TAX POLICY AND ADMINISTRATION TRUST FUND/ REVENUE MOBILIZATION TRUST FUND FY2017 ANNUAL REPORT

JUNE 21, 2017

INTERNATIONAL MONETARY FUND

WASHINGTON, DC

TPA-TF/ RM-TF is financed by:

European Union

Germany

Federal Ministry
for Economic Cooperation
and Development

Switzerland

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO

ACP-EC Partnership Agreement

Belgium

THE BELGIAN
DEVELOPMENT COOPERATION .be

The Netherlands

Ministry of Foreign Affairs

Norway

ROYAL NORWEGIAN
MINISTRY OF FOREIGN AFFAIRS

Luxembourg

LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Finances

Kuwait

Republic of Korea

MINISTRY OF
STRATEGY
AND FINANCE

Australia

Table of Contents

TABLES

APPENDICES

ACRONYMS

CFA	Committee on Fiscal Affairs
CIAT	Inter-American Center of Tax Administrations
CIT	Corporate Income Tax
DRM	Domestic Resource Mobilization
EAC	East African Community
EU	European Union
FAD	Fiscal Affairs Department (IMF)
FY	Fiscal Year
GDP	Gross Domestic Product
GRS	Georgia Revenue Service
HQ	Headquarters
HR	Human Resources
IMF	International Monetary Fund
IOTA	Intra-European Organization of Tax Administrations
ISORA	International Survey on Revenue Administration
IT	Information Technology
LLMICs	Low and Lower Middle Income Countries
LOC	Letter of Commitment
LOU	Letter of Understanding
LTO	Large Taxpayer Office
MOP	Memorandum of Partnership
MTO	Medium Taxpayer Office
MTRS	Medium Term Revenue Strategy
OECD	Organization for Economic Cooperation and Development
PIT	Personal Income Tax
RA-GAP	Revenue Administration Gap
RA-FIT	Revenue Administration Fiscal Information Tool
RM-TF	Revenue Mobilization Trust Fund
RTACs	Regional Technical Assistance Centers
SACU	South African Customs Union
SC	Steering Committee
SCFEA	Sectoral Council on Fiscal and Economic Affairs
SLF	Strategic Log Frame
SSA	Sub-Saharan Africa
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TPA-TF	Tax Policy and Administration Trust Fund
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union

EXECUTIVE SUMMARY

This is the sixth and final annual report of the Tax Policy and Administration Trust Fund (TPA-TF). It covers fiscal year 2017 (FY17)[1] and therefore builds on the mid-year report on implementation which was discussed with the Steering Committee (SC) at its mid-year meeting on December 12, 2016.

Program implementation progressed well during FY17, and all the funds were utilized. Total expenditures for the year reached a high of US$ 7.45 million and expenditures for the six-year cycle of the TPA-TF amounted to US$ 27.47, which is exactly the amount of contributions plus interest earned for the trust fund.

TPA-TF beneficiary countries made progress with reform implementation in several areas during FY17. Solid revenue growth of between 0.3 to two percent of gross domestic product (GDP) in 2016 was recorded in Cote d'Ivoire, Georgia (tax compliance gap also declined), Mali, Myanmar, Nepal, and Senegal; in part, attributable to reform implementation. Filing compliance and audit coverage and yield improved in Mali, Mauritania, and Paraguay; formal compliance risk management frameworks for the key sectors in were adopted in Mongolia, Liberia, and Ethiopia; and better data cross matching initiatives were implemented in Bolivia and Mauritania. Policy proposals prepared with FAD assistance were also endorsed in the East African Community (EAC)[2] and West African Economic and Monetary Union (WAEMU).[3]

Outreach activities during FY17 revolved around preparations for the Revenue Mobilization Trust Fund (RM-TF). In this regard, the RM-TF program document and summary documents were distributed widely to country officials. Also, a presentation on the RM-TF technical assistance (TA) program focusing on improving tax collection in Mongolia was featured in the official program during the Spring Meetings in April 2017.

The report also includes information on the replacement of the TPA-TF with the RM-TF and the work plan envisaged for RM-TF operations. The report marks the formal launch of the RM-TF. A larger and more ambitious initiative compared to its predecessor TPA-TF, the RM-TF is an important response by the IMF and its partners to the "Addis Challenge" in the area of Domestic Revenue Mobilization (DRM).

---

[1] IMF fiscal year 2017 (FY17) was May 2016 – April 2017. A detailed project completion report, including the lessons learned, will be prepared by December 2017.
[2] The EAC is made up of six states: Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda.

[3] WAEMU is made up of eight states: Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

Fundraising for the RM-TF has progressed well, although total commitments are still below the program envelope. Total donor commitments amount to US$32 million against a program budget of US$60 million. A total of US$25.6 million remains under discussion.

Demand for capacity building in tax policy and administration remains high, facing into the RM-TF. A total of 26 projects have been presented to the SC for approval; 22 have been approved and delivery of TA has already commenced. The total includes: 21 country projects distributed across four regions (Africa (11), Asia Pacific (3), Middle East and Central Asia (2), and Western Hemisphere (5)); three regional projects in Sub Saharan Africa (SSA); and two projects focusing on tax data and training respectively. Scoping or assessment missions were undertaken while diagnostic tools were deployed in six countries and effectively informed strategy design.

I. Overview

1. **Economic performance across the TPA-TF countries was mixed in 2016.** Extractive commodity exporters such as Bolivia and Mongolia suffered serious economic pressure, further reinforcing the criticality of mobilizing additional non-resource tax revenue. Non-resource (extractives) intensive countries, on the other hand, generally maintained high economic growth.[4] Countries such as Bangladesh, Cote d'Ivoire, Ethiopia, Mali, and Senegal each registered a GDP growth that range between five and eight percent in 2016, a trend that is expected to continue in 2017. Several countries however face challenges implementing their development agenda, including the need to fund increased social programs and capital spending on physical infrastructure.

2. **In half of the TPA-TF countries, the tax-to-GDP ratio remains below the 15 percent tipping point required to provide adequate and sustainable resources for growth and development.[5]** A number of TPA-TF countries are also currently classified as "fragile states," emphasizing the need for differentiation of tax policy and revenue administration reforms across countries depending on the starting conditions, the weaknesses in each area, and the country's absorptive capacity, noting that in general, it is appropriate to provide TA in both areas at both stages.

3. **The TPA-TF and the RM-TF represent a concerted response by the IMF and its partners to help low- and lower middle-income countries (LLMICs) address the various DRM challenges.** This is in line with commitments to strengthen DRM under the "Addis Challenge." This challenge

---

[4] The strong growth momentum of non-resource intensive countries remains undiminished since they are oil importers; thus they are benefiting from lower oil import prices—as well as other conditions such as an improved business environment and continuous strong infrastructure investment.

[5] Gaspar, Jaramillo, and Wingender (2017) provide strong empirical evidence that once tax-to-GDP level reaches 12 ¾ percent, real GDP per capita increases sharply and in a sustained manner over several years estimate. They also note that, ideally, countries should aim to be safely above this threshold—e.g., above 15 percent of GDP—to provide adequate and sustainable resources for growth and development.

reflects the recognition—embodied within the 2030 Agenda for Sustainable Development—that developing countries have a critical need for assistance in improving their tax capacities.

II. PHASE 1: THE TPA-TF

A. Overview

4. **The TPA-TF was launched in April 2011 by the IMF in partnership with several donor agencies.**[6] It helps LLMICs to implement effective and efficient tax systems and generate the revenue needed for public spending.

It was designed to meet the increased demand of developing countries for TA in tax policy and administration. In a nutshell, the TPA-TF supports the following objectives in LLMICs:

- Promoting appropriately designed and administered tax systems, which contribute to domestic resource mobilization, and are a core element in state building.
- Improving the structure of tax systems to make them more supportive of efficiency, growth, and equity.
- Facilitating domestic resource mobilization to enable funding for public investment and other growth-enhancing government activities, and to reduce aid dependency.

5. **Under the TPA-TF, TA has been implemented with a programmatic approach based on nine modules designed to address critical areas in building sustainable revenue systems.** Depending on country needs and circumstances, these modules (see Box 1) are delivered individually or in packages, or as an integrated and sequenced reform program over several years.

[6] The partners are the governments of Belgium, Germany, Republic of Korea, Kuwait, Luxembourg, Netherlands, Norway, Switzerland, and the European Union (EU).

Box 1. TPA-TF Programmatic Approach
✓ Module I: Revenue strategy (multi-year revenue policy and administration plan).
✓ Module II: Reform management (reform governance arrangements).
✓ Module III: Tax policy (country-specific tax policy framework).
✓ Module IV: Tax administration organization (function-based headquarters and field office structure reflecting taxpayer segments).
✓ Module V: Tax procedure code and core processing functions (core functions integrated into a single tax procedures code).
✓ Module VI: Enforcement (of taxpayer obligations for registration, filing, payment, accurate reporting).
✓ Module VII: Taxpayer services (easy access to information and services for taxpayers).
✓ Module VIII: Tax administration support functions (operational plans, performance monitoring, human resource and information technology policies, and budgeting processes).
✓ Module IX: Tax administration integrity (annual reports, internal audit function, code of conduct, taxpayer charter).

6. **The TPA-TF's delivery modalities were designed to be varied and flexible enough to implement these modules so as to generate maximum impact on the ground.** These delivery channels include: (i) *Headquarters (HQ) staff*: design and deliver TA, in the context of diagnostic and review missions, and work with country authorities to provide advice tailored to their needs and implementation capacity; (ii) *Short-term experts*: under oversight of HQ staff, provide specialized skills in specific areas to support the implementation of HQ technical advice; (iii) *Long-term experts:*[7] provide on-the-ground capacity development as resident advisors to the government and support implementation of reforms; and (iv) *Workshops and seminars*: provide targeted training and disseminate lessons learned.

7. **The TPA-TF has been very effective.** Its participative governance and delivery model and its medium-term TA focus helped identify and mitigate reform implementation risks, and quickly address negative shocks to TA delivery (e.g., the public health crisis in Liberia, political instability in Guinea-Bissau and Burundi, insecurity in Mali, etc.). Poorly performing projects were detected early, remedial action was implemented, and, when remedial action was not possible, resources were shifted to higher-potential projects. In some cases, projects were terminated (e.g., Kyrgyz Republic). An independent external mid-term evaluation of the TPA-TF was concluded in June 2015 and found

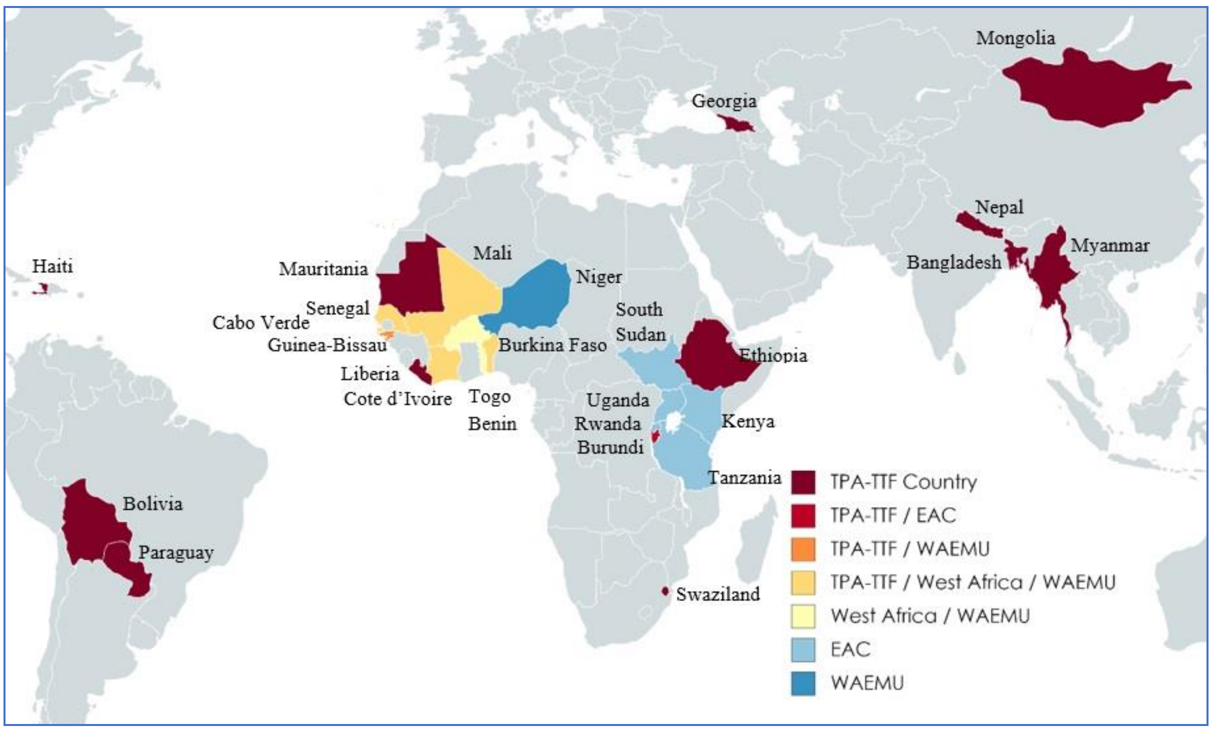
[7] This modality is currently used in Liberia and Myanmar.

that the program was on track to achieve its objectives and rated the overall achievement of the portfolio as a 'strong good.'

