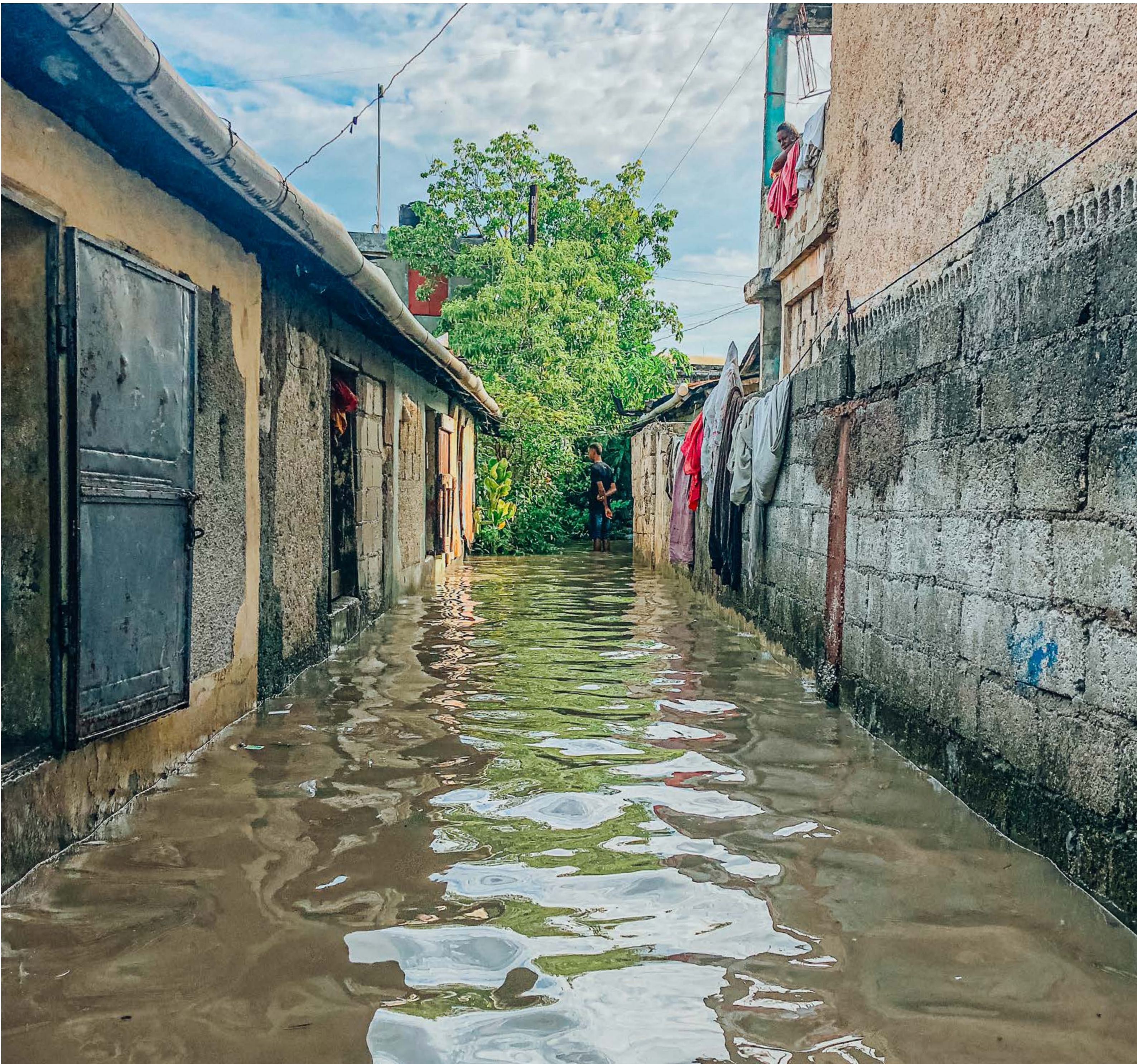
# FINDING THE FINANCE

## TAX JUSTICE AND THE CLIMATE CRISIS

JUNE 2024



Cyclone Freddy broke several world records including the longest ever recorded tropical cyclone, the highest ever recorded accumulation energy, and the highest re-intensification periods. People are still recovering from the impacts in Malawi.
PHOTO: THOKO CHIKONDI / ACTIONAID

# EXECUTIVE SUMMARY

The climate crisis is wreaking havoc around the world, particularly in climate vulnerable countries who have done the least to cause the crisis, and particularly amongst the most vulnerable populations and women within those countries. A massive increase in financing for global climate responses is urgently needed. Tax justice in both rich, high-polluting countries and climate vulnerable countries must be central to finding a fair solution, alongside the introduction of new global taxes and changing how global tax rules are set and enforced.

The 29th Conference of the Parties (COP29) is set to meet in Baku, Azerbaijan for climate negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) at the end of 2024. Governments at COP29 are set to agree a new post-2025 climate finance goal to allow **climate vulnerable 'developing' countries**[i] to respond to climate impacts and transition to a sustainable future. For the world to have a realistic chance of averting catastrophic climate chaos, climate vulnerable countries urgently need **rich high polluting 'developed' countries**[ii] to provide the climate finance necessary to respond to climate impacts and transition to greener pathways – ideally achieving a feminist, just transition **(see box 3)**. Given the scale of the climate challenge, this climate finance must dramatically scale up from the current inadequate target of US$100 billion a year, to a figure that is much more in line with the needs of climate vulnerable countries in the Global South, that better reflects the historic responsibilities of rich polluting countries to repay the climate debt they owe to the countries on the frontline of the climate crisis, and which gives our planet and its people a better chance of avoiding runaway climate breakdown. A new climate finance goal is likely to be set. The new climate finance goal must be **in the trillions of US dollars every year,**[iii] **rather than billions**, and with a clear obligation on rich, high-polluting countries (known as Annex 2 countries in UNFCCC terms) to provide this finance.

For years, rich polluting countries failed to even reach the previous target of US$100 billion, and only reached it in 2022 through topping-up grants provided by additionally counting loans towards the target. Indeed, loans represented two thirds of the climate finance that rich countries claimed to mobilise.[iv] This is pushing climate-vulnerable countries deeper into debt and even creating perverse incentives to scale up fossil fuel extraction in order to repay those loans.

This briefing shows clearly that **mobilising trillions of US dollars in climate finance is undoubtedly within reach through action on tax in four areas:**

1. **Expanding tax-to-GDP ratios in the existing 'Annex 2' rich, high-polluting countries, which could raise up to $2.15 trillion every year.** This expansion in tax-to-GDP ratios (see **Box 1**) must be achieved through progressive (see Box 2), gender-responsive, and climate-sensitive tax reforms.

2. **Changing how global tax rules are set and enforced through a new UN Framework Convention on Tax**, in line with long-standing calls from tax justice movements and many countries.

3. **Enabling climate vulnerable countries to expand their own tax-to-GDP ratios** through progressive reforms, to reverse decades of austerity, so countries can reclaim sovereignty over economic policies and achieve their own climate commitments as well as be well-placed to use international climate finance. This will be facilitated / accelerated if fairer rules are agreed under a UN Framework Convention on Tax.

4. **Taking coordinated action globally to introduce a range of new taxes** that could raise trillions of US dollars - such as through windfall taxes, wealth taxes, higher tax rates on the income of the top 1%, financial transaction taxes, a range of carbon and climate damage taxes, and taxes on aviation and shipping.

*There are of course other significant ways to mobilise more resources for climate finance, including through:*

- *Debt cancellation (which is especially important given the debt crisis is* actively accelerating the climate crisis*).*
- *The reallocation of fossil fuel subsidies, which reached* US$7 trillion a year globally *in 2022.*
- *Reducing and/or re-allocating military expenditure (which totalled* US$2.43 trillion in 2023*).*
- *Using IMF Special Drawing Rights (SDRs) in a more systematic and redistributive way, as proposed by Barbados Prime Minister Mia Mottley, which could generate* US$0.5 trillion every year.

*These are not explored in this report which focuses specifically on the potential of action on tax to support climate finance.*

This report addresses each of these four areas of action on tax in turn:

SECTION 1 **(and Table 1) shows the potential to raise climate finance through action on tax in the 24 rich countries that are the heaviest polluters,** which are listed under Annex 2 of the UNFCCC. These are the countries responsible for historic climate-disrupting greenhouse gas (GHG) emissions. These countries have a clear obligation, recognised under the UNFCCC Convention and the Paris Agreement, to provide climate finance to support climate vulnerable 'developing' countries to adapt to the climate crisis, to address the impact of climate-induced loss and damage, and to transition to greener pathways. The data in the table below shows that:

- **If rich high-polluting 'developed' countries - those that are most responsible for historic GHG emissions - increase their tax-to-GDP ratios by a single percentage point, they can raise an additional $US539 billion every year.** All these countries could fairly easily raise their tax-to-GDP ratios by at least one percent.
- A more ambitious and fair approach would be for **rich polluting countries to raise their tax-to-GDP ratios by four percentage points, to raise US$2.15 trillion every year.** All these countries could take measures to raise their tax-to-GDP ratios, and this would take the average tax-to-GDP ratio of the 24 countries from 37% to 41%.
- The **top 24 rich high-polluting countries are losing an estimated US$362 billion every year** (State-of-Tax-Justice-2023) from aggressive tax avoidance by the wealthiest companies and individuals. Just by taking action to avoid these losses, they could dramatically increase the financing available for climate vulnerable 'developing' countries.

