org/events/ecosoc-forum-financing-development.

"Environmental Tax." Institut National de la Statistique et des Études Économiques, www.insee.fr/en/metadonnees/definition/c2234.

"History of SD." Sustainable Development Commission, www.sd-commission.org.uk/pages/history_sd.html

Kagan, Julia. "Tax Avoidance Is a Legal Way to Limit Taxes; Tax Evasion Is Not." Investopedia, 27 Dec. 2022, www.investopedia.com/terms/t/tax_avoidance.asp

---. "What Is a Progressive Tax? Advantages and Disadvantages." Investopedia, 4 Mar. 2024, www.investopedia.com/terms/p/progressivetax.asp.

"Monterrey Consensus." Wikipedia, en.wikipedia.org/wiki/Monterrey_Consensus.

"Session 4: Financing for Development: Implementing the Addis Ababa Action Agenda." Organisation for Economic Co-operation and Development, www.oecd.org/site/oecdgfd/Concept%20Note%20session%204.pdf.

"The 17 Goals." United Nations Department of Economic and Social Affairs, United Nations, sdgs.un.org/goals#history.

"Taxation and the SDGs." United Nations Department of Economic and Social Affairs, United Nations, financing.desa.un.org/what-we-do/ECOSOC/tax-committee/thematic-areas/taxation-and-sdgs.

"Tax for SDGs Initiative." Tax for SDGs, UNDP, www.taxforsdgs.org/about.

"2023 ECOSOC Special Meeting on 'International Cooperation in Tax Matters' - 31 March." United Nations Department of Economic and Social Affairs, United Nations, 31 Mar. 2023, financing.desa.un.org/events/2023-ecosoc-special-meeting-international-cooperation-tax-matters-31-march.

"2022 ECOSOC Forum on Financing for Development." United Nations Department of Economic and Social Affairs, United Nations, financing.desa.un.org/events/2022-ecosoc-forum-financing-development.

"UNDP Launches a New Initiative to Help Countries Leverage Taxation to Make Progress on the Sustainable Development Goals." UNDP, United Nations, 28 Apr. 2022, www.undp.org/press-releases/undp-launches-new-initiative-help-countries-leverage-taxation-make-progress-sustainable-development-goals.

"U.S. Funding for the UN." Better World Campaign, betterworldcampaign.org/us-funding-for-the-un.

Whitfield, Karen. "Quick Guide to Sustainable Development: History and Concepts." Welsh Parliament, National Assembly for Wales, Mar. 2015, senedd.wales/research%20documents/qg15-003%20-%20sustainable%20development%20history%20and%20concepts/qg15-003.pdf.

"Global Gender Gap Report 2023." World Economic Forum, 20 June 2023, www.weforum.org/reports/global-gender-gap-report-2023/.

Ritchie, Hannah, and Max Roser. "Deforestation and Forest Loss." Our World in Data, 2021, ourworldindata.org/deforestation.