B. Mapping of TPA-TF Beneficiary Countries

8. **Country coverage under the TPA-TF was broad during financial year (FY) 17 with 19 active country projects and 3 regional projects.**[8] The projects are distributed across four regions: Africa (10), Asia Pacific (3), Middle East and Central Asia (3), and Western Hemisphere (3). Additionally, the TPA-TF covers three regional projects in SSA: one for the members of EAC addressing tax policy issues, one for WAEMU also addressing tax policy issues, and the third for six countries in West Africa, addressing human resource (HR) management issues. Geographical coverage of the projects is depicted in Figure 1.

Figure 1. TPA-TF–Geographical Coverage



9. **One new project was activated during FY17 and one existing project was expanded to address emerging needs.**

- **West Africa:** The new regional project for six West African countries (Benin, Burkina Faso, Côte d'Ivoire, Mali, Senegal and Togo) and Morocco was approved by the SC and launched during

[8] The countries are: Bangladesh; Benin; Bolivia; Burundi (suspended during FY2017 due to security concerns); Cabo Verde; Cote d'Ivoire; Ethiopia; Georgia; Guinea Bissau; Haiti; Liberia; Mauritania; Mali; Mongolia; Myanmar; Nepal; Paraguay; Senegal; and Swaziland.

FY17. The project, on HR management (under Module 8), complements existing bilateral TA on HR. It undertakes a cross-country analysis of HR policies and management to draw lessons from country practices, highlight the key issues in the region and the next steps for HR reforms, and inform future bilateral TA programs in this topic. A standard questionnaire was administered to the six target countries and in Morocco, and a report summarizing the key issues and findings is currently being prepared. The findings and conclusions of the study will be presented at a regional seminar planned for August 2017 in Casablanca, Morocco.

- **Myanmar:** The Myanmar project was expanded to incorporate more intensive support in the tax policy area, via deployment of a peripatetic tax policy advisor, under the existing module 3. The peripatetic advisor provides support in preparing tax reform proposals and—in future—for establishing a tax policy unit to help build permanent local capacity for tax policy analysis.[9] Two peripatetic assignments were delivered during FY17 that focused on restructuring the tax administration, training staff, and delivering workshops on tax policy issues, as part of the training/capacity building effort.

C. TPA-TF: Summary of Financial Status and Expenditure

10. **The first phase of the TPA-TF ended in April 2017**. The total contributions to the TPA-TF amounted to US$27.413 million, with interest earned over the full phase of US$59,000, meaning available resources for the phase of US$27.472 million.

---

[9] Policy design and development and legal capacity building are core objectives in Phase II of the project.

Table 1. TPA-TF Cash Flow Statement

As of April 30, 2017

(in Thousands of US dollars)

	FY 2012 Year 1	FY 2013 Year 2	FY 2014 Year 3	FY 2015 Year 4	FY 2016 Year 5	FY 2017 Year 6	Totals
Inflows:	**13,110**	**3,540**	**6,063**	**1,624**	**2,869**	**265**	**27,472**
Belgium[1]	4,121	-	-	-	-	-	4,121
European Commission[1]	-	-	4,720	-	1,609	-	6,329
Germany[1]	5,637	-	-	-	-	-	5,637
Korea	-	-	-	-	1,000	-	1,000
Kuwait	250	-	-	-	-	-	250
Luxembourg[1]	670	326	340	284	-	-	1,620
Netherlands	-	2,206	-	-	-	-	2,206
Norway	428	-	-	336	242	244	1,250
Switzerland	2,000	1,000	1,000	1,000	-	-	5,000
Interest Earned[2]	5	8	3	4	18	21	59
Outflows:	**2,261**	**3,309**	**4,176**	**4,009**	**6,265**	**7,452**	**27,472**
TTF Activities	2,261	3,309	4,176	4,009	6,265	7,452	27,472
of which TTF Fee	148	216	273	262	410	488	1,797
Cash Balance[3]	**10,849**	**11,081**	**12,968**	**10,583**	**7,187**	**0**	

The accompanying notes form part of the statement:

[1]Original Donor Contribution as recorded at the Bank for International Settlements.

[2]Actual interest earned through April 30, 2017.

[3]Cash balance is calculated by subtracting total outflows from total cash inflows.

11. **The full Phase 1 budget for the TPA-TF remains at US$27.472 million.** Estimated expenses over FY 17 are expected to be US$7.4 million, fully utilizing all contributions.

D. Operations of the Work Program (Status of Implementation)

12. **The TPA-TF continued to focus primarily on the areas of tax policy, organization, processes and procedures, and enforcement.** These four modules accounted for over 80 percent of total TPA-TF activity—Figure 2.

13. **Despite challenges in some countries, TPA-TF activity proceeded at a good pace across most projects and with good results.** Key challenges included frequent changes of staff in beneficiary countries (often related to political cycles),[10] delays in taking key decisions and enacting new laws, insecurity, etc. Nonetheless, many countries made good progress and a number of project modules were scored above a "3" (largely achieved) reflecting fruition of reforms—Figure 3. Additionally, a larger number of projects recorded overall positive changes, as compared to FY16, reflecting solid progress in project implementation.[11] Countries/projects that recorded the largest increases in scores relative to FY16 include Benin, Cote d'Ivoire, EAC, Mauritania, Mongolia, Myanmar, Senegal, and Swaziland. Details of the scores are presented in Appendix 1 and the specific achievements made and results are in subsection B below.

Figure 2. Number of Active Projects by Module

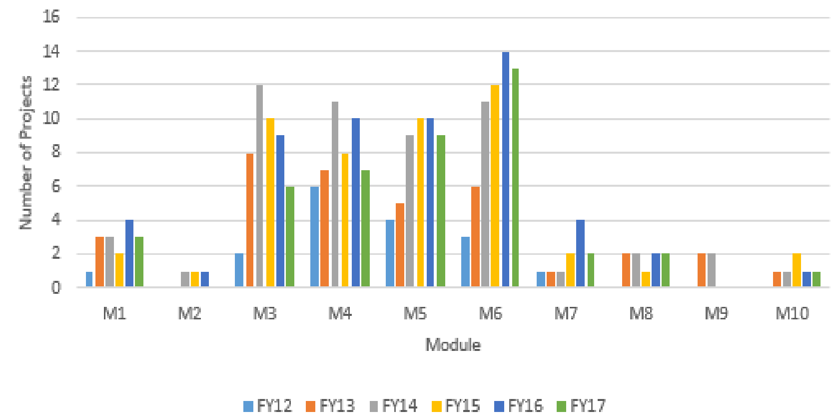
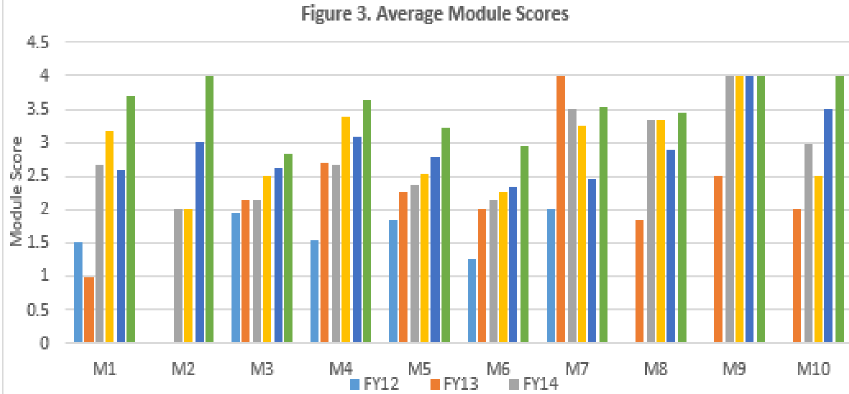


Figure 3. Average Module Scores



*Includes active and complete modules. Excludes modules that were halted.

14. **The tax-to-GDP ratio—the key impact-level indicator in the TPA-TF's Strategic Log Frame (SLF)[12]—increased in the majority of countries.** Several countries recorded substantial growth in revenue in 2016 (compared to 2015): Nepal (2.1 percent of GDP); Mali (1 percent of GDP); Georgia (0.9 percent of GDP); Cote d'Ivoire (0.7 percent of GDP); etc. Overall, 10 out of the 19 TPA-TF

---

[10] In Guinea Bissau, for example, three different sets of ministers of finance and heads of the tax administration were appointed within a span of six months. There were also appointments of new ministers of finance, new heads of tax administration, and staff changes in Cabo Verde, Mongolia, and Bolivia. These and other external factors have posed challenges to reform implementation.

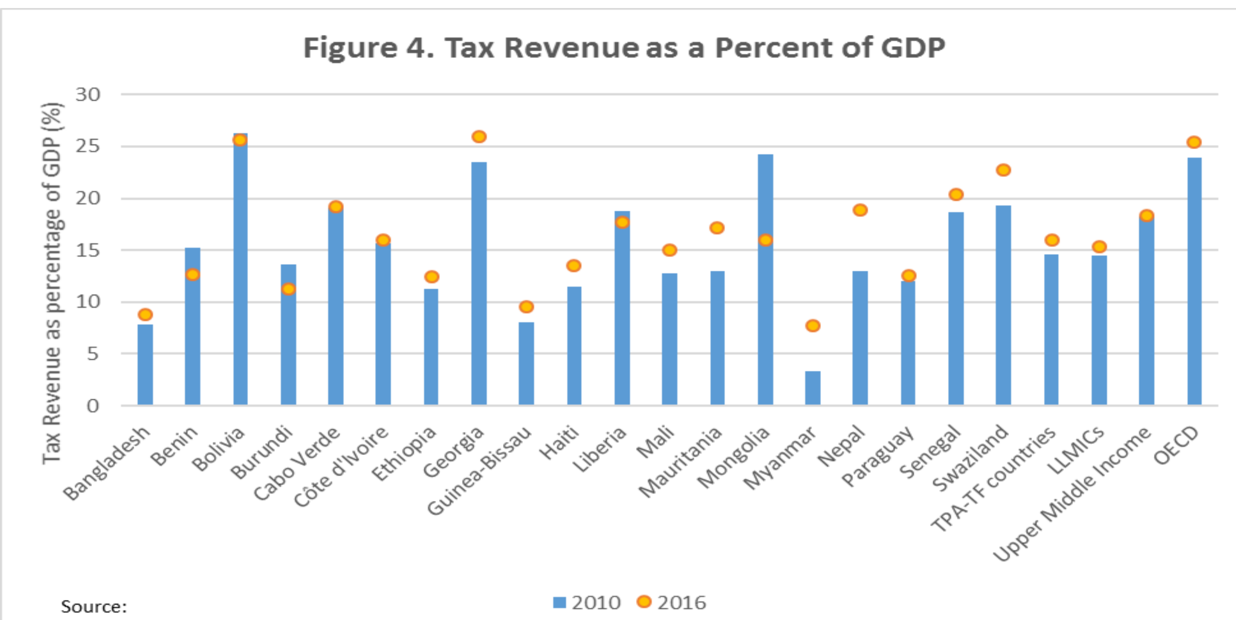
[11] Box 1 in the FY15 mid-term report, page 7, explains the methodology used to aggregate the scores presented in Table 2. An extract of the Box is included in Appendix 2.