**It is crucial that new tax revenue should be raised through progressive taxes** (see Box 2) that target the wealthiest individuals and companies (as they have the largest carbon footprint). Progressive approaches to taxation also avoid passing the costs of climate action onto the majority of the population who are already facing cost of living crises. Overall tax systems also need to be made **gender-responsive and climate sensitive.**

SECTION 2 **looks at the urgent need to transform how global tax rules are set and enforced.** Many low- and lower-middle income countries, are limited in their potential to raise fair taxes owing to unfair global tax rules set by the club of rich countries in the Organisation for Economic Cooperation and Development (**OECD**). There is a huge opportunity to transform this through a new **UN Framework Convention on Tax**. The OECD's role over 60 years of setting and enforcing global tax rules has been described as a litany of failure, creating a system that largely suits the interests of the wealthiest countries and big business. But, following UN General Assembly votes, a new UN body is now being developed that aims to ensure a more representative and hopefully more climate sensitive global tax architecture.

Some rich countries are still trying to undermine the UN Framework Convention on Tax but progress is crucial to create a conducive environment for raising more tax revenues in both the Annex 2 rich countries responsible for historic pollution, as well as in climate-vulnerable countries. Notably, this should involve coordinated action on properly taxing the income and wealth of the biggest corporates and richest individuals, including urgent action to close down tax havens where trillions of dollars accumulate and lie idle. This convention should also facilitate the introduction of the range of global taxes or globally coordinated action on taxes, outlined in section 4. The creation of the new UN Framework Convention on Tax will therefore be vital to unlocking new potential for all countries to raise revenues for domestic climate action and international climate finance.

SECTION 3 **shows the transformative potential of tax in climate vulnerable countries**, who also need to generate their own domestic revenue for climate action and public goods. **Table 2** in the annex lists the 64 most climate-vulnerable countries, nearly 90% of which are low- or lower-middle-income (see column 3). Most of these countries have endured 40 years or more of neoliberal economic policies imposed on them by international financial institutions that are dominated by former colonial powers and that facilitate a continued colonial extraction from countries in the Global South. Austerity policies have stripped away the capacities of States to fulfil a basic social contract with their citizens. Fundamentalist neoliberalism has been driven by the loan conditions and coercive policy advice from the International Monetary Fund (**IMF**), whose default has been to recommend cuts to public spending rather than the obvious, more effective alternative of increasing tax revenues progressively. This has left billions of citizens without the investment in climate action, resilience, public health, education and social protection that they have rights to.

The creation of the new UN Framework Convention on Tax could be a gamechanger in enabling climate vulnerable countries to make essential steps towards tax justice and raising urgently needed domestic revenue for climate action.

**Table 2** shows that:

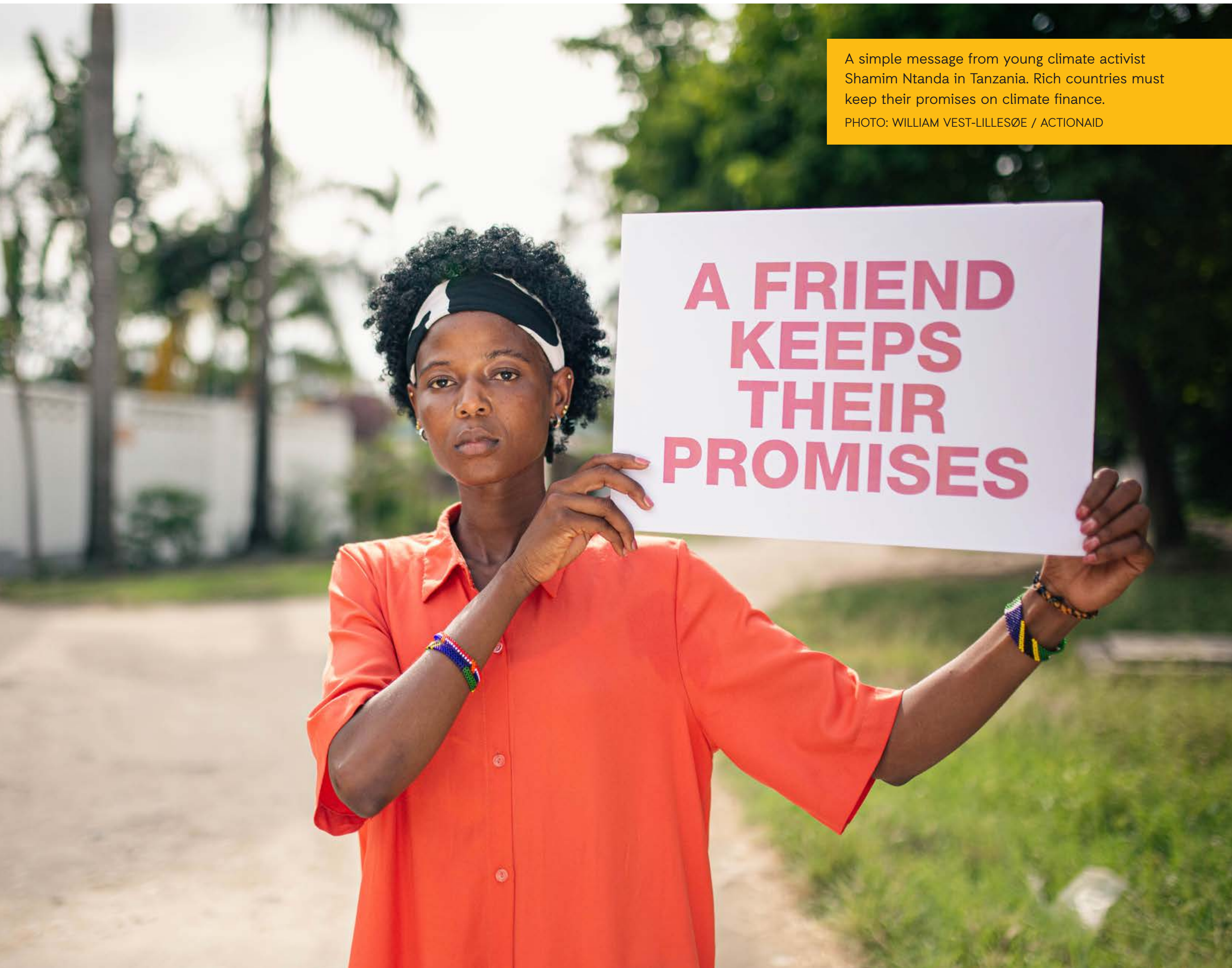
- Progressive action in the most climate-vulnerable countries to **expand tax revenues by five percentage points** (as deemed realistic even by the IMF), **could enable countries to raise an estimated US$341 billion every year**, for their own use. Combined with active regulation of corporate excesses, this could transform state capacities and enable governments in climate-vulnerable countries to redistribute resources through climate action, universal social protection, care policies, and quality gender-responsive public services. Institutions and services that have faced decades of decline owing to pressure to cut public budgets from the IMF and unfair global tax rules set by the OECD, could be sustainably rebuilt and redefined in the face of the climate crisis.

This would provide a foundation for climate-vulnerable counties to implement their "unconditional" Nationally Determined Contributions (**NDCs**) - their national climate policy commitments on mitigation, adaptation and addressing loss and damage that are implemented with domestic resources. Such action must then be further built on through implementation of "conditional NDCs", the climate plans that can only be implemented on the condition of receiving enhanced international climate finance.