[12] The TPA-TF SLF is shown in Appendix 4.

countries with active projects recorded increases or maintained tax revenue at about the same level as FY15—see Appendix 3. However, the average tax-to-GDP ratio for the 19 TPA-TF countries declined from 16.5 percent of GDP in 2016 compared to 16.0 percent in 2015. This was due to sizable revenue reductions in five countries:

- **Benin:** a drop of 1.9 percent of GDP due to a slowdown of trade activities with recession-hit Nigeria, Benin's principal trade partner.
- **Bolivia:** a decline of 5.6 percent of GDP, primarily due to a precipitous drop in hydrocarbon taxes and royalties.
- **Liberia:** a reduction of 1.1 percent of GDP due to subdued imports following the scaling back of operations of the United Nations Mission in Liberia.
- **Mongolia:** a drop of 1.7 percent of GDP due to subdued export volumes and earnings from the mining sector which adversely impacted corporate income tax (CIT) and royalties.
- **Swaziland:** a reduction of 4.4 percent of GDP due to reduced transfers from the South African Customs Union (SACU).[13]

15. **Over a longer time horizon, tax revenue as a percent of GDP increased in the last six years in 15 out of the 19 TPA-TF countries—Figure 4.** The overall average increase in tax revenue for all TPA-T countries also exceeded the average growth for LLMICs.

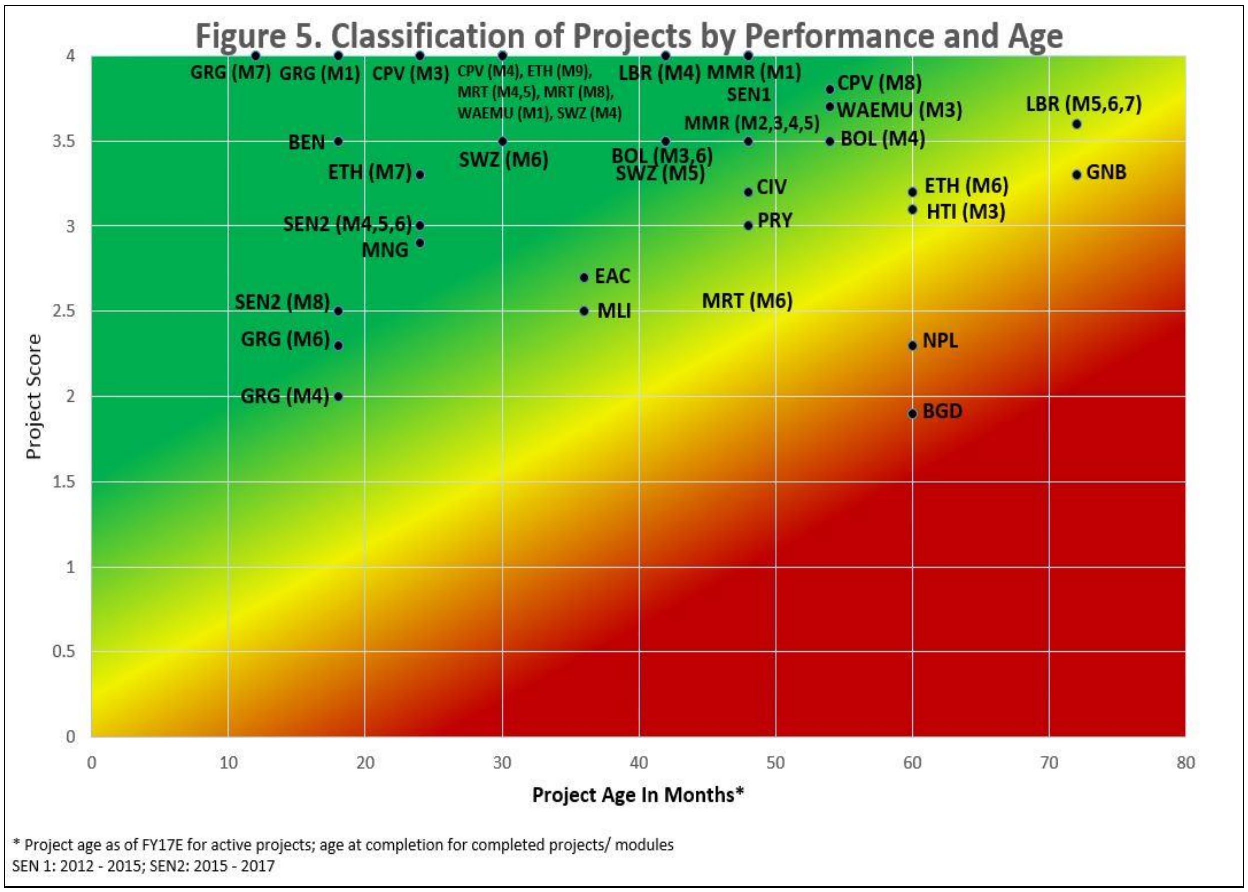


[13] Swaziland's revenues include tax sharing under the South African Customs Union (SACU) agreement.

16. **Regarding the institutional and operational indicators of the SLF, several achievements are discussed the subsection below.** In future, up-to-date and good quality ISORA/RA-FIT[14] data will provide more granular operational data to complement revenue performance outcomes.

E. Country Project Achievements

17. **The pace of project implementation was reasonable in most of the countries—Figure 5.** Two countries, Bangladesh and Nepal, stand out as mature projects that have lagged in terms of reform traction and achievements. In Bangladesh, implementation of the value-added tax (VAT) was once again postponed to July 2017 while work on improving taxpayer compliance stalled in 2015. In Nepal, substantial TA previously provided in tax policy design has not yet been enacted.



---

[14] Revenue Administration Fiscal Information Tool/International Survey on Revenue Administration. ISORA was launched in May 2016 shortly after the partner organizations (IMF, CIAT (Inter-American Center of Tax Administrations), IOTA (Intra-European Organization of Tax Administrations), and the OECD (Organization for Economic Cooperation and Development)) signed a Memorandum of Understanding at the Spring Meetings in April 2016.

18. **Key developments and achievements during FY17 are presented in Box 2 and discussed below.** The Box also contains RA-FIT/ISORA findings for 2015 (unless specified) for 13 TPA-TF beneficiary countries.

Box 2. Highlights of Key Developments During FY17

Country-specific Progress

- ✓ Solid tax revenue growth (>0.5 percent of GDP) achieved in Cote d'Ivoire, Georgia, Mali, Nepal, and Senegal.
- ✓ The tax compliance gap declined in Georgia and Paraguay.
- ✓ New Strategic Plans prepared and formally endorsed in Myanmar, Guinea Bissau, and Bolivia.
- Hackathon in Senegal identified winning ideas for innovation in tax administration services to taxpayers.
- ✓ Policy proposals prepared with FAD assistance endorsed in the EAC and WAEMU.
- ✓ Improved and formalized compliance risk management approaches adopted in Mongolia, Liberia, and Ethiopia; and data cross matching initiatives implemented in Bolivia and Mauritania.
- ✓ Filing compliance improved and audit coverage and yield increases in Mali, Mauritania, and Paraguay.

RA-FIT/ISORA Findings (Latest aggregated survey data for 13 TPA-TTF countries)[15]

- ✓ Nine countries publish annual reports.
- ✓ One country publishes a report on tax compliance risks.
- ✓ On-time filing improved (during the period 2011 to 2015): personal income tax (PIT) by 18 percent; CIT by 3 percent.
- ✓ All countries have established a large taxpayer office (LTO).
- ✓ Ten countries are implementing a simplified income tax regime for small taxpayer.
- ✓ Six countries have formal service delivery standards.
- ✓ Eleven countries have a service-wide code of conduct in place.
- ✓ Seven countries have conducted taxpayer satisfaction surveys at various levels.

19. **Bangladesh:** The National Board of Revenue engaged a project management consultancy to provide technical support to the VAT implementation project and additional staff training and taxpayer outreach was carried out. Further progress was also made in installing software and

[15] TPA-TTF recipients consented to the use of their latest RA-FIT/ISORA data in this report.

equipment to support the new law. However, launch of the VAT was delayed by one year (to July 1, 2017) as more work still needs to be done.

20. **Benin**. The TPA-TF project was implemented effectively during the year. As per its objectives, the tax administration has a strategic plan focused on key priorities that are fully endorsed by the government, and the tax administration is organized along functional lines and by taxpayer segmentation principles with a headquarters function. Several hands-on training sessions were organized to improve the quality and consistency of large taxpayers' audits, increase the degree of certainty of audit processes vis-à-vis taxpayers, and increase tax compliance levels (and corresponding tax revenue) focusing on complex audit covering the financial oil sectors. Tax administration staff audited the largest 10 players and raised additional tax assessments to the tune of US$ 22 million compared to less than US$1 million in 2015.

21. **Bolivia:** A new head of the tax administration was appointed and the majority of senior managers replaced. Despite these changes, the new authorities are actively engaged in continuing to strengthen tax administration. They prepared a new five-year strategic plan for the period 2016 to 2020, which is the basis for further TA envisaged under the RM-TF. The tax administration also made progress in a number of areas such as: setting up a new risk management unit responsible for the design and application of the compliance risk models; implementing improved tax arrears management and tax audit approaches using a segmentation based on the compliance risk models; and implementing enhanced data cross-matching activities.

22. **Cabo Verde:** New officials were appointed, including a new minister of finance in April 2016, following elections, and a new head of the revenue administration in August 2016. These changes temporarily affected the pace of reform implementation. FAD staff actively engaged the new officials and progress was made during the year, including improved project management and implementation approaches, implementation of an audit plan based on technical and objective criteria, implementation of a framework for information technology (IT) governance; and launch of a data center and a training facility. Progress was also made with updating and cleansing of taxpayer data, including a strategy for continuously updating the taxpayer register. A strategy to establish a single career path for both tax and customs officials was also prepared.

23. **Cote d'Ivoire:** In addition to [the earlier establishment of] two medium taxpayer offices (MTOs) in Abidjan, two more were opened in October 2016 resulting in an increase of revenue collection from medium-sized taxpayers. VAT revenue, at 4.2 percent of GDP, is however far below its potential. The RM-TF project will continue supporting efforts in strengthening VAT administration and improving large and medium-sized taxpayer compliance.

24. **East African Community:** A key development was the endorsement, by the EAC Committee on Fiscal Affairs (CFA) and Sectoral Council on Finance and Economic Affairs (SCFEA), of the draft tax

treaty policy framework that was prepared with FAD assistance.[1] In September 2016 the subcommittee of CFA on tax policy and administration discussed the tax treaty policy further, based on the framework defined with IMF assistance, and reached an agreement. The revision of the draft EAC model tax treaty for negotiations with non-EAC countries has started; the EAC SCFEA in early May 2017 approved the tax treaty policy and the revised Model tax treaty. EAC and FAD plan to start an advanced simulation exercise of tax treaty negotiations as a group and other relevant capacity building activities on international taxation issues in mid-2017. Progress on domestic tax coordination has consisted of the CFA's SCFEA approving the strategy note presented by FAD. The SCFEA also requested that FAD initiate a project for developing concrete policy proposals for harmonizing the key taxes in the region, starting with excises in FY2018, and moving to VAT and the corporate income tax afterward.

25. **Ethiopia:** The authorities' interest in the findings of the tax administration diagnostic assessment tool (TADAT)—an assessment completed the previous year—promoted an increased interest and focus on improving core compliance management capabilities in the revenue administration. Accordingly, a compliance risk management strategy was developed, with a risk register and compliance plan, and training was deployed for the construction industry. In addition, an automated compliance risk model was developed and deployed and a transfer pricing unit was set up in the LTO with personnel trained and taxpayer audits begun.