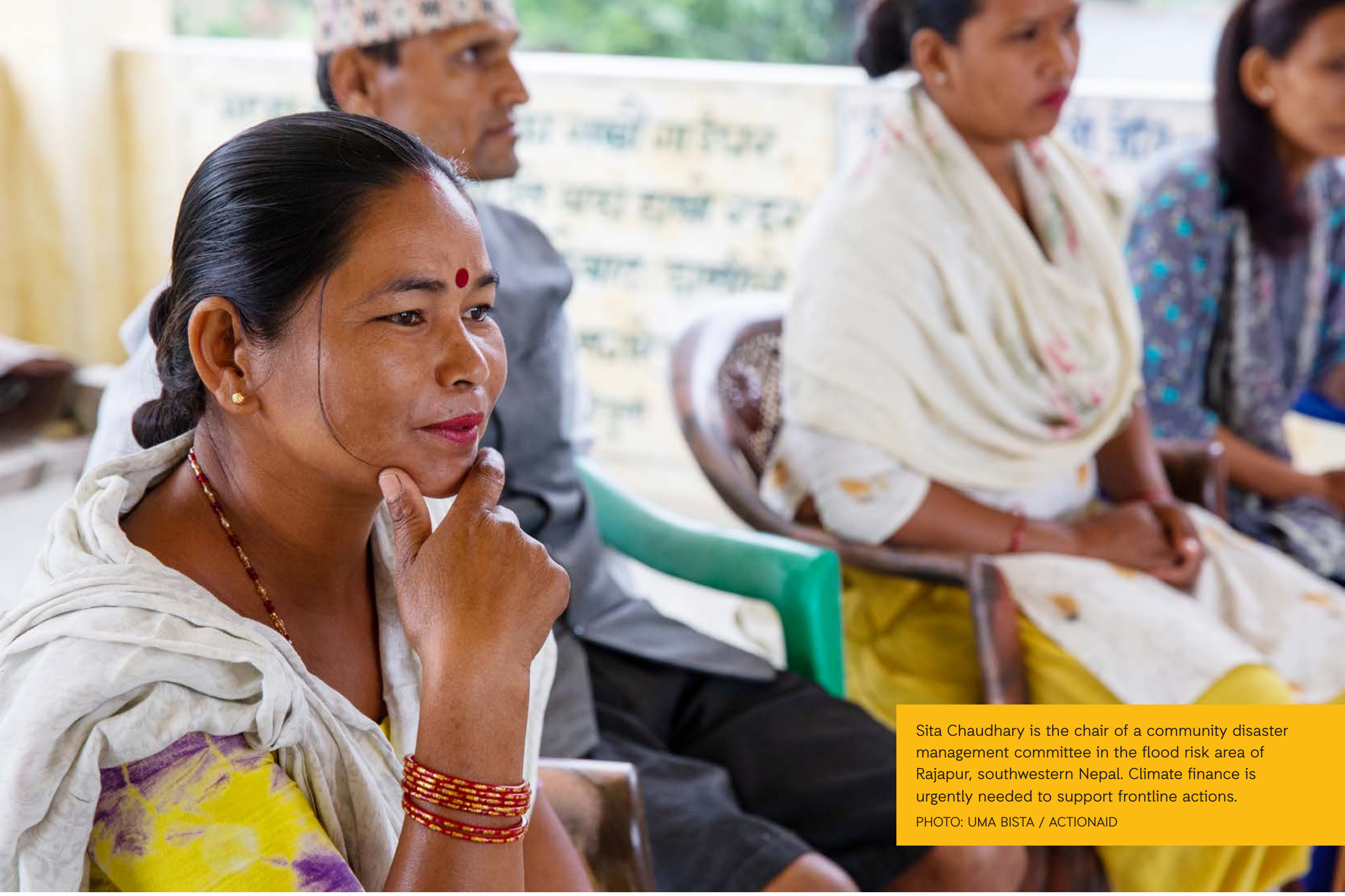
**SECTION 4 looks at the potential for new globally enforced taxes or deeper international cooperation around a range of progressive tax measures.** This looks briefly at the latest data on the transformative potential of windfall taxes (over US$1 trillion a year), wealth taxes (US$1.7 trillion a year), higher rates on the income of the top 1% (up to US$6.4 trillion a year), financial transaction taxes (up to US$419 billion a year), a range of carbon and climate damage taxes, and taxes on aviation and shipping. It is clear that globally coordinated taxes could add hundreds of billions or trillions to the pot that is desperately needed for climate justice.

**In the conclusion we bring this all together to show that it is feasible to use tax reforms to mobilise the trillions of dollars in climate finance that are urgently needed.**

ActionAid's 2023 report The Vicious Cycle highlighted the connections between the debt crisis and the climate crisis, showing that 93% of the most climate vulnerable countries are at significant risk of debt crises. This situation is forcing countries to expand their exports in climate-harming fossil fuel and industrial agriculture industries in order to earn foreign currency to repay their debts. Debt cancellation is thus urgent for low-income and climate vulnerable countries, and it is unconscionable and counter-productive that two thirds of climate finance is currently provided in the form of loans, which will themselves exacerbate debt and the climate crisis. As the Care Contradiction report sets out, a lack of public resources owing to high debt servicing and enforced austerity, harms women and marginalised groups and undermines gender equality. Ambitious and progressive action on tax in both rich, polluting and climate-vulnerable countries and progressive global action on tax provides a clear alternative - generating grants not loans – and finding the public finance that can help to break the vicious cycle.




A simple message from young climate activist Shamim Ntanda in Tanzania. Rich countries must keep their promises on climate finance.
PHOTO: WILLIAM VEST-LILLESØE / ACTIONAID



Sita Chaudhary is the chair of a community disaster management committee in the flood risk area of Rajapur, southwestern Nepal. Climate finance is urgently needed to support frontline actions.
PHOTO: UMA BISTA / ACTIONAID

# 1. TAX REFORMS TO RAISE CLIMATE FINANCE IN COUNTRIES RESPONSIBLE FOR HISTORIC CLIMATE EMISSIONS

Action on tax in the countries that are most responsible for carbon emissions could allow them to raise over $2 trillion per year to contribute towards a climate finance goal that must be set in the trillions of US dollars every year.

The table below shows that increasing existing tax-to-GDP ratios by between one and four percentage points in the 24 rich, polluting 'developed countries' (those listed under Annex 2 in the UNFCCC convention) could raise **between US$539 billion and US$2.15 trillion per year for international climate finance.**

The data shows that there is a significant variation in present tax-to-GDP ratios across these countries, with the US having a tax-to-GDP ratio of 26.8%, in stark contrast to countries such as Denmark with 48%. Denmark's relatively high standard of public services, quality of life, equality and proportionally higher contributions to climate finance can be attributed to its higher tax-to-GDP rate. There is a wide range of measures that rich, polluting 'developed' countries could use to raise their tax-to-GDP ratios – and it is clear that as well as enabling them to deliver their climate finance obligations, this could also benefit the majority of their own citizens.

**Table 1.** Tax potential in countries responsible for historic climate emissions

| 'Developed countries' (listed as Annex 2* countries as in UNFCCC convention) annex 2 countries (unfccc.int) | Annual tax loss through tax avoidance (in US$ millions) - from Tax Justice Network State-of-Tax-Justice-2023 | Tax to GDP ratios from Our World in Data 2022 | GDP in US$ million GDP (current US$) - Data (worldbank.org) | Increase in revenue if tax-to-GDP raised by ONE percentage point (in US$ millions) | Increase in revenue if tax-to-GDP raised by FOUR percentage points (in US$ millions) |
|---|---|---|---|---|---|
| **Australia** | 3,785 | 30.0 | 1,692,956 | 16,929 | 67,716 |
| **Austria** | 1.311 | 43.7 | 470,941 | 4,709 | 18,836 |
| **Belgium** | 3,768 | 44.9 | 583,435 | 5,834 | 23,336 |
| **Canada** | 3,650 | 33.0 | 2,161,483 | 21,614 | 85,456 |
| **Denmark** | 1,778 | 48.0 | 400,167 | 4,001 | 16,004 |
| **Finland** | 905 | 37.6 | 282,469 | 2,824 | 11,296 |
| **France** | 33,024 | 47.3 | 2,779,092 | 27,790 | 111,160 |
| **Germany** | 26,046 | 40.9 | 4,082,469 | 40,824 | 163,296 |
| **Greece** | 1,526 | 39.2 | 217,581 | 2,175 | 8,700 |
| **Iceland** | 156 | 35.1 | 28,064 | 280 | 1,120 |
| **Ireland** | 13,589 | 21.9 | 533,140 | 5,331 | 21,324 |
| **Italy** | 4,771 | 43.3 | 2,049,737 | 20,497 | 81,988 |
| **Japan** | 8,319 | 32.9 | 4,256,410 | 42,564 | 170,256 |
| **Luxembourg** | 11,183 | 39.9 | 81,641 | 816 | 3,264 |
| **Netherlands** | 10,094 | 40.2 | 1,009,398 | 10,093 | 40,372 |
| **New Zealand** | 592 | 36.5 | 248,101 | 2,481 | 9,924 |
| **Norway** | 1,620 | 41.6 | 593,348 | 5,933 | 23,732 |
| **Portugal** | 1,204 | 37.4 | 255,196 | 2,551 | 10,204 |
| **Spain** | 6,424 | 38.9 | 1,417,800 | 14,178 | 56,712 |
| **Sweden** | 2,394 | 43.0 | 591,718 | 5,917 | 23,668 |
| **Switzerland** | 4,669 | 28.6 | 818,426 | 8,184 | 32,736 |
| **Turkey** | 1,188 | 25.0 | 907,118 | 9,071 | 36,284 |
| **UK** | 44,684 | 34.3 | 3,089,072 | 30,890 | 123,560 |
| **US** | 177,270 | 26.8 | 25,439,700 | 254,397 | 1,017,588 |
| **Totals** | **362,890** | **Average – %37** | **53,989,462** | **539,883** | **2,158.532** |

*Annex 2 countries are OECD countries required under UNFCCC to provide financial and technical support to Economies in Transition and developing countries to assist them in reducing their greenhouse gas emissions (climate change mitigation) and manage the impacts of climate change (climate change adaptation)

## BOX 1: Why focus on tax-to-GDP ratios?

*A country's tax-to-GDP ratio is a measure of the size of tax revenue collected relative to the size of the overall economy. We recognise that this is an imperfect indicator – as it is itself premised on GDP and we do not endorse a narrow focus on GDP growth as a key pathway (as it is so closely linked with an extractive, profit-led economic model). However, GDP is presently the main metric used in economic policy setting and tax-to-GDP is the most widely used measure of how much revenue governments collect in taxes as a percentage of their GDP. It is a key indicator of the money available to the government to invest in gender-responsive infrastructure, public services and climate action.*[v]

*Low-income countries have an average of 16% tax-to-GDP. Middle-income countries tend to be 25% to 30% and high-income countries between 30% and 40%, with Scandinavian countries above 40%. Most countries can expand their tax-to-GDP ratios fairly significantly – by a few percentage points within a short time period – by ending harmful tax incentives (tax holidays given unnecessarily to big companies), introducing new progressive taxes, and expanding or improving the collection of existing taxes. It is important to note that any changes to national and international tax systems and policies need to include gender human rights impact assessments to ensure they are progressive and gender-responsive. It is also useful here to recall the five R's of tax justice:*