26. **Georgia:** The authorities prepared their first ever strategic plan for the period 2017 to 2020. This plan was approved by the Minister of Finance and published. A TADAT assessment (also published) and a tax gap analysis have set a baseline for further reforms. Good progress has been made in improving the taxpayer service function and the dispute resolution process, but there is still a very significant reform agenda ahead. A detailed project proposal for a three-year transformational reform has been drawn up and agreed at the administrative and political levels. A detailed discussion of the project is presented in Box 3.

[1] The draft policy framework also incorporates recommendations of the Base Erosion and Profit Shifting final reports.

Box 3. Georgia: Building a Modern Tax Administration

Results: Georgia's tax administration reform program was previously supported by the FAD via a TA project financed by the Government of Japan (May 2012 to April 2016). A successor TA project financed by the TPA-TF continued providing much-needed support from May 2016. During the last five years, the tax-to-GDP ratio has increased from 24.8 percent in 2013 to 26.0 percent in 2016 (government expenditure has however remained at around 30 percent of GDP during the period, pointing to the need for continued reform). A revenue administration gap (RA-GAP) study also concluded that the VAT compliance gap in Georgia fell from 23 percent of potential VAT in 2011 to 12 percent in 2015, equivalent to a decrease from 2.4 percent of GDP to 1.2 percent, reflecting, in part, the impact of tax administration undertaken with support of FAD's TA programs.

Since 2012, the FAD has been working with the GRS to build a modern tax administration in Georgia. An FAD mission to Tbilisi in August 2012 developed a JSA-funded TA plan to help improve core tax administration functions. Under the plan, which was completed in FY 2016, TA was given by way of short term expert assignments, followed up with HQ missions to monitor progress. Good progress was made, despite frequent changes in senior management in the GRS. The rate of progress accelerated since 2014, which began a period of stability and continuity in the make-up of the senior management team. Improvements were made in taxpayer services, especially electronic services. A program was put in place to increase the number of auditors and develop their skills, and a debt management unit was set up. First steps were taken towards introducing a modern compliance risk management approach by setting up a small risk management unit.

From May 2016, the GRS requested FAD assistance in taking a more structured and evidence-based approach to modernization. An early request was made for an assessment using the TADAT. That assessment, which measures an administration against a set of international good practice benchmarks, was conducted in May-June 2016, funded by the TPA-TF. The assessment noted that overall the GRS is making good progress in implementing modern tax administration practices. Strong performance was noted in taxpayer services and improved collection systems, supported by extensive use of modern IT applications. The assessment also showed many areas of weakness in core tax administration functions – an inaccurate taxpayer register, poor filing compliance rates, an audit program that was not sufficiently planned or risk focused, a large and mounting stock of tax arrears, and weaknesses in VAT refund management. With commendable openness, GRS requested publication of the TADAT report.

To complete the diagnostic process in FY17, the GRS sought and received TA to analyze the tax gap. In completing the analysis**,** the RA-GAP mission found that, while data reliability issues cast doubt on the *level* of the gap, the *trend* in the gap has been steadily and reliably downward in the period from 2012 to 2015. The analysis confirmed the TADAT findings in relation to the unreliability of the register, and poor VAT refund management, and has equipped GRS with a baseline and the methodology to measure improvements.

With funding from the TPA-TF, FAD worked with the GRS to draw up a Strategic Plan for 2017-2020. The plan aims to address the TADAT-identified weaknesses, and sets out three strategic goals - to improve compliance, develop the organizational structure, and work towards EU accession. With approval from the Minister of Finance, the Strategic Plan 2017-2020 has been publicly launched and published on the GRS website. It has also formed the basis for a detailed project proposal for a transformational program under the RM-TF. This proposal, to which the GRS and the Minister of Finance are fully committed, will put in place a structured three-year reform plan that has the potential to transform GRS into a modern, risk-focused and flexible institution. The GRS is confidently looking forward to meeting the challenges ahead.

27. **Guinea Bissau**: Reform momentum slowed temporarily, following the appointment of three different ministers of finance and heads of the tax administration in a span of six months. FAD actively engaged the new teams and continued training the tax administration staff that were recruited competitively in 2016 (a process that was also supported under the TPA-TF). Major developments include the preparation of a new strategic plan for the period 2017-2020, establishment of strategic targets and indicators, and action plans for implementation. Additionally, an audit manual was developed, and a new legislation establishing the requirements for a tax invoice was enacted and is being implemented, a basic compliance risk management strategy was adopted, and issuance of the taxpayer identification number was automated.

28. **Haiti**: During FY2017, the authorities launched work on drafting a tax code, with the objective of completing it by end of 2018 (including broad consultations). As the cycle of tax policy studies is now completed - with a mission on income tax in November 2016 and a last mission on excises, small taxes and local taxes in early May 2017 - a tax reform strategy is in the making to feed the tax policy recommendations into the forthcoming tax code.

29. **Liberia:** A compliance risk management unit was established, a risk register was put in place, and a compliance risk management strategy for large taxpayers was implemented with FAD assistance. Work in this area was actively supported by the resident tax administration advisor. The requirements for establishing an intelligence unit to tackle tax fraud were defined. A framework to better assist taxpayers through public rulings and technical interpretations was developed. Procedures to cleanse, update and complete the taxpayer register have started and steps have been taken to align the business processes and the IT system. Additionally, a senior manager was appointed to head the recently established reform and modernization division, signaling the authorities' recognition of the importance of investing in management of the tax administration's reform program.

30. **Mali:** An audit of tax exemptions was completed during the period and preparation of a tax expenditure estimate commenced. In tax administration, enhanced use of third-party information resulted in an increase in the number of large and medium-sized taxpayers (by about 30 percent). Business processes were simplified in key areas, leading to improved filing compliance (to 100 percent for large taxpayers and close to 80 percent for medium-size taxpayers), higher audit coverage, and a reduced stock of arrears.

31. **Mauritania:** Progress was made in updating the taxpayer register and improving on-time filing from large and medium-size taxpayers from 70 and 50 percent respectively the previous year to 80 and 60 percent. Relevant and adequate information on taxpayers was captured in the IT system and data cross-checking activities were launched on a small scale. A small number of audit case selection criteria were established and used, and audit coverage, while still low, doubled to reach 15 percent, with the adoption of single-issue audit techniques.

32. **Mongolia**: Following a change of government in late June 2016, the merger of customs and taxation was reversed, a new Tax Commissioner was appointed, and major changes in organizational

structures and personnel was made. Despite these wide-ranging changes, the Mongolian authorities made excellent progress in designing compliance improvement strategies for large, medium, small, and micro business segments. For each of these segments the authorities have finalized a strategy that identifies and ranks key compliance risks, sets out the number and types of actions to be taken to mitigate the risks, and provides a monitoring and evaluation framework to track the strategies' impacts on improving compliance. Organizational responsibilities and governance arrangements have been established to guide the implementation of the compliance strategies, which will begin in May 2017. The resident tax administration advisor has played a crucial role in guiding these reforms and helping the authorities coordinate TA support and donor activities.

33. **Myanmar:** Good progress was made across all modules with the high-level revenue administration modernization strategy agreed for Phase I largely achieved - tax administration reforms were completed as planned and progress on policy and legislation reforms increased in the last 6 months and will gain traction as Phase II begins. Key developments during FY17 include Cabinet's approval to restructure the tax administration to include a Deputy Director General, Reform, and dedicated Policy and Research Directorates and renewed momentum with the new Tax and Administration Procedures Law (after long delays).[16] Capacity remains low but completion of Phase I reforms has positioned the tax administration well for Phase II. The tax reform strategy has been updated for Phase II (2017-2022) and is awaiting Cabinet approval.

34. **Nepal:** As recommended in the 2015 report of the government's High Level Tax System Review Commission, some initial policy changes have been implemented, including increasing the VAT threshold and introducing a presumptive turnover tax. The ministry of finance and the tax administration also started drafting a new unified tax code, following the Commission's recommendations, but this exercise may not be completed by 2018 as planned.

35. **Paraguay:** Progress was made in strengthening planning capacity; implementing electronic services, such as registering taxpayers through the internet, implementing electronic notification and electronic data capture, among others; strengthening compliance and enforcement processes through creating a strategy to control medium-sized taxpayers, implementing biometric data capture, and improving persuasive arrears collection; and dismantling large tax evasion schemes. These efforts have translated in improvements in several indicators: the taxpayer registry increased from 581,639 in 2013 to 724,997 in 2016; the number of taxpayer audits increased by 60 percent and the number of additional tax assessments increased by 544 percent over the same period; the internet filing rate increased from close to 48 percent in 2013 to over 97 percent in 2016; and, per

[16] The input of the FAD peripatetic advisor has been very valuable in training staff and moving this piece of legislation forward. He also advised staff on the role the new directorates need to perform and trained staff so that this can be accomplished, when they are set up. It is anticipated that Cabinet will introduce the TAPL to Parliament for its discussion and approval by July 2017.

authorities' estimates, the VAT gap fell from close to 36 percent in 2010 to less than 31 percent in 2014.

36. **Senegal.** Key developments during the year include formal adoption and publication of a new organizational structure as per FAD's previous advice, the obligatory use of e-processes for all large taxpayers, adoption of improved risk-based approaches for compliance management, and establishment of a collections function in all tax offices and a specialized collections enforcement unit at the HQ to help these units collect complex debts. TA provided under the TPA-TF helped identify the key challenges that the November 2016 Hackathon addressed in Dakar. The Hackathon was the first event of its kind to propose innovative solutions to data and information challenges of a tax administration in West Africa. It proposed many new ideas to improve the interface between taxpayers and the tax administration and to address its data management challenges; three were selected: design of a simple application that allows taxpayers without internet access to declare and pay taxes via cell phone; batch scanning of paper returns; and creation of a personalized tax space allowing individuals and businesses to have easy access to their tax data. An implementation plan has been developed and potential donors are being approached to support this initiative.

37. **Swaziland:** For the past five years, the tax administration has been an active and full participant in the TPA-TTF program which was developed to meet its TA requirements. Over the past year, good progress was made in developing a risk model for use in a broader compliance plan. In addition, filing and payment compliance have been key areas of attention. The full implementation of self-assessment is imminent, with the final phase due to commence in the next tax year. The integration of the VAT project team along with income tax department into a single domestic tax department has been accomplished. While the tax administration has fine-tuned some aspects of the integration, such as bolstering the VAT refund process, the transition has been relatively smooth.

38. **WAEMU:** A key development during the year was the Commission's adoption of the policy note on rewriting the excise directives on tobacco and fuels. Another policy note now forms the basis for reviewing the directive on the "*transition fiscale*", an ongoing exercise, which main purpose is to increase tax revenues in the region and further shift taxation from external tariffs to domestic taxes.

F. Achievements in Policy Analysis

39. **The TPA-TF has made important strides in drawing and disseminating policy-relevant lessons from its capacity building.** Two international conferences were hosted during FY17. The conferences resulted in the preparation of two applied policy papers: one highlighting lessons learned from the TPA-TF for managing tax administration reforms, and a technical note setting out key principles for the organization and operations of Revenue Boards. Both papers are in the process of being published.

Peer Learning and Analysis

The TPA-TF hosted an international conference in Accra, Ghana on "Managing Tax Administration Reform Programs". The conference brought together finance ministry and tax officials from 16 IMF member countries and five donor agencies (Canada, the EU, Germany, Netherlands, and Switzerland). It provided an active and collaborative forum to share good practices, based on the reforms introduced and managed with support from the TPA-TF program, and discuss the specific measures that could be applied to improve the management of ongoing and future reform programs. The conference comprised several sessions focusing on different aspects of managing a reform program, including drivers of reform, leadership and management, the importance of a proper diagnostic, the key role of a project team and project implementation, monitoring and evaluating results, and managing TA. It pinpointed concrete barriers to effective reform implementation and mitigating measures. An important input to the conference was a draft working paper on "*Managing Tax Administration Reform Programs in Low Capacity Countries*."

40. **The IMF (using TPA-TF funding) and ATAF co-sponsored a conference "Revenue Authorities and Management Boards" in Cape Town, South Africa.** The purpose of the seminar was to continue the senior-level dialogue begun in prior conferences in Johannesburg, South Africa (2013) and Port Louis, Mauritius (2014) on Revenue Authorities' Management Boards and their overall effectiveness,[17] and to identify common areas of concern. Another aim was to establish an informal network for Revenue Authorities Management Boards in Africa and elsewhere. Approximately 40 senior officials attended the seminar, representing 15 African countries that have revenue authorities. Several issues generated intense discussion, including the board's skills and diversity, board planning and operations, the notion of performance contracts, role of the board in enterprise risks management, internal audit, etc. An important input to the conferences was a draft technical note on *"Revenue Authorities and Management Boards."*

RA-FIT/ISORA—A Successful Round of Data Collection for ISORA, with many more countries participating

41. **The data gathered from RA-FIT Round 2 (2011, 2012, and 2013) has been analyzed**. FAD expects to publish Volume 2 of *Understanding Revenue Administration* as a Departmental Paper

---

[17] In the earlier conferences, Commissioners General and Board Chairs were invited, while for this seminar permanent secretaries of the Finance Ministry and other senior officials were also invited. The focus of the 2016 seminar was board governance generally, and the development and importance of performance management in revenue administration. The seminar was structured around several working sessions that focused on: (1) working towards good governance in revenue authorities; (2) features of Revenue Authority boards; and (3) practical approaches to board governance. These sessions formed the basis for a roundtable discussion of key issues and shared experiences. The seminar also benefited from four case study presentations: (1) Togo – Measuring and Managing Performance; (2) Zimbabwe – A Country Perspective on Integrity; (3) Burundi – Board Planning; and (4) Nigeria – Experience on Board Governance.

before the end of June 2017. While this report still only publishes aggregated data, there are many more tables containing useful information by income group that can used to establish baselines. In addition, RA-FIT data has started to be used for analytical purposes within the IMF: in April 2017 FAD staff issued a Working Paper that investigates the relationship between tax administration effectiveness and firm performance, based on new data (including RA-FIT data) for emerging market and developing economies.

42. **At the same time Round 2 data was being analyzed, the IMF entered into a partnership with three other international or regional organizations.**[18] This partnership was formalized in the signing of a Memorandum of Understanding in April 2016 after the survey was revised and renamed the ISORA. ISORA was launched in May 2016 covering 2014 and 2015.[19]

43. **At the close of the data collection phase on January 31, 2017, 141 countries had provided responses to the ISORA survey.** Data from 127 countries are to be included in the final data set. Data for a few countries had to be discarded because their survey completion rates were too low, or missing for 2015. The IMF managed data collection in 59 countries, and data from 52 are to be included in the final data set.

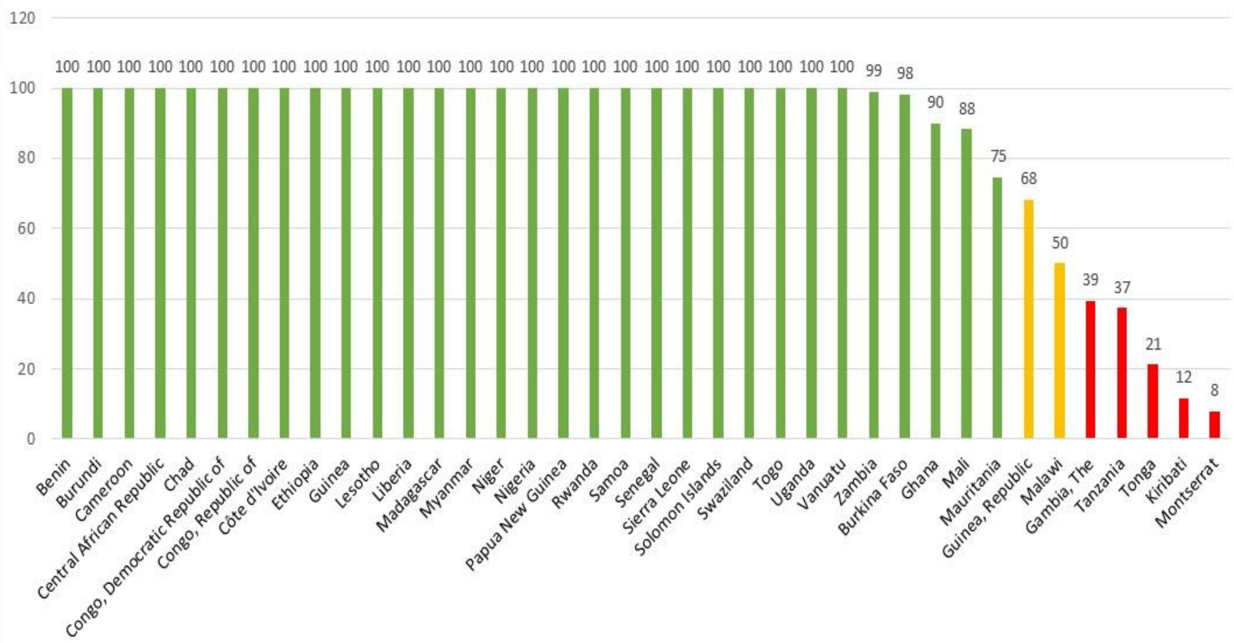
44. **The group of countries managed by the IMF still requires much assistance as they tend to be lower-capacity countries and experience difficulties with the submission of relatively basic information.** While outreach to eight countries took place before the close of the data collection phase, this aspect needs to be expanded to ensure that the survey is completed and that the data administrations provide is better quality. Figure 6 shows the completion rates of IMF managed countries which are LLMICs, and reflects the good results from the investments in outreach and training that were supported through the TPA-TTF in the various regions.

---

[18] CIAT, IOTA, and OECD.

[19] The ISORA does not currently extend to customs administration. However, at the time of this writing FAD is working closely with the World Customs Organization to establish a similar partnership for collecting customs data as that which is already in place for tax administration data. This effort is not being supported under the TPA-TTF, given the latter’s focus on tax administration.

Figure 6. Average ISORA Completion Rates for LLMICs Managed by the IMF, 2014/15



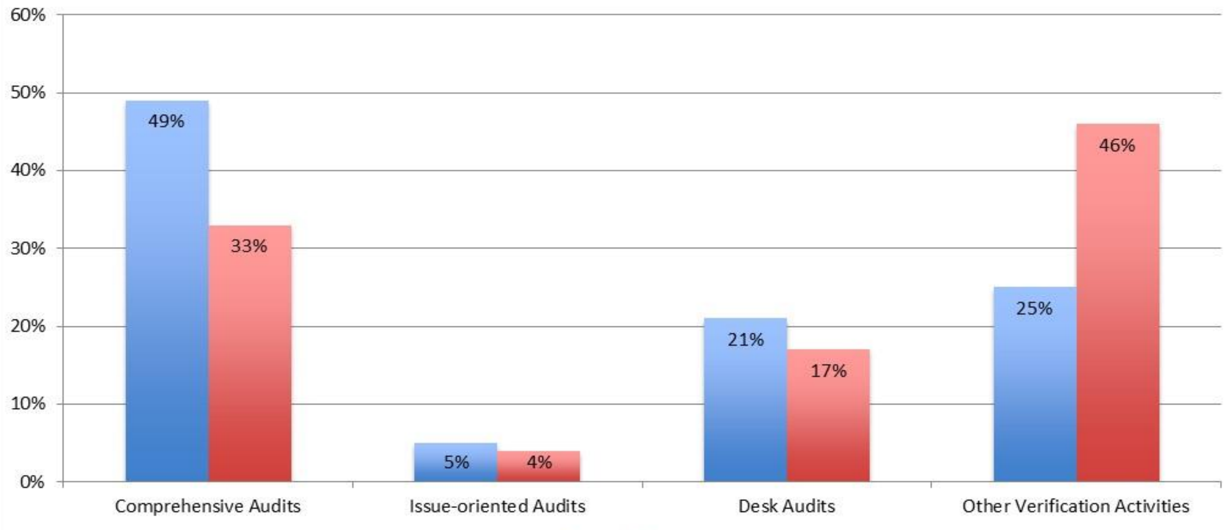
45. **The RA-FIT Data Portal is ready for use.** Presently, aggregated data for RA-FIT (Round 2) is available to the public, while country specific data is available to participating administrations provided they are registered. The RA-FIT Data Portal can be accessed at http://data.rafit.org. The data collected using ISORA 2016 will be available starting August 2017.

46. **Next steps in the RA-FIT/ISORA Lifecycle.** Once data has been made available on the Portal, it will be analyzed and a report will be prepared for publication. The RA-FIT/ISORA team at the IMF also intends to release frequent "news flashes" highlighting interesting trends, information, or facts based on the reported data. Planning for the ISORA 2018 launch also needs to be carried out, with outreach planned to cover most IMF regional technical assistance center (RTAC) regions. An important related objective is to ensure that country authorities begin to systematically use RA-FIT/ISORA data for their own operational monitoring and benchmarking purposes, a process that is still at an early stage.

47. **One lesson from the most recent survey is that the use of issue-oriented audits is still low despite significant advice in this area (Figures 7 and 8).** Typical FAD advice is to improve the balance between comprehensive and issue-oriented/limited scope audits. Comprehensive audits are normally reserved for those taxpayers that pose the highest risk, are broad in scope, and take the longest time to complete. Issue-oriented audits, on the other hand, focus on specific transactions and applications of tax law, allowing for greater audit coverage and moving the audit program to a more real-time focus on current tax issues. An additional advantage for incorporating issue-oriented audits is that less experienced auditors may be used on these audits with a limited amount of training – a very effective model to build capacity of audit staff. Latest survey results for 2014 and

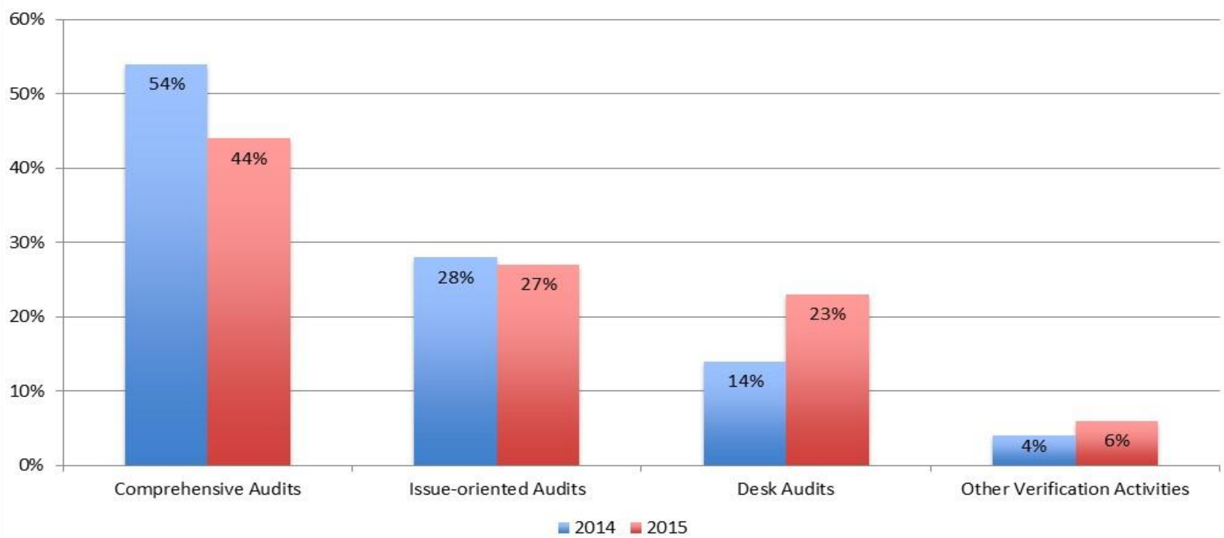
2015 show that this advice has not been implemented in many countries. This means that audits take longer to complete, and audit coverage (number of taxpayers audited based on the population) is lower. Furthermore, the yield in terms of additional assessments raised because of issue-oriented audits for TPA-TTF countries is high despite their deployment being the least utilized of audit types. This must remain a focus for further TA, which should incorporate innovative approaches to increase take-up of advice.