- *Revenue to fund universal public services and sustainable infrastructure.*
- *Redistribution to curb inequality between individuals and between groups.*
- *Repricing to limit public "bads" like carbon-intensive consumption or investment*
- *Representation to strengthen democratic processes and improve democratic governance.*
- *Reparation to redress the historical legacies of colonisation and ecological damage.*

There is a compelling case for rich, polluting countries to raise their tax-to-GDP ratios through introducing new taxes on the income and wealth of the richest individuals and corporations. This would ensure that those who have the largest carbon footprint bear the bulk of the responsibility. To ensure that tax reform does not worsen inequality or have unintended impacts on marginalised groups and the environment, the additional revenue should be raised through tax policies that are **progressive, gender responsive and climate sensitive:**

- **progressive** – or redistributive – tax policies ensure the largest contributions are made by the wealthiest individuals and companies. Too often tax systems are regressive – passing more burden onto people who are least able to pay. Yet it is people on high incomes and with considerable wealth who have disproportionally contributed to the climate crisis. In this context a focus on progressive tax is particularly important (see **Box 2**) to ensure increased tax rates do not unfairly penalise those on low incomes. If care is not taken to ensure progressivity, this can result in greater burdens and hardship for people who are already struggling to cope with a high cost of living. Regressive tax policies in the name of climate action can also lead to public backlashes that hinder progress in climate action.
- **gender-responsive tax polices** ensure that women and girls are not disadvantaged – which they often are by taxes like Value Added Tax (VAT) – is particularly important as there is a well-documented gender face to the climate crisis: women and girls are often the most significantly impacted by climate crises, so tax reforms should not further disadvantage them.
- **climate sensitive tax policies** are taxes that incentivise sustainability and discourage behaviours that accelerate the climate crisis. This is a relatively new area for tax policy and one where more work needs to be done but the key will be to ensure that activities, behaviours, and investments that contribute positively to climate adaptation / mitigation are supported to thrive through lower tax rates. At the same time, activities, behaviours, and investments by companies or consumers that contribute to the climate crisis should be taxed at a higher rate in ways that do not pass on the costs to people living on low incomes.

There will always multiple domestic demands for spending of increased tax revenues – and additional tax reforms may be needed to respond to domestic priorities such as gender responsive public services. These important decisions on public finance and budgets should of course be under the scrutiny of democratic parliaments. The point of the illustrations in this report is to show that expanding tax revenues through reforms of this nature can be crucial to help rich polluting countries fulfil their historic obligations to provide climate finance to countries whose futures are fundamentally threatened by the climate crisis.

Any public funds committed to climate finance raised across rich polluting countries should be pooled into existing multilateral funds that are accountable to the UNFCCC, such as the Green Climate Fund, the Adaptation Fund or the future Loss and Damage Fund. These must be governed by multilateral processes that give all countries an equal say, avoiding the risk of rich countries using the finance to leverage "quid pro quo" trade deals, and ensuring that allocations are not unduly influenced by the preferences of donor countries. These funds should not be channelled through the World Bank, whose voting structures continue to give disproportionate power to richer countries.

### BOX 2: Different tax options and their potential progressivity

*Progressive taxation means a tax that is redistributive, setting higher tax rates for people and corporations who earn more or have more wealth. Regressive taxation means poor people paying a greater proportion of their available resources than the rich. Taxes can become more progressive or redistributive by using well-designed thresholds and exemptions. All tax systems will include a range of taxes such as those below – and expanding or extending the use of any of these can increase the tax-to-GDP ratio. The amount generated by specific reforms in any one country will depend on the shape of their present tax system. A central challenge should be to make sure that each tax reform contributes to building a fairer, more progressive and more gender responsive tax system overall.*

- ***Wealth Taxes*** *– based on the holding, transfer or appreciation of wealth. This may include bank deposits, cash, shares, luxury products property etc. Wealth taxes are relatively rare but can be highly progressive and Brazil is advancing the case for these at the G20 in 2024. The discussions around the new UN Framework Convention on Tax are also looking at 'taxation of high net-worth individuals.'*
- ***Personal Income Tax*** *– when these taxes are set at a flat rate, they are regressive (as someone earning a dollar a day pay would pay the same % as someone earning a million dollars) but when they are graduated – with higher rates changed on higher incomes they can be progressive. Historically many countries have taxed high incomes at significantly higher rates than is the case today. For example, just over sixty years ago, earnings over $100,000 per year were taxed at around 90% in the US.*[vi]
- ***Corporate Income Tax*** *– based on the profits made by companies. This is generally progressive but depends on the rates charged and also on effective enforcement as the wealthiest companies use various tricks (e.g. aggressive tax planning / transfer pricing) to export profits to tax havens. Recent agreements at the OECD club of rich nations, to set a global minimum corporate tax rate have been widely opposed around the world and have caused renewed concerns about the global tax rules being ineffective and unfair, especially as the rules have been designed in such a way that they mainly benefit low-tax jurisdictions. There is also a compelling case that the minimum rate should be set at 25% not 15%.*
- ***Value Added Taxes*** *– easy to collect and favoured by the IMF but generally regressive, putting most burden on women and lower income households, of which women make a larger share. Exemptions for basic goods and higher rates on luxury items can make VAT slightly more progressive and even the IMF are now looking at how to design a progressive VAT but the impact is likely to be marginal.*

- ***Property Taxes*** - *based on the location, size or value of land or buildings (owned or used by individuals or companies). This is hard to avoid for the rich and can be very progressive with exemptions for small properties and escalating rates for big properties, but often the potential for this is not achieved owing to outdated on unambitious banding or thresholds.*
- ***Capital Gains Tax*** – *based on the increase in value of an asset when it is sold or passed on / inherited. These are fundamentally progressive, and rates can be set to make them even more so. Alongside royalties they can be powerful taxes in economies dependent on extractive industries, though unfair bilateral tax treaties (sometimes from the colonial era) can undermine this.*
- ***Excise Taxes*** – *often levied on alcohol, tobacco, fuel, flights (so called 'sin taxes' which are often regressive and aim to change behaviour as well as raise revenue) or perfume, jewellery. Targeting high-end brands and exempting products that people living in poverty depend on can make these taxes more progressive than they would otherwise be.*
- ***Informal Sector Taxes*** - *levied on unregistered workers and businesses (often the majority in the Global South) – though many are already forced to pay overlapping fees, charges or licensing costs (e.g. women market traders). Having clear minimum thresholds for payment and gender impact assessments, improving transparency and targeting big businesses that hide in the informal sector can make these more progressive.*
- ***Trade Taxes*** – *or tariffs – on the value of products being imported or exported. These can protect domestic businesses against competition, but the IMF has advocated against them, and trade agreements often disadvantage countries in the Global South. Higher rates on luxury items and exemptions for basic goods can help make these progressive.*
- ***Digital taxes*** – *including big online platforms, mobile technology and applications. To be progressive it will be important to ensure big multinational companies cannot avoid paying a fair tax like their smaller national competitors. Indeed it is possible to design digital taxes that target the largest international corporations (who are often a primary concern for those wishing to clamp down on international tax avoidance) – but "formulary apportionment' (a crucial concept in wider international tax negotiations) is also needed and must be designed in such a way as to ensure smaller countries in the Global South can claim their fair share.*

*Every country can design their tax system to both raise more revenue (to increase their tax-to-GDP ratio) and be more progressive and gender-responsive – though the capacity of many climate-vulnerable countries to do so does depend also on breakthroughs to set fairer global tax rules (see section 2 regarding developments around a UN Framework Convention on Tax).*

Table 1 also provides data on the amount of revenues lost to aggressive tax avoidance in the 24 rich, high-polluting developed countries that are listed under Annex 2 in UNFCCC – reaching an astonishing US$362 billion every year. The wealthiest individuals and companies are those who have become most adept at avoiding paying tax. Clamping down on the existing loopholes to stop aggressive tax avoidance alone, would already raise an important part of the revenue needed to fulfil their climate obligations. International coordinated action would certainly help in this – and there are new opportunities presented by a new UN Framework Convention on Tax (see Section 2).

Climate justice campaigning in these rich countries must call for a clear commitment to raise taxes through progressive reforms, in order to pay back the climate debt owed by rich high-polluting countries to those on the front lines unjustly hit by the brunt of the climate crisis, and to provide a feminist, just transition domestically. This is affordable in every country and would be a powerful rallying cry. Crucially, this provides a mechanism to ensure that climate finance comes in the form of grants not loans.


WTF! Where's the finance? – ask youth activists in Accra, Ghana.
PHOTO: MARINA TOTA / ACTIONAID

# 2. CHANGING HOW GLOBAL TAX RULES ARE SET AND ENFORCED

Many countries, whether historical polluters or climate vulnerable countries, may struggle to increase tax-to-GDP ratios at the rate needed because of unfair global tax rules that facilitate the transfer of vast sums out of their countries and into tax havens.[vii] Thankfully, the way in which global tax rules are set and enforced is being transformed, moving the locus from the OECD club of rich nations (who have set rules for the past 60 years) to a more representative and inclusive process under the UN. Following resolutions passed at the UN General Assembly (UNGA) in *the 77th Session in December 2022* and a crucial vote on developing an international tax convention at UNGA in November 2023, a UN-led process is underway to ensure all countries will have an equal voice in setting global tax rules. This is an historic victory, and a successful UN Tax Convention process could mark the most significant change to the global financial architecture for a generation. But this is not yet guaranteed and it's important for civil society and Global South government representatives to actively participate in the process and for Global North governments to be pressured to engage constructively and not to undermine the process.