Figure 7. TPA-TF Countries: Total Audits by Tax Type



Source: ISORA

Figure 8. TPA-TF Countries: Total Audit Assessments by Type of Tax



TADAT and RA-GAP

48. **Diagnostic tools are being integrated in TA work in TPA-TF countries—**see details of completed tasks below. These tools have helped identify reform priorities and design TA projects under the RM-TF in selected countries.

- **TADAT:** assessments were completed in Georgia, Liberia, Sierra Leone, and Bangladesh.

- **RA-GAP:** VAT gap estimates were prepared for Cabo Verde and Georgia. Initial preparations were undertaken for a VAT gap estimate for Côte d'Ivoire.

III. PHASE 2: RM-TF

A. Overview

49. **FY18 marks the first full year of the RM-TF operation.** A larger and more ambitious initiative compared to its predecessor, the TPA-TF, the RM-TF is an important response by the IMF and its partners to the "Addis Challenge" in the area of DRM. This challenge reflects the recognition—embodied within the 2030 Agenda for Sustainable Development—that developing countries have a critical need for assistance in improving their tax capacities. The RM-TF provides a unique opportunity for a broad range of development partners to take a collective approach in supporting a holistic, medium-term Capacity Development initiative to strengthen tax policies and administrations in a select group of countries.

50. **The RM-TF's core focus for assisting developing countries has two main delivery approaches**:

- *Intensive engagement in support of transformational reform.* This involves supporting the comprehensive reforms beneficiary countries make to their tax systems, including redesigning tax policy frameworks and strengthening revenue administrations. This engagement involves country authorities' sustained commitment, along with well-sequenced support from the RM-TF and other TA providers.
- *Targeted support for reforms.* This work focuses on specific areas of the tax system where improvements are most needed. This more targeted support is also framed in the context of a multiyear engagement, and provides scope for assisting in cases where more comprehensive reform programs are not needed, or where a country has lower absorption capacity.

Other key components of the RM-TF in support of sustainable DRM:

- *Synergies between IMF TA and training* will be reaped to maximize the capacity for tax reform. A specific training module will focus on face-to-face and online courses to support and complement TA delivery on selected tax policy and administration topics, particularly for low-capacity countries.
- *Diagnostic tools* will play a key role in defining reform priorities and subsequent capacity building. In particular, the TADAT, ISORA, and the RA-GAP will be used to assess where the impact of TA is likely to be highest, as well as to monitor the progress of reforms.
- *Applied analytical work* that examines developments associated with revenue reform in developing countries will support both the TA and training streams. The research will aim at assessing emerging issues, trends, and practices in tax policy and administration.

B. Summary of Financial Status and Expenditure

51. **Fundraising for Phase 2 has continued; despite some traction, several contributions have not yet been finalized.** Financial contributions shown in Table 2 outline the current agreed amounts as of May 12, 2017. Belgium has indicated that an additional contribution of $US6.5 million will be finalized shortly, and Korea has pledged US$1 million. The European Commission – through the African, Caribbean and Pacific Group of States, or ACP EC Partnership Agreement - has confirmed the likelihood of a contribution of US$9.8 million, and the agreement will be finalized in the coming months. The Japanese authorities confirmed that an additional contribution is still under discussion, to be finalized in late 2017. Some US$25.6 million remains under discussion with donors. The United Kingdom noted the possibility of joining the Trust Fund, but this will not be confirmed until August 2017.

Table 2. Financial Contributions RM-TF

As of April 30, 2017

(in Millions of US dollars)

Donor	Agreement Signed Date	Agreement Currency	Agreement Information: Agreement Amount (Local Currency)	In U.S. Dollars — Agreement Information: Agreement Amount (Signed LOU)	Contributions Received	Contribution Expected: Requested	Contribution Expected: Future Contributions
Total Confirmed			**34.2**	**32.0**	**14.2**	-	**17.9**
Australia	May 5, 2016	AUD	10.6	7.9	0.4	-	7.5
Belgium	November 18, 2016	EUR	3.0	3.2	3.3	-	-
Germany	November 21, 2016	EUR	1.0	1.1	0.4	-	0.6
Japan	February 1, 2017	USD	5.1	5.1	5.1	-	-
Luxembourg	December 1, 2016	EUR	2.5	2.6	0.5	-	2.1
Netherlands	October 7, 2016	USD	5.0	5.0	1.0	-	4.0
Switzerland	October 8, 2016	CHF	7.0	7.1	3.5	-	3.7
Internal Transfers				-			
Under Negotiation				**25.6**			
Belgium				6.5			
European Commission				9.8			
Germany				3.3			
Japan				5.0			
Korea, Republic Of				1.0			
Interest				**0.0**			
Program Budget				**60.0**			
Funding Surplus/(Gap)				**(2.4)**			

52. Norway confirmed that it is unable to provide a contribution to the Trust Fund in 2017, although we are hopeful that they may re-join in 2018. Kuwait confirmed in early 2017 that it would not finance Phase 2, after being a contributor to Phase 1.

53. **Received and expected contributions so far provide adequate liquidity for the proposed workplan**. As of May 12, 2017, the RM-TF has secured contributions of US$32 million, and has received US$14.2 million, with another US$5.2 million in contributions to come in over FY18. Table 3 shows projected liquidity based on signed agreements and the entire workplan, including the projects sent for endorsement on May 12, 2017.

54. While Table 3 indicates a negative balance in the subaccount by FY 2019, this is not likely to materialize: additional partner contributions are expected to be finalized over the coming months (see the lower half of Table 2) and, moreover, some projects may not spend their budgeted allocations for FY2018 for valid reasons. The IMF will manage the size and scope of the workplan as needed to stay within the envelope and timing of available funding, and will present a revised workplan to avoid a negative balance in the subaccount.

Table 3. RM-TF Cash Flow Statement

As of April 30, 2017

(in Thousands of US dollars)

	FY2017 FY1	FY2018 FY2	FY2019 FY3	FY2020 FY4	FY2021 FY5	FY2022 FY6	Totals
Inflows:	**14,236**	**5,223**	**4,062**	**4,062**	**3,043**	**1,491**	**32,117**
Australia	450	1,491	1,491	1,491	1,491	1,491	7,903
Belgium	3,274	-	-	-	-	-	3,274
Germany	436	651	-	-	-	-	1,088
Japan	5,062	-	-	-	-	-	5,062
Luxembourg	531	552	552	552	552	-	2,739
The Netherlands	1,000	1,000	1,000	1,000	1,000	-	5,000
Switzerland	3,451	1,529	1,019	1,019	-	-	7,019
Interest Earned	32						32
Outflows[1]:	**245**	**14,705**	**13,989**	**12,348**	**3,550**	**3,656**	**48,493**
Trust Fund Activities	245	14,705	13,989	12,348	3,550	3,656	48,493
of which TTF Fee	16	962	915	808	232	239	3,172
Cash Balance	**13,991**	**4,509**	**(5,418)**	**(13,704)**	**(14,211)**	**(16,377)**	

[1]Note cash flow projections are provided on the assumption that Batch 3 projects are endorsed.

55. At this point, no further potential donors are being approached, since the likely commitments to the RM-TF will total US$58.7 million once the slated Belgian, European Commission, German, Korean, and Japanese contributions are finalized.

C. Status of RM-TF Operations

56. **There has been strong demand for TA under the RM-TF—details below.** Sixteen out of the existing 19 active TPA-TF beneficiary countries and two regional bodies requested continued TA under the RM-TF[20] while new requests were received from nine countries and one regional body.[21] Requests were made at the highest levels, typically by ministers of finance and senior officials, during the Annual Meetings in Washington DC in October 2016, but also during FAD TA missions in respective countries or, in a few cases, via mail.

57. **The respective requests for TA were discussed with the country officials and other TA providers, typically during scoping or assessment missions.** The objective of such missions was to further engage country officials and reach a common understanding of the key issues and reform priorities, TA requirements, and areas that could be supported under a prospective RM-TF funded project. Following the detailed discussions, project proposals were prepared by FAD staff, and informal agreement of the authorities was sought on project objectives, outcomes and milestone, before the proposals were presented to the SC for approval.

58. **Five scoping missions, financed in part or fully via the RM-TF, were planned during FY17.** Four were delivered as planned and one had to be cancelled, with results as follows:

- Central African Republic – A project proposal has been prepared. TA requirements are quite substantial (including a resident advisor) putting a strain on the available RM-TF resources for FY18. The final version of the TA program is still being finetuned with the authorities and the finalized proposal will be presented to the SC in future.
- Congo DRC - While the scoping mission was cancelled last-minute due to security concerns, active discussions are under way with the authorities, as well as with the World Bank which is also planning a project for the country.
- Guinea – Discussions are still taking place with the authorities.
- Sao Tome and Principe – A project has been prepared and submitted to the SC for endorsement, on a lapse of time (LOT) basis .

[20] The three countries that have not yet requested extension of TA are Bangladesh, Burundi, and Nepal.

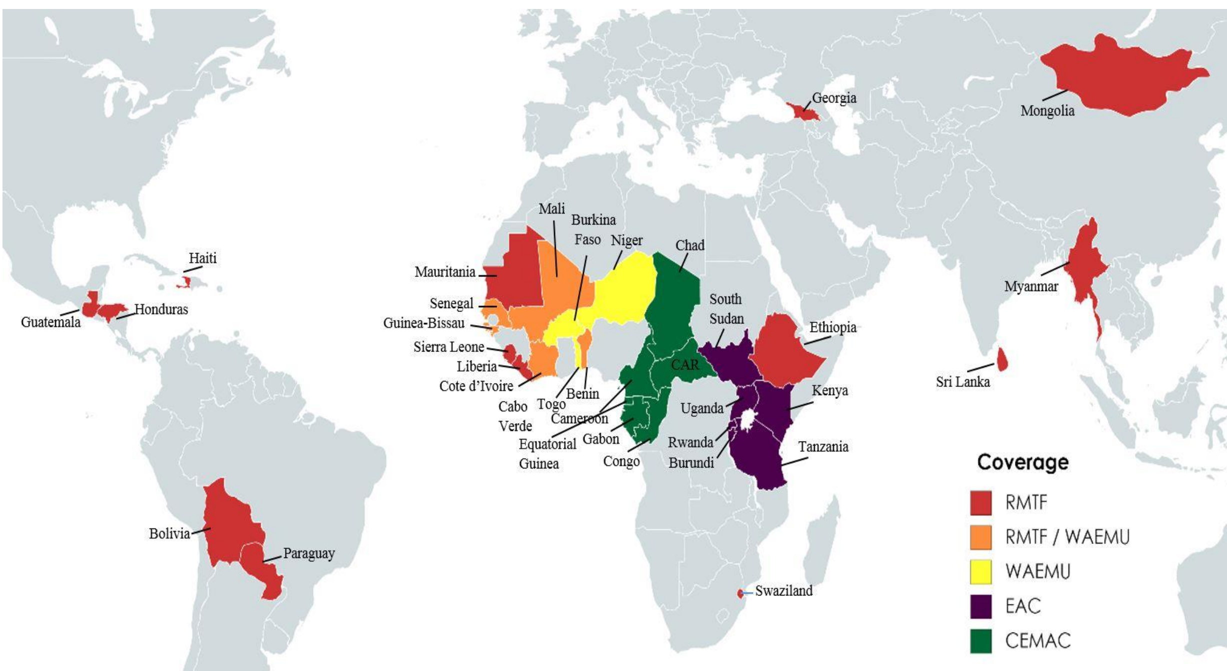
[21] New countries and a new regional body are: Guatemala, Honduras, Tanzania, Sierra Leone, Sao Tome and Principe, Sri Lanka, Guinea, Central Africa Republic, Congo DRC, and CEMAC.

- Sri Lanka – A project has been endorsed by the SC.

59. **A total of 26 projects were presented to the SC; 22 have been endorsed and delivery has already commenced—See Figure 8 and Table 4 for details.** The RM-TF portfolio currently includes:

- Twenty-one country projects distributed across four regions: Africa (11), Asia Pacific (3), Middle East and Central Asia (2), and Western Hemisphere (5).
- Three regional projects in SSA: EAC, WAEMU, and Central African Economic and Monetary Community (CEMAC).[22]
- One project focusing on diagnostics - RA-FIT.
- One project focusing on human capacity through learning.

Figure 8. RM-TF–Geographical Coverage



60. **Twelve projects have a tax policy component while 21 address revenue administration issues.** The interaction of tax policy and administration reforms can be a decisive factor in improving

[22] CEMAC is made up of six states: Gabon, Cameroon, the Central African Republic, Chad, the Republic of the Congo and Equatorial Guinea.

revenue mobilization. Indeed, TA in tax administration reforms may have low return on investment in the context of weak policy design; similarly, some tax policy reforms may not be feasible without significant changes to tax administration. In order to address these issues more effectively, the IMF will seek to include a small policy component in at least some of the tax administration (only) projects. The key objective will be to pinpoint policy issues that could be usefully taken up in sequence with tax administration issues, hence increasing the probability of successful revenue mobilization. The new modules will be therefore presented to the SC for approval in future.

61. **Preparation of a medium term revenue strategy (MTRS).**[23] Project managers will actively support MTRS related activities in selected countries. The initial objective will be to encourage intensive TA countries to progressively move toward a formal MTRS. In this regard, discussions are already taking place with the officials in Myanmar, Guatemala, and Senegal. Others will start soon.

62. **A total of 13 projects have been formally endorsed by the authorities.** A cornerstone of the RM-TF program is the full and explicit commitment by officials at senior levels. In this regard, project managers sought commitment: (1) during the preparation of the respective project proposals by engaging closely with counterpart staff and other TA providers in the design of project objectives, outcomes, and milestones; and (2) following approval of the project by the SC, by seeking formal endorsement of the project at the highest political or management levels through signing of a memorandum of partnership (MOP) or letter of commitment (LOC). In this regard a total of 13 projects have been formally endorsed by the authorities.[24] Minor adjustments were made to two projects, Honduras and Sri Lanka, the details of which are below.

---

[23] An MTRS is a government-led and country-owned tax reform effort, supported at the highest political level—critical, given the broad reach of the tax system. It provides a high-level road map of the tax system reform over 4-6 years—its policy, administration, and legal components. It embodies a government's strategy to mobilize resources through a tax system that can finance its spending needs and secure macroeconomic sustainability, while reflecting distributional considerations and creating appropriate incentives for economic and social development.

[24] Discussions are still ongoing for the balance of the projects.

Table 4. Status of RM-TF Project Proposals

	Country	Project Proposal approved by the SC	Scope	Coverage	IMF Region	Project formally endorsed by the authorities (MOP or LOC)/comments
1	Benin	Yes	Targeted TA	Tax Administration	Africa	MOP between the Tax Administration and FAD signed on April 13, 2017.
2	Bolivia	Yes	Targeted TA	Tax Administration	Western Hemisphere	The Minister of Finance endorsed the project during the April 2017 Spring Meetings in Washington DC.
3	CEMAC	Yes	Targeted TA	Tax Policy	Africa	Not yet.
4	Cabo Verde	Yes	Targeted TA	Tax Administration	Africa	LOC signed by the National Director on April 25, 2017.
5	Côte d'Ivoire	Yes	Targeted TA	Tax administration	Africa	Not yet.
6	EAC	Yes	Targeted TA	Tax Policy	Africa	LOC signed by the Deputy Secretary General on May 18, 2017.
7	Ethiopia	Yes	Targeted TA	Tax Administration	Africa	Not yet.
8	Georgia	Yes	Intensive TA	Tax Policy and Administration	Middle East and Central Asia	LOC signed by the Director General, Georgia Revenue Service on February 27, 2017.
9	Guatemala	Yes	Intensive TA	Tax Policy and Administration	Western Hemisphere	MOP between the Ministry of Finance and FAD signed on February 21, 2017. A potential MTRS country.
10	Guinea Bissau	Yes	Targeted TA	Tax Policy and Administration	Africa	LOC signed by the Minister of State on April 27, 2017.
11	Haiti	Yes	Targeted TA	Tax Policy	WESTERN HEMISPHERE	Not yet.
12	Honduras	Yes	Targeted TA	Tax Policy and Administration	WESTERN HEMISPHERE	MOP between the Ministry of Finance and FAD signed on April 9, 2017. Minor changes were made to the log frame.
13	Liberia	Yes	Intensive TA	Tax Policy and Administration	Africa	LOC signed by the Commissioner General on May 12, 2017.
14	Mali	Yes	Targeted TA	Tax Administration	Africa	Not yet.
15	Mauritania	Yes	Targeted TA	Tax Administration	Middle East and Central Asia	LOC signed by the Minister of Finance on March 7, 2016.
16	Myanmar	Yes		Tax Policy and Administration	Asia Pacific	LOC signed by the Deputy Minister of Finance on December 22, 2016. A potential MTRS country.

	Country	Project Proposal approved by the SC	Scope	Coverage	IMF Region	Project formally endorsed by the authorities (MOP or LOC)/comments
17	Mongolia	Yes	Intensive TA	Tax Administration	Asia Pacific	MOP between the General Department of Taxation and the IMF signed on February 9, 2017. Tax policy module to be scoped in FY18.
18	Paraguay	Yes	Targeted TA	Tax Administration	WESTERN HEMISPHERE	Not yet.
19	RA-FIT	Yes	Targeted TA	Tax Administration	N/A	N/A.
20	Revenue Forecasting	No	Targeted TA	Tax Policy and Administration	N/A	NA
21	Sao Tome	No	Targeted TA	Tax Administration	Africa	Not yet approved by the SC.
22	Senegal	Yes	Intensive TA	Tax Policy and Administration	Africa	Not yet. A potential MTRS country.
23	Sierra Leone	No	Targeted TA	Tax Administration	Africa	Not yet approved by the SC.
24	Sri Lanka	Yes	Targeted TA	Tax Administration	Asia Pacific	MOP between the Inland Revenue Department and the IMF signed on February 3, 2017. Minor changes were made to the log frame.
25	Swaziland	No	Targeted TA	Tax Administration	Africa	Not yet approved by the SC.
26	WAEMU	Yes	Targeted TA	Tax Policy	Africa	Not yet.
X	Central African Republic	No	N/A	N/A	N/A	Proposal being finalized and will be presented to SC in future.
X	Congo, DRC	No	N/A	N/A	N/A	Scoping mission had to be cancelled but discussions with the authorities and the World Bank are under way.
X	Guinea	No	N/A	N/A	N/A	Scoping mission was undertaken but project proposal still being discussed with the officials.
X	Tanzania	No	N/A	N/A	N/A	TA request received but assessment mission has not taken place and information waited on specific needs.

D. Highlights of RM-TF Project Portfolio

Intensive TA Projects:

63. **Georgia:** The three-year intensive TA project, that has been approved by the SC and formally endorsed by the officials, will focus on improving revenue mobilization by taking a comprehensive approach to change, strengthening tax policy design, improving management and governance arrangements, and building capacity in core tax administration functions. It will build on the outcomes obtained and lessons learned from earlier FAD support, including the TPA-TF-funded project that started in May 2016, and a previous program funded by the government of Japan. It covers five RM-TF modules: Reform strategy and management (M1.1); Tax policy design (module II); Tax administration organization (module III); Tax administration corporate and compliance risk management (module IV); and Tax administration core business functions and (module V).

64. **Guatemala (new):** The three-year intensive TA project focuses on improving the design of the tax system and significantly strengthening the revenue agency, with a view to strengthening governance, management, the effectiveness of core tax administration processes, and raising revenue levels. The project will provide support to the ministry of finance's tax policy unit, which has prepared a set of proposals to modernize the structure of the tax system. It will also support the authorities' initiatives to modernize and restore the tax administration's credibility. The project covers five RM-TF modules: Reform strategy and management (module I); Tax policy design (module II); Compliance risk management (module IV); Tax administration core business functions and procedures (module V), and Training and peer learning (module VII).

65. **Liberia:** The twin shocks in recent years, the Ebola crisis and the sharp decline in global commodity prices, have had a profound impact on the economy. The five-year intensive TA project will help address these challenges by supporting the government's efforts to strengthen domestic revenue mobilization. It will build on the outcomes obtained and the lessons learned from the predecessor TPA-TF project. It will focus on helping reform Liberia's tax system through the introduction of a VAT and improvements in the structure of the PIT and property tax. It will also continue to support strengthening of the tax administration's management and governance arrangements, core tax administration functions, and IT support for these functions. The project comprises five RM-TF modules: Reform strategy and management (module I); Tax policy design (module II), Compliance risk management (module IV), Core processes (module V), and Support functions (module VI). The project has been approved by the SC and formally endorsed by the authorities.

66. **Mongolia:** The three-year intensive TA project seeks to improve taxpayers' compliance and increase Mongolia's tax yield. Beginning in 2016, the IMF, with resources under the TPA-TF, has helped the tax administration design specialized compliance improvement strategies for medium, small, and micro enterprises. The proposed RM-TF will support the implementation of these strategies during 2017 to 2019. Assistance will be provided in the following five project modules: Tax

administration corporate and compliance risk management (module IV); Tax administration core business functions and procedures (module V); Tax administration support functions (module VI); Training and peer learning (module VII) and Fiscal tools development and dissemination (module VIII). The project has been endorsed by the SC and formally endorsed by the authorities.

67. **Myanmar**: The five-year intensive TA project seeks to strengthen further Myanmar's tax administration management, governance, and core tax functions, improve tax policy and legal analysis skills and modernize the tax legislation. It will help implement Myanmar's Medium Term Reform Strategy (MTRS) started in 2012 (Phase I was funded under the TPA-TF) to mature and embed the good progress made to-date. Phase II of the Myanmar MTRS implementation (from 2017 to 2022) will cover six RM-TF modules: Reform strategy and management (module I); Tax policy design (module II), Tax administration organization (module III); Tax administration corporate and compliance risk management (module IV); Tax administration core business functions (module V), and Tax administration support functions (module VI). This project has been approved by the SC and formally endorsed by the authorities. Myanmar is also a potential MTRS country.

Senegal: The two-year intensive TA project aims to support the authorities' economic plan by providing a related revenue mobilization strategy that could help finance its investment and social spending needs. TA under the prior TPA-TF project helped the authorities increase tax revenue to about 20 percent of GDP, but the economic plan aims to increase revenue even further over the medium term, while making the tax system easier to comply with and fairer, in order to improve the business climate and support equally needed private investments. The project comprises four RM-TF modules: Tax policy design (module II); Tax administration organization (module III); Tax administration core business functions and procedures (module V); and Tax administration support functions (module VI).

Targeted TA Projects

68. **Benin:** The authorities have launched an ambitious policy program focused on improving governance and boosting public investment, with significant fiscal implications. The three-year TA project, which has been approved by the SC and formally endorsed by the officials, will support the government' efforts to modernize tax administration and to improve tax performance. It will progress work that has already started under the predecessor TPA-TF project, considering the government's plans and fiscal challenges it faces. It comprises two key RM-TF modules: Compliance risk management (module IV), and Core tax administration processes (module V).

69. **Bolivia:** The fall in international hydrocarbons prices has underscored the need for strengthening non-energy revenue. A three-year targeted TA project that seeks to increase taxpayer compliance and revenue was approved by the SC and formally endorsed by the authorities. It will build on TA provided under the predecessor TPA-TF project and focus on strengthening tax administration in Bolivia to increase taxpayer compliance and revenue. It covers five RM-TF modules: Tax administration corporate and compliance risk management (module IV); Tax administration core

business functions and procedures (module V); Training and peer learning (module VII) Fiscal tools development and dissemination (module VIII), and Research and analytical work (module IX).