There are already models and proposals for what a UN Framework Convention on Tax might look like, ensuring a representative and democratic say for all countries in setting and enforcing rules. In time this should lead to a clamping down on tax havens, where over US$21 trillion of capital is lying idle – with an estimated US$427 billion being added every year. Stopping dodgy corporate practices like transfer mis-pricing and other systemic loopholes could help all countries claim a fair share of tax revenues from the wealthiest individuals and companies. But there is also an opportunity to ensure that future tax rules are gender-responsive and climate sensitive, incentivising positive and renewable practices and behaviours whilst targeting the most polluting industries.


Mariatu Turay is a nurse in Sierra Leone and sees the everyday impacts of the decades of IMF induced austerity. Rebuilding public finances through tax justice is an essential foundation for climate justice.

PHOTO: TENNYSON WILLIAMS/ ACTIONAID

# 3. TAX REFORMS TO RAISE THE CAPACITY OF CLIMATE-VULNERABLE COUNTRIES TO USE CLIMATE FINANCE EFFECTIVELY

Ambitious and progressive action to raise tax revenues in climate-vulnerable 'developing' countries is also essential for the implementation of their "unconditional Nationally Determined Contribution (NDC)" commitments. These are the climate actions pledged by climate vulnerable 'developing' countries which are not dependent on receiving climate finance, and which are in addition to the "conditional NDC" commitments that require international climate finance. Such revenue can reverse decades of austerity – often imposed as a condition of loans or through coercive policy advice from the IMF - which have left States stripped of the capacities needed to deliver a just transition. The new UN Convention Framework on Tax could finally free climate-vulnerable countries to make rational decisions on tax, in the interests of their citizens and the climate.

Raising domestic revenue through taxes would facilitate building, rebuilding or reinforcing of State capacities for the regulation of corporates and fair redistribution of resources, as well as for the strengthening of public systems and gender-responsive public services. This would also enhance States' ability to use climate finance effectively. In many contexts, improved financing of public administration at national, district and local level could provide major benefits, especially if shaped with a particular focus on the communities and populations who have been most profoundly affected by the climate crisis. If climate-vulnerable countries were to increase their own tax-to-GDP ratios, through progressive taxes, they could accelerate progress towards a just transition for all. Action to change unfair global tax rules would also be needed – a task already being taken up in the development of a new UN Framework Convention on Tax – which finally ends 60 years of rich nations setting tax rules that mostly benefit themselves.

In Table 2 (annex) we analysed 64 of the world's most climate vulnerable countries (the top third of countries in the world according to vulnerability) based on the ranking from Notre Dame University - which measures a country's exposure, sensitivity and capacity to adapt to the negative effects of climate change. For these countries we looked at the annual tax losses based on the Tax Justice Network's State-of-Tax-Justice-2023 which shows the amount of tax lost in each country through tax dodging by the wealthiest individuals and companies. This is through (just about legal) tax avoidance – though more is also lost through (illegal) tax evasion. We then looked at the tax-to-GDP ratios of the 64 countries (from Our World in Data), classifying countries into bands of extremely low (under 10%), very low (10-15%), low (15-20%), moderate (20-30%) and good (over 30%). We then included the present GDP for each country (from World Bank data) and calculated the estimated annual tax revenue in US$ million. This enabled us to calculate the increase in tax revenues that would be achieved in each country if they were to increase their present tax-to-GDP ratio by five percentage points – as proposed by the IMF as the most realistic means by which countries could deliver the financing needed to achieve the 2030 Sustainable Development Goals.

**The headline results of this analysis – laid out in Table 2 in the annex - are startling:**

- **If the top-third most climate vulnerable countries increased their tax-to-GDP ratios by five percentage points they could raise an additional US$341 billion *every year*.** This rate of growth in national tax revenues is deemed realistic over the medium term in a key IMF paper on financing the SDGs (*though the IMF's routine tax advice does not meet our specific calls for progressive, gender responsive and climate sensitive tax systems*). This would be enough to build or rebuild the capacity of States to provide universal social protection and quality gender-responsive public services – after decades of austerity which have stripped away that core capacity. This will provide the essential foundation for countries to then use climate finance in a strategic and effective way to guarantee a just transition.
- **Over 87% of the top third most climate vulnerable countries in the world have a low tax-to-GDP ratio (under 20%)** - meaning that they presently struggle to raise enough revenue to provide universal gender-responsive public services and respond to the climate crisis (*see column 5 in table 2 - 55 out of 63 countries*). Further analysis shows **68% of climate vulnerable countries have a very low or extremely low tax-to-GDP ratio (under 15%)**. It is worth noting that the average tax to GDP ratio for low -income countries is 16% and the average tax-to-GDP ratio in OECD countries is 33.5%. In all these cases there is clear scope to increase tax-to-GDP ratios by five percentage points by 2030.
- **The top third most climate vulnerable countries are estimated to be losing over US$41.8 billion every year in potential tax revenue from tax avoidance** (and probably much more from illegal tax evasion) by the wealthiest companies and individuals (*see column 4 in Table 2 in the annex*). This is almost certainly an under-estimate rather than an over-estimate. Closing these loopholes would be one way towards rapidly increasing overall tax-to-GDP ratios.

This analysis shows that the most climate vulnerable countries are struggling to raise sufficient tax revenues to invest in the effective functioning of State bodies and public systems, and the provision of basic services – let alone supporting climate adaptation and a feminist just transition (**see Box 3**). Climate finance will be far more effectively used in countries that have a stronger capacity to run public systems, regulate corporates and provide quality, gender-responsive public services and universal social protection.

Tens of billions of dollars in potential revenue from the wealthiest companies and individuals are currently flowing out of these climate-vulnerable countries into tax havens. The biggest corporations are often the most systematic at avoiding tax, engaging in creative accounting and transfer mispricing to shift profits across borders to countries where they pay little or no tax. Indeed, some of the largest corporations that have been highlighted in concerns about corporate tax avoidance include those that contribute most to accelerating the climate crisis – such as fossil fuel companies (extracting coal, oil and gas) and industrial agriculture companies who are servicing the global export market (see for example the use of tax havens by Shell and by Bayer - owner of Monsanto). Extractive sector companies are also often the first to claim harmful tax incentives such as tax holidays from governments. This is a double whammy for climate justice. Not only are these companies contributing to an acceleration of the climate crisis, but they are actively avoiding paying taxes which could help countries adapt to and respond to the consequences of the climate crisis. Addressing the climate crisis requires both international climate finance, and an end to the exploitative and often environmentally damaging extraction of resources from the Global South to North.

Countries need to invest in core State capacities, in national revenue authorities and sectoral Ministries (nationally and locally) so that they can provide universal social protection and quality gender-responsive public services – and they equally need to strengthen democratic oversight of budgets. This is needed to ensure that climate finance can achieve its potential to address inequalities. The US$341 billion in revenue that could be raised through bold domestic action on taxes could deliver transformed public systems and services that provide an essential foundation for the most vulnerable populations - ensuring they can also benefit from international climate finance.

It is important that new taxes in climate vulnerable countries should target those who have most responsibility themselves for the climate crisis and who are most able to pay. As such, the tax policies and the overall tax system, as proposed for historical polluters, should be **progressive, gender responsive and climate sensitive** - as outlined above. Indeed, this is particularly important as tax systems in low-income countries tend to be regressive – passing more burden onto people who are least able to pay.

### BOX 3: A feminist, just transition

*ActionAid is committed to a Feminist Just Transition which advances feminist economic alternatives such as feminist wellbeing economies. Amongst other things this means:*

- *Moving beyond a narrow focus on GDP growth.*
- *Putting **care for people and the planet at the centre** of the economy, society and politics.*
- ***Rebuilding the social organisation of care** **and revaluing unpaid care** and underpaid care work – and redistributing it across countries, genders and generations, including through quality gender-responsive public services.*
- *Exposing the **triple disadvantage** faced by women from public services cuts: losing access to services, losing decent jobs in the public sector, facing a rising burden of unpaid care and domestic work - and designing public systems to actively to redress these.*
- ***Challenging fossil fuels, neocolonial and extractive economies** - and building alternatives premised on caring for ecosystems and the environment alongside people.*
- ***Acknowledging and challenging the colonial legacies** of the current international financial architecture and ensuring fair representation in all key spaces and processes, including for all low-income countries.*
- ***Transforming global governance** rules, systems and institutions with a decolonial lens (IMF / WB / WTO / OECD) and regulating transnational corporations.*
- ***Transforming trade systems** so they are less extractive and exploitative.*
- *Building sovereign / **redistributive States** with fiscal space and new social contracts – defending gender responsive public services against privatisation.*
- *Adopting a **feminist, intersectional, decolonial and racial justice approach** with the active agency of youth and women.*

*For further details see, for example, the Feminist Action Nexus for Economic and Climate Justice*


Youth activists in Bangladesh mobilising to challenge international financial institutions, governments and private banks for their continued financing of climate-harming fossil fuels and industrial agriculture, debt policies that deepen vulnerability, as well as insufficient funding for climate solutions.
PHOTO: ACTIONAID

# 4. GLOBAL TAXES AND TAX COORDINATION FOR CLIMATE JUSTICE

There are many opportunities to raise new global taxes or to agree new globally coordinated action on taxes. These could raise additional revenue, over and above the revenue raised in rich polluting countries and climate vulnerable countries as outlined in the two sections above.

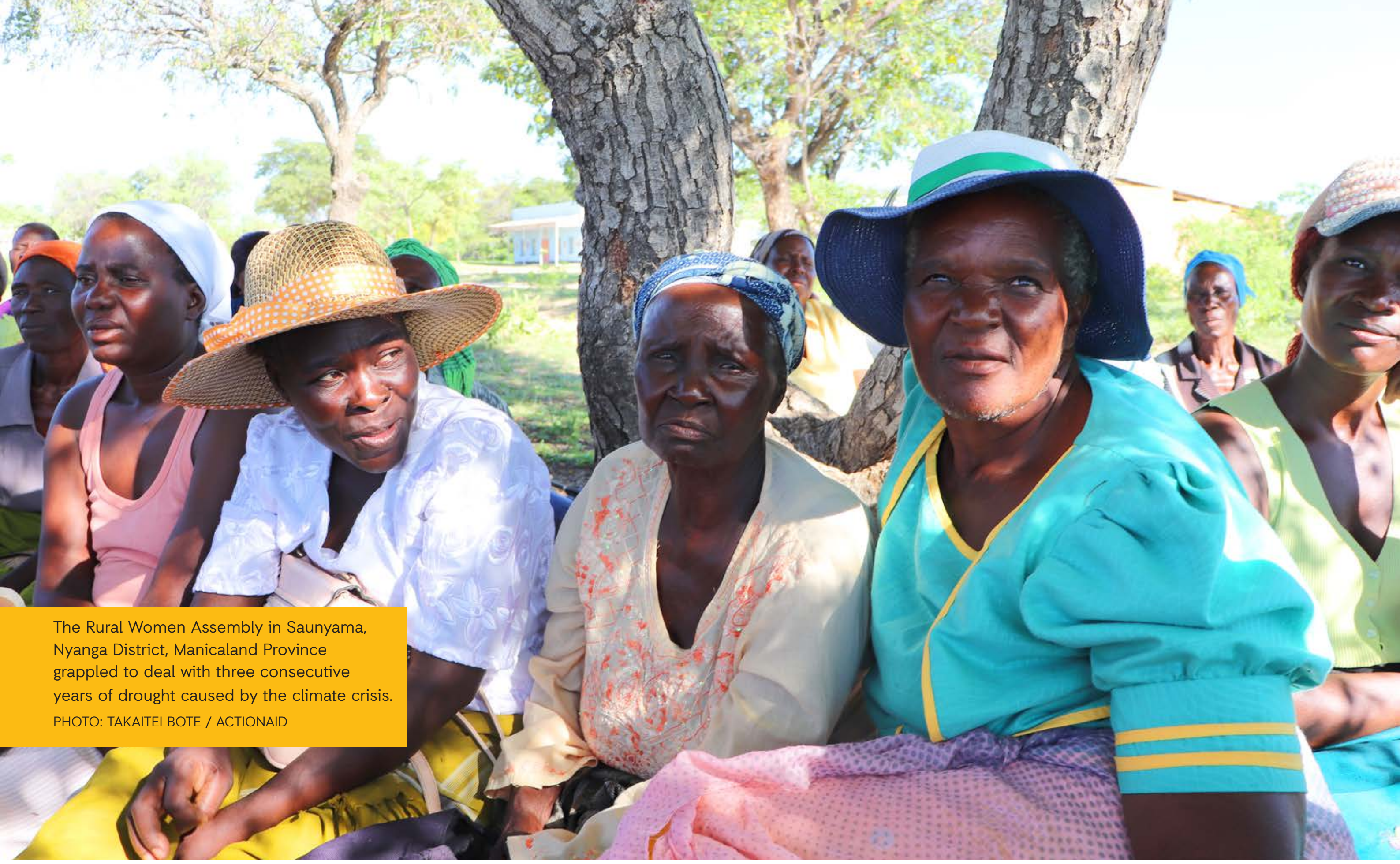
Carbon taxes are often proposed within climate discourse as a way to make polluters pay, by leveraging tax rates based on the emissions of a product. However, carbon taxes often raise concerns about regressive impacts and it can be difficult - although not necessarily impossible - to make carbon taxes progressive. For example, depending on the availability of public transport and services, people on lower income may need to rely on petrol and diesel vehicles to get to work and school. They would pay proportionally more in relation to their income if petrol were subject to a higher carbon tax. For communities living in remote regions where food needs to travel long distances by lorry or boat, carbon taxes may affect their food security, and they can further disadvantage women who disproportionately undertake the unpaid work of collecting fuel. Thus, if not done extremely carefully, carbon taxes have the potential to act in a similar way to VAT tax on sales, ending up regressive by unfairly penalising the poorest. For example, Canada's efforts to compensate people on lower incomes for the higher carbon tax rate on gasoline have not been warmly embraced, as the re-imbursement can take months to arrive in people's pockets, compounding challenges for people on low incomes. These types of targeted compensation measures, as opposed to a more universal social security system, have long-standing empirical evidence of being highly inaccurate, insufficient and costly.

In order for taxes to target the corporations and individuals that are most responsible for the climate crisis, the climate conversation needs to go beyond a narrow focus on carbon taxes. Whilst the focus should be on targeting the super-rich (whose lifestyles are the most polluting) and the super-polluters, it is important to consider a wider agenda of progressive taxation that can deliver broader system change. We have already outlined (in Box 2) what progressive tax looks like in national systems, but there are also areas where new **globally enforced taxes or deeper international cooperation around a range of progressive tax measures, especially through a UN Framework Convention on Tax, could be transformative.**

The following approaches to taxation in developed countries and at global level could contribute to the NCQG climate finance target:

- **Windfall taxes** on excess profits of the biggest global corporations. This could raise almost US$1 trillion a year in 2020 and 2021 from just 722 mega-corporations. These could be targeted more specifically, for example at the 45 largest energy corporations that made an average of US$237 billion a year in windfall profits in 2021 and 2022.
- **Wealth taxes** of 3-5% on the world's wealthiest elites – which could raise US$1.7 trillion a year – and which could also help to limit some of the most climate polluting behaviours (recent research shows that just 12 billionaires have emissions that exceed that of over 2 million homes). Important work has been done on how a European wealth tax could support a fair and green recovery.
- **Higher Income Tax on the Top 1%** - taxing the richest individuals at 60% on their incomes would generate US$6.4 trillion a year and could reduce global emissions by 700 million tons (more than the total historic emissions of the UK).
- **Financial Transactions Taxes** – These can both address harmful speculative behaviour (which particularly damage vulnerable economies) and raise revenue. If fixed at 0.1% this could raise US$777 billion over ten years in the US alone. If levied globally at 0.05% it is estimated this could generate $650bn a year for climate finance.
- **Carbon taxes - and taxes on luxury consumption** – could raise billions but must be carefully structured to avoid passing disproportionately higher costs onto people on low incomes. Luxury carbon taxes that target high emitting private jets and yachts would ensure progressivity. If carefully structured to avoid passing costs onto low income consumers, a Climate Damages Tax levied on fossil fuel companies extracting oil, gas and coal might raise $900 billion within a decade. However, climate adjustments such as the EU Carbon Border Adjustment Mechanism (CBAM) tax have not so far been structured in a way that is fair to climate vulnerable 'developing' countries. The CBAM is seen by many outside the EU as more likely to deliver protectionist economic benefits to the EU than climate justice.
- **Taxes on aviation emissions** - The Growth in Greenhouse Gas Emissions from Commercial Aviation is alarming and a €10 charge on some of this, taken annually (targeting the 5% of global population who take more than one flight a year) could raise €45 billion (though a frequent flyer levy may be fairer)- and these would help to decrease emissions from aviation (which make up 2.5% of global carbon emissions).
- **Taxes on shipping emissions** – a US$150-a-Ton Carbon Tax on Shipping Fuel could raise over US$100billion and incentivise cleaner shipping, reducing the 2% of global emissions attributable to shipping. This must however be designed in such a way as not to put the burden on export-oriented countries in the Global South that in many cases have been forced into this model through external debt and the coercive policy advice of the IMF. or countries that rely on shipping for their basic food security. The UN Special Rapporteur on Human Rights and the Environment estimated that up to $392 billion could be generated annually from a combination of shipping and aviation levies.

Developing countries could then complement this with progressive taxation approaches to raise their own domestic revenues. An important additional argument for global taxes is made by Nobel-prize winning economist Esther Duflo who highlights the 'moral debt', especially of the richest people in the richest countries. She observes that Professor Gabriel Zucman's recommendations for an annual tax of 2% on the 3,000 richest billionaires would raise US$300billion a year – and increasing the minimum corporation tax rate from 15% to 18% (and making the rules more effective) could raise US$200 billion. There are many different ways in which a massive scaling up of climate finance can be achieved – but what is clear is that action for tax justice will be at the heart of the most sustainable options. However, action to change how global rules on tax are set is also required – and this is an area where rapid progress is possible.