70. **Cabo Verde:** The country faces challenges in achieving its policy agenda, particularly on the revenue front. The five-year targeted TA project, which has been approved by the SC and formally endorsed by officials, will focus on strengthening revenue administration management and governance arrangements, and core tax administration functions. It will consolidate the results achieved by the tax and customs agency under the predecessor TPA-TF project. The project covers three RM-TF modules: Reform strategy and management (module I); Tax administration core business functions and procedures (module V); and Support functions to enable more effective delivery of strategy and reforms (module VI).

71. **Côte d'Ivoire:** The project aims to help the authorities improve domestic revenue mobilization, particularly the VAT. The three-year project will focus on further strengthening compliance risk, and tax administration core and support functions, building on, and consolidating, work supported under the TPA-TF which produced good results. It comprises three RM-TF modules: Compliance risk management (module IV); Core processes (module V); and Support functions (module VI). This project has been approved by the SC but formal endorsement of the authorities has not been received.

72. **Ethiopia:** Mobilization of domestic resources through the tax system is key to reaching the authorities' goals of their Growth and Transformation Plan (II)**.** This is a one-year project to enable participation in multi-partner efforts toward preparation of a MTRS and provide targeted TA to further strengthen foundational core processes around taxpayer compliance (Tax Administration Core Business Functions and Procedures: module V): This work will build on previous outcomes and lessons learned through the TPA-TF, the results of the recent TADAT assessment, and has been aligned with other donor support in Ethiopia. It is expected that the outcome of this project will be a MTRS and subsequent agreement on TA needs and role of the IMF and other development partners. This project has been approved by the SC but formal endorsement of the authorities has not been received.

73. **Guinea Bissau:** The five-year targeted TA project, that has been approved by the SC and formally endorsed by the authorities, will consolidate the outcomes obtained and the lessons learned under the TPA-TF and support revenue mobilization by building capacity in the areas of tax policy and administration. It comprises five RM-TF modules: Reform strategy and management (module I); Tax policy design (module II); Compliance risk management (module IV); Core processes (module V); and Support functions (module VI).

74. **Haiti:** The three-year project will complete the tax policy and legislative drafting work started under the TPA-TF project. Although this earlier project suffered many delays, related to data issues and the absence of a local Working Group on the Tax Code, the FAD completed all planned studies except one. Moreover, the new Working Group has started work on the Tax Code, which has

provided a renewed opportunity for TA to support legislative drafting. This project has been approved by the SC but formal endorsement of the authorities has not been received.

75. **Honduras (new):** The three-year project seeks to improve equity, transparency and efficiency of the tax system, as well as modernize the revenue administration to increase taxpayer compliance and revenue performance. The original project proposal approved by the SC comprised four RM-TF modules: Tax policy design (module II); Compliance risk management (module IV); Tax administration core business functions (module V); and Fiscal tools development and dissemination (module VIII).

76. **Mali:** The country is a fragile state that continues to be beset by many challenges. Despite this fact, country officials have implemented several tax policy and administrative measures to improve the structure of the tax system and to strengthen and sustain revenue mobilization, including with the support of the TPA-TF. The three-year project will consolidate gains made under the TPA-TF by helping the Malian tax administration further modernize tax administration and improve tax revenue performance. In this regard, it focuses on three RM-TF modules: Tax administration corporate and compliance Risk management (module IV); Tax administration core business functions and procedures (module V); and Tax administration support functions (module VI). This project has been approved by the SC but formal endorsement of the authorities has not been received.

77. **Mauritania:** The three-year targeted TA project will focus on strengthening tax administration compliance risk management and core tax functions, with a view to improving revenue mobilization. It will build on the outcomes obtained and lessons learned from earlier FAD support, including the project funded under the TPA-TF that commenced in January 2012 and runs through April 2017. The project, which has been approved by the SC and formally endorsed by the authorities, covers two RM-TF modules: Tax administration corporate and compliance risk management (module IV); and Tax administration core business functions (module V).

78. **Paraguay:** This targeted, three-year project seeks to strengthen the management of the tax administration to raise the revenue needed for success of the authorities' National Development Plan

for 2014–30. It will consolidate the results achieved by the SET, and is built on the outcomes obtained and lessons learned from the predecessor project under the TPA-TF. It focuses on four RM-TF modules: Tax administration corporate and compliance risk management (module IV); Tax administration core functions and procedures (module V); Training and peer learning (module VII); and Fiscal tools development and dissemination (module VIII). The project has been approved by the SC but formal endorsement of the authorities has not been received.

79. **Sao Tome and Principe (new):** The country is implementing its macroeconomic and financial reform program but faces significant risks to achieving its goals. It is heavily dependent on grants and its tax-to-GDP ratio is very low. The targeted three-year project seeks to strengthen the tax administration's operational capacity, support the introduction of the VAT, and set the foundation for a modern tax administration. It focuses on five RM-TF modules: Reforms strategy and management (module I), Tax administration organization (module III), Tax administration core business functions and procedures (module V), Tax administration support functions (module VI), and Training and peer learning (module VII).

80. **Sierra Leone (New):** Sierra Leone is slowly recovering from the Ebola crisis and a sharp drop in world iron ore prices in 2014-15 but its fiscal situation remains fragile. In support of Sierra Leone's need for enhanced revenue mobilization, this project has three objectives: help build a phased revenue reform strategy that will support the authorities' medium-term revenue objectives (Reform strategy and management: Module I); further strengthen the core processes in taxpayer compliance (Tax administration core business functions and procedures: module V): and strengthen the compliance risk management framework to encourage voluntary compliance and strengthen the self-assessment regime (Tax administration corporate and compliance risk management module IV): This work will be coordinated with ongoing TA provided by other partners and AFRITAC West 2. This proposal has been forwarded to the SC for approval. Box 4 below discusses how TADAT can be used to improve design of reform programs and TA projects, illustrated using the case study of Sierra Leone. This will inform the design of future projects.

Box 4. Sierra Leone: Integrating TADAT in Designing Tax Administration Reform and TA Plan

Tax Administration Reform Preparedness (April – July 2016):

- ✓ The authorities requested a TADAT diagnostic mission to help inform a baseline of tax administration reform needs. The TADAT Secretariat trained tax administration managers and staff in the TADAT methodology and the tax administration staff conducted a mock TADAT assessment with draft Performance Assessment Report (PAR). The authorities' initiative to conduct pre-mission training and a mock TADAT assessment enhanced overall understanding and up-front buy-in of the TADAT performance assessment framework. The tax administration's preparations provided a participatory, open and transparent environment that increased the capacity of officials to take a critical look and what, why and how they were conducting tax administration operations. The buy-in greatly facilitated the TADAT assessment.

Diagnostic Assessment (August):

- ✓ FAD and HMRC[25] staff conducted a TADAT assessment. The assessment identified some strengths identified in the system of tax administration, including the extensive information provided to taxpayers through various channels, withholding tax at source and advance payment arrangements, good external oversight of financial and operational performance, etc. Key weaknesses include: an inadequate and unreliable taxpayer registration database; lack of an interface between and design weaknesses in the two separate IT systems used for tax administration, lack of a structured risk management program, parallel (and high usage) of manual operations outside of the tax IT systems that exacerbates data inaccuracies in the core compliance areas, etc. The tax administration's mock PAR scores were compared after the drafting of the official PAR – scores were similar, reflecting the quality of preparedness and commitment of the official.

Reform Prioritization and Strategy Design (September 2016 to April 2017) and TA Plan:

- ✓ The authorities took initial steps to address the weaknesses identified through TADAT. It: developed or reviewed standard operating procedures, a taxpayer service strategy paper, business processes and forms; commenced a data cleansing exercise (clean up, updating taxpayer registration); conducted a data-matching exercise to feed into the risk management and audit programs; and strengthened stakeholder engagement to boost taxpayer education. A post-TADAT implementation plan was also developed by the authorities but assessed by FAD to lack prioritization and sequencing and was overly ambitious (expected to address nearly all weakness identified in TADAT within 12 to 18 months). A post-TADAT FAD mission helped the authorities finetune design of the reform plan using the following key inputs: TADAT Diagnostic Baseline; country domestic resource mobilization priorities; other TA provider's current and future workplans; and capacity assessment of the tax administration. Key reforms agreed on include: establishment of modernization office and a consolidation of all reform initiatives; improved processes for tax filings, payments and assessments; a graduated dispute resolution process; an improved compliance risk management framework; and an effective and efficient organizational structure that supports ongoing reforms. A TA plan to support these reforms was drafted for three years (FY2018-FY2020) during the April 2017 mission and was finalized with the tax administration. It includes baseline indicators and end-state targets based on the relevant TADAT performance outcome area score.

Validation of Reforms:

- ✓ A RA GAP study will be conducted (2019/2020). The results will be used to further finetune the reform and TA plan.
- ✓ Follow-up missions will take stock of reform and assist with reform implementation (2018-2020).
- ✓ A repeat TADAT assessment (2019/2020).

Main Conclusions:

- ✓ Institutionalizing the framework of TADAT into the authorities' performance plans, creates ownership.
- ✓ A post TADAT strategic mission is critical to assist the authorities determine the causes of the weaknesses and chart the way forward by prioritizing and sequencing reform initiatives. The reform plan must consider socio-economic factors, political commitment and overall human and capital resource capacity of the tax administration.

[25] UK's Her Majesty Revenue and Customs.

81. **Sri Lanka (new):** This (targeted) project's overall aims are to increase the tax yield and improve taxpayers' compliance. This will be achieved by enhancing tax administration management and governance arrangements, and strengthening core tax administration functions. Specifically, the RM-TF project will support the implementation of the VAT reforms and their eventual extension to income taxes during the period 2017-20. The minister of finance sought support through the RM-TF following a September 2016 FAD mission that provided guidance on progressing implementation of the VAT and identified areas where further TA is needed. The three-year project, which the authorities have endorsed, covers four RM-TF modules: Tax administration corporate and compliance risk management (module IV); Tax administration core business functions and procedures (module V); Training and peer learning (module VII), and Fiscal tools development and dissemination (module VIII).

82. **Swaziland:** Swaziland's economy has faced major shocks over the past year which have put the country's public finances under great pressure. This project will further strengthen Swaziland's tax administration structures and compliance activities. It will build on the Swaziland Revenue Authority's (SRA) overall modernization strategy expressed in its strategic plan, and on the foundations set through the SRA's five-year participation in the TPA-TTF. The aim of this project is twofold: to solidify and enhance improvements already made to its function-based tax administration structure by modernizing more fully its operational delivery, and to establish a comprehensive compliance strategy for the entire organization including customs. Specifically, the proposed RM-TF project involves focused assistance in two areas: organization and compliance. This will require activating two RM-TF modules: module III - tax administration organization and module IV - tax administration corporate and compliance risk management. Work on both modules can be completed in the 2017 to 2020 timeframe. This three-year project has been forwarded to the SC for approval.

Regional and Other Projects

83. **EAC:** The EAC treaty provides that member states shall harmonize their tax laws to eliminate distortions to the free movement of goods and services, capital, and labor within the community. The three-year TA project, which has been approved by the SC and endorsed by the EAC, will build on assistance provided under the TPA-TF and assist in the design of a tax harmonization framework. In this regard, it will assist the EAC in two key areas: continue to develop capacity in tax treaties, through workshops on treaty negotiations skills, relevant international taxation issues, and exchanging experiences on how countries use the common tax treaty policy framework; and commence work with EAC members on tax coordination in three key areas: excise taxes, VAT, and the CIT.

84. **CEMAC:** The new TA project will support the efforts of the CEMAC's Commission in strengthening tax policy coordination and harmonization among its member countries. This will be achieved through the updating of existing regional instruments covering, *inter alia*, VAT, excise taxes, CIT, and PIT. It will also provide advice on issues that are not currently covered by regional

instruments but where regional coordination would be valuable given member countries' inconsistent or inexistent policies, for example