The Rural Women Assembly in Saunyama, Nyanga District, Manicaland Province grappled to deal with three consecutive years of drought caused by the climate crisis.
PHOTO: TAKAITEI BOTE / ACTIONAID

# 5. CONCLUSIONS AND RECOMMENDATIONS

At present, two-thirds of climate finance is given to so-called "developing" countries in the form of loans, further indebting already indebted countries on the front lines of the climate crisis who have done little to contribute to the problem. External debt acts as an accelerator of the climate crisis – forcing climate vulnerable countries to raise dollars or other foreign currencies through supporting extractive industries such as fossil fuels and harmful industrial agriculture, which contribute massively to climate change and undermine local ecosystems, rights, food systems, livelihoods and access to water.

Going forward, there is simply no space or rationale for loans to be branded as climate finance. Climate finance must be in the form of public grants. As the new UN climate finance goal is set to be revisited at COP29 this must reflect the real needs of climate vulnerable 'developing' countries – which would mean the NCQG being set at trillions of dollars every year.

This briefing shows that a global finance goal set as trillions of dollars a year in grants, not loans, can actually be delivered through a combination of national action on tax, new global coordination on taxes and changing how global tax rules are set and enforced. The key is to build progressive, gender-responsive and climate sensitive tax systems and to ensure that the transition includes gender and human rights impact assessments, with a particular focus on the most vulnerable populations

**Rich polluting countries** with the greatest historic responsibility for the climate crisis could raise at least US$539 billion, and up to US$2.15 trillion every year by increasing tax-to-GDP ratios by 1 to 4 percentage points. It will be important to ensure that:

- increases in tax revenue are delivered through progressive, gender responsive and climate sensitive tax measures, and
- that the increased revenue is channelled as a priority through financial entities governed by the UNFCCC, is accounted for under the NCQG and focuses on supporting the most climate-vulnerable countries.

Meanwhile, **climate-vulnerable countries** need to increase their tax-to-GDP ratios by up to five percentage points (as they tend to start from a lower base), strengthening revenue authorities and designing tax policies and systems that are progressive, gender-responsive and climate sensitive. This is essential if they are to:

- stop the continuing leakage of individual wealth and corporate profits out of their countries to tax havens;
- invest in building or rebuilding public systems and public capacity to deliver universal social protection and quality gender-responsive public services to all, especially for the most vulnerable people.

This will provide the necessary foundation for climate vulnerable countries to then use new climate finance in an effective way, through public investments that will reach the populations that are most affected by the climate crisis.

**Coordinated global action on tax** could also raise trillions of dollars more in public finance. But all of this bold and progressive action on tax justice depends in part on a **reform to global tax rules** and it will be important to ensure that there is a strong gender equality and climate justice perspective integrated into the UN Framework Convention on Tax which is presently being developed. The setting and enforcement of global tax rules by a representative and inclusive body is an essential step to helping countries stand up to the continuing plunder of resources by the wealthiest individuals and corporations and their wasteful accumulation in tax havens.

Both national and international action on tax justice offer a path to truly sustainable financing of a just transition – freeing countries to invest in renewable energy, sustainable agroecology, gender-responsive public services and to achieve a feminist just transition. Whilst bold action on debt cancellation and debt renegotiation is also urgently needed, bold action on tax can offer a sustainable solution to help reduce the risk of future debt crises.

This agenda ought to shape the work of the new International Taskforce on Taxation and Climate that was launched by Kenya and France at COP28, but the truly systemic breakthroughs will depend on the negotiations around the UN Framework Convention on Tax.

We also need to see the **IMF** being consistent with their own staff analysis on how the SDGs can be financed. At present, in practice, when countries lack fiscal space the IMF almost always recommends austerity, cutting public spending. In the past 40 years the IMF has rarely recommended ambitious and progressive tax reforms, with an overwhelming focus on advising (largely regressive) VAT reforms to raise more revenue. There are some signs that this is beginning to change, at least in the IMF's rhetoric, if not their practice, with some recognition now of the need for wealth taxes, property taxes and inheritance taxes. If we are to raise the finance needed to respond to the climate crisis, we need the IMF and most importantly, Ministries of Finance and Revenue Authorities, to become real champions of tax justice, taking on board the importance of tax policies that are progressive, gender-responsive and climate-sensitive.

**Action on tax justice could make a major contribution to finding the finance needed to avert catastrophic climate change.** To achieve this potential, transformation in tax systems must deliver:
- Increases in progressive, gender responsive and climate sensitive taxes in countries responsible for historic emissions – earmarking the new revenue as grants (not loans) for climate finance.
- Progressive, gender-responsive and climate sensitive national tax policies in climate vulnerable countries to rebuild state capacities and public systems.
- Global cooperation and globally coordinated action in taxes that are also progressive, gender-responsive and climate sensitive global taxes.
- Fair international tax rules enshrined in the new UN Framework Convention on Tax.

# ANNEX

**Table 2:** Key data on tax and debt in the most climate vulnerable countries.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|
| **Countries in sequence of climate vulnerability** (from Notre Dame) | **Climate vulnerability ranking score** (from Notre Dame) | **Inco-me stat-us** WB2024 | **Total annual tax loss (in US$ millions)** (from Tax Justice Network State-of-Tax-Justice-2023 | **Tax to GDP ratios** from Our World in Data 2022 | **GDP in US$ million** GDP (current US$) - Data (worldbank.org) | **Tax revenue in** US$ millions (calculated from data in columns 4 and 5) | **Increase in revenue if tax-to-GDP raised by five percentage points** (in US$ millions) – data from columns 6 and 4 | **IMF assessment of Debt Risk in 2022** DSAlist.pdf (imf.org) Except * = Debt data portal (debtjustice.org.uk) |
| **Somalia** | 0.678 | L | 3.27 | 2.2 | 10,419 | 229 | 520 | Debt Distress |
| **Chad** | 0.652 | L | 5.33 | 7.9 | 12,704 | 1,003 | 634 | High |
| **Niger** | 0.632 | L | 1.14 | 9.6 | 15,342 | 1,472 | 766 | Moderate |
| **Guinea Biss.** | 0.626 | L | 1.62 | 9.4 | 1,633 | 153 | 81 | High |
| **Micronesia** | 0.616 | LM | 0.49 | 11.3 | 424 | 47 | 20 | High |
| **Tonga** | 0.605 | UM | 0.1 | 18.5 | 469 | 86 | 23 | High |
| **Eritrea** | 0.605 | L | 1.28 | 19.5 * | 2,065 | 402 | 103 | Debt Distress |
| **Sudan** | 0.604 | L | 3.72 | 3.0 | 51,662 | 1,549 | 2,581 | Debt Distress |
| **Liberia** | 0.601 | L | 205.8 | 12.4 | 4,001 | 496 | 200 | Moderate |
| **Solomon Isl.** | 0.599 | LM | 1.66 | 20.6 | 1,597 | 328 | 79 | Moderate |
| **Mali** | 0.596 | L | 34.71 | 13.4 | 18,827 | 2,522 | 941 | Moderate |
| **Afghanistan** | 0.590 | L | 2.02 | 6.8 | 14,266 | 970 | 713 | High |
| **Cent Afr Rep** | 0.584 | L | 0.39 | 7.2 | 2,382 | 171 | 118 | High |
| **Uganda** | 0.581 | L | 34.27 | 11.1 | 45,567 | 5,057 | 2,277 | Moderate |
| **Nauru** | 0.581 | H | 0.1 | 44.3 | 151 | 66 | 7 | n/a |
| **Marshall Isl.** | 0.573 | UM | 70.66 | n/a | 258 | n/a | n/a | High |
| **DRC** | 0.564 | L | 210.62 | 12.0 | 64,718 | 7,766 | 3,235 | Moderate |
| **Sierra Leone** | 0.561 | L | 7.09 | 10.7 | 4,094 | 438 | 204 | High |
| **Burundi** | 0.558 | L | 1.85 | 16.2 | 3,338 | 540 | 166 | High |
| **Mauritania** | 0.557 | LM | 8.24 | 12.5 | 9,780 | 1,222 | 488 | Moderate |
| **Madagascar** | 0.557 | L | 13.03 | 9.2 | 15,297 | 1,407 | 764 | Moderate |
| **Vanuatu** | 0.556 | LM | 4.75 | 10.9 | 1,055 | 114 | 52 | Moderate |
| **Benin** | 0.552 | LM | 16.31 | 9.5 * | 17,396 | 1,652 | 869 | Moderate |
| **Guinea** | 0.547 | LM | 7.90 | 11.4 | 20,999 | 2,393 | 128 | Moderate |
| **Ethiopia** | 0.547 | L | 53.43 | 11.6* | 126,783 | 14,706 | 6,338 | High |
| **Papua N Gui** | 0.546 | LM | 6.13 | 12.6 | 31,603 | 3,981 | 1,579 | High |
| **Yemen** | 0.544 | L | 3.43 | 7.4 | 21,606 | 1,598 | 1,079 | Moderate |
| **Malawi** | 0.542 | L | 33.09 | 8.3 | 13,164 | 1,092 | 657 | Debt Distress |
| **Burkina Faso** | 0.537 | L | 12.31 | 15.9 | 18,820 | 2,992 | 940 | Moderate |
| **Bangladesh** | 0.531 | LM | 369.91 | 7.8 | 460,201 | 35,895 | 23,009 | Low |
| **Maldives** | 0.530 | UM | 37.37 | 18.9 | 6,170 | 1,166 | 308 | High |
| **Rwanda** | 0.527 | L | 5.13 | 14.3 | 13,311 | 1,903 | 665 | Moderate |
| **Gambia** | 0.526 | L | 18.18 | 9.2 | 2,187 | 201 | 109 | High |
| **Congo** | 0.525 | LM | 577.81 | 8.7 | 15,817 | 1,376 | 790 | Debt Distress |
| **Pakistan** | 0.521 | LM | 126.94 | 11.3 | 374,697 | 42,340 | 18,734 | Crisis* |
| **Comoros** | 0.521 | LM | 13.83 | 7.7 | 1,242 | 95 | 61 | High |
| **Senegal** | 0.520 | LM | 82.34 | 18.5 | 27,684 | 5,121 | 1,385 | Moderate |
| **Bhutan** | 0.515 | LM | 0.11 | 11.8 | 2,768 | 326 | 138 | Moderate |
| **Sao Tome& P** | 0.514 | LM | 0.14 | 11.6 | 542 | 62 | 26 | Debt Distress |
| **Haiti** | 0.514 | LM | 3.36 | 5.1 | 20,253 | 1,032 | 992 | High |
| **Kenya** | 0.510 | LM | 189.85 | 14.5 | 113,420 | 16,445 | 5,670 | High |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Angola** | 0.510 | LM | 309.81 | 22.4 | 106,782 | 23,919 | 5,339 | Crisis* |
| **Samoa** | 0.510 | LM | 142.31 | 25.4 | 832 | 211 | 41 | High |
| **Zimbabwe** | 0.506 | LM | 51.35 | 14.9 | 27,366 | 4,077 | 1,368 | Debt Distress |
| **Tanzania** | 0.504 | LM | 124.66 | 11.2 | 75,732 | 8,481 | 3,786 | Moderate |
| **Myanmar** | 0.504 | LM | 141.75 | 6.4 | 62,263 | 3,984 | 3,112 | Low |
| **Timor Leste** | 0.501 | LM | 5.42 | 13.1* | 3,204 | 419 | 159 | Moderate |
| **India** | 0.498 | LM | 31,703.63 | 17.1 | 3,416,645 | 584,246 | 170,832 | n/a |
| **Togo** | 0.496 | L | 10.58 | 13.2 | 8,341 | 1,101 | 417 | Moderate |
| **Mozambique** | 0.493 | L | 147.29 | 21.3 | 18,406 | 3,920 | 920 | High |
| **Nepal** | 0.490 | LM | 8.82 | 20.7 | 40,828 | 8,451 | 2,041 | Low |
| **Cote d'Ivoire** | 0.487 | LM | 121.32 | 12.9 | 70,018 | 9,032 | 3,500 | Moderate |
| **Nigeria** | 0.486 | LM | 553.99 | 3.6* | 472,624 | 17,014 | 23,620 | n/a |
| **Cambodia** | 0.486 | LM | 257.75 | 16.4 | 29,904 | 4,904 | 1,495 | Low |
| **Palau** | 0.485 | UM | 0.00 | 18.2 | 232 | 42 | 11 | n/a |
| **Zambia** | 0.480 | LM | 829.54 | 16.4 | 29,163 | 4,782 | 1,457 | Debt Distress |
| **Eswatini** | 0.476 | LM | 16.27 | 24.7 | 4,790 | 1,183 | 239 | n/a |
| **Vietnam** | 0.475 | LM | 1,568.65 | 13.9 | 408,802 | 56,823 | 20,439 | n/a |
| **Lesotho** | 0.471 | LM | 1.98 | 33.1 | 2,236 | 740 | 111 | Moderate |
| **Djibouti** | 0.471 | LM | 11.25 | 11.3 | 3,515 | 397 | 175 | High |
| **Sri Lanka** | 0.468 | LM | 413.25 | 7.4 | 74,403 | 5,502 | 3,717 | Crisis* |
| **Antigua & B.** | 0.467 | H | 2.34 | 16.8 | 1,867 | 313 | 93 | n/a |
| **Namibia** | 0.464 | UM | 57.33 | 26.7 | 12,914 | 3,448 | 645 | 9,276,371 |
| **Philippines** | 0.463 | LM | 3,223.14 | 14.1 | 404,284 | 57,004 | 20,214 | 9,276,371 |
| **TOTAL** | | L-23<br>LM-34<br>UM-5<br>H-2 | 41,872.14<br>US$ million<br>***=US$41.8 billion*** | 19 - under 10%<br>24 - 10-15%<br>12 - 15-25%<br>6 - 20-30%<br>2 - above 30%<br>1 - no data | | | $341,180 m<br>***= US$341 billion*** | **11 - in crisis**<br>**19 - high risk**<br>**12 - moderate**<br>**6 - 20-30%**<br>**2 - low risk**<br>**6 - no data** |

**NOTES**:
**Column 1** lists the **countries in sequence based on their vulnerability to climate change**. *North Korea – which is the 55th most climate vulnerable country has been excluded for lack of data.*

**Column 2** gives the scoring of the country on **vulnerability to climate change** - based on data and ranking from Notre Dame University *(accessed January 2024). The Vulnerability Ranking measures a country's exposure, sensitivity and capacity to adapt to the negative effects of climate change:*
***EXPOSURE:*** *Degree to which a system is exposed to significant climate change from a biophysical perspective.*
***SENSITIVITY:*** *Extent to which a country is dependent upon a sector negatively affected by climate hazard, or the proportion of the population particularly susceptible*
***ADAPTIVE CAPACITY:*** *Availability of social resources for sector-specific adaptation. / sustainable adaptation solutions.*

**Column 3** lists **the income status of the countries in Column 1 according to the** World Bank analysis 2024. Of the 64 most climate vulnerable countries 23 are Low Income, 34 are Lower-Middle-Income, 5 are Upper-Middle-Income and 2 are High Income countries. In other words, 89% of the most climate vulnerable countries are low- or lower-middle income countries (57 of 64). Those few climate vulnerable countries that are Upper-Middle or High-Income countries are small-island states (Tonga, Marshall Islands, Maldives, Nauru, Palau and Antigua) whose futures are fundamentally jeopardised by rising sea levels – with Namibia being the only outlier.

**Column 4** is the **total annual tax loss** resulting from financial wealth being stored in secrecy jurisdictions - as calculated by Tax Justice Network's State-of-Tax-Justice-2023 - basically showing the amount lost through tax dodging by wealthiest individuals and companies.

**Column 5** indicates the **tax-to-GDP ratio** from Our World in Data (*accessed January 2024*) with countries banded extremely low (under 10% very low (under 15%) moderate (20-30%) and good (over 30%) or n/a.

**Column 6 shows the present GDP in US$ million from** Data (worldbank.org) *accessed January 2024*

**Column 7 calculates the estimated annual tax revenue in US$ million** based on the total GDP revenue (column 5) and the tax-to-GDP ratio (column 4)

**Column 8 calculates the increase in tax revenue in US$ millions if each country increased its tax to GDP ratio by five percentage points** – as proposed by the key IMF paper on financing the SDGs

**Column 9:** indicates the IMF's assessment DSAlist.pdf (imf.org) of the level of debt risk faced by the country (*accessed January 2024*). There are 5 possible rankings: 1. Debt Distress 2. High Risk of debt distress 3. Moderate risk of debt distress and 4. Low risk of debt distress and 5. Data not available.

# ENDNOTES

i. The vast majority (89%) of these **climate vulnerable countries** are low or lower-middle income (and all but one of the rest are small island States - see table 2 column 3). These are termed 'developing countries' in UNFCCC but the term 'developing countries' has a problematic colonial legacy so we are consistently using the phrase 'climate vulnerable countries' in this report and the data analysed (see Table 2) is based on the 64 most climate vulnerable countries according to the authoritative database from Notre Dame.

ii. There are 24 countries listed under '**Annex 2**' in UNFCCC – developed countries with a historic responsibility for greenhouse gases. To avoid the problematic baggage of the word 'developed' we are consistently using the simple phrase '**rich high-polluting countries**' in this report – which refers to the 24 countries recognised as rich countries with a significant responsibility for causing present high rates of atmospheric pollution. The 24 countries are listed in Table 1.

iii. At least $1 trillion a year is needed according to the Independent High-Level Expert Group on Climate Finance, co-chaired by Dr Vera Songwe and Professor Lord Nicholas Stern, at the request of the Egyptian Presidency of COP27, the UK Presidency of COP26 and the UN Climate Change High Level Champions for COP26 and COP27. Finance for climate action: scaling up investment for climate and development - Grantham Research Institute on climate change and the environment (lse.ac.uk). Civil society actors estimate that the real need exceeds this and the most recent consensus figure is XXXX as called for HERE

iv. Climate Finance and the USD 100 Billion Goal - OECD

v. Tax-to-GDP is not a perfect measure by any means as data for some countries such as Ireland are distorted by their use of low corporate tax rates to attract foreign direct investment – or for other countries where royalties on extractives are sometimes counted separately. But it serves as a largely reliable international comparator and helps us to generate estimates on the potential for countries to raise more tax revenue. By using this measure, we are **not** endorsing GDP growth as a pathway

vi. It is important to note that we are not advocating for such high rates of personal income tax to be introduced today!

vii. Tax havens come in many forms, some offering low or no tax, others offering high levels of secrecy.

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**Cover photo:** Terrifying flooding and landslides followed Typhoon Molave in Vietnam, devastating An Xan village.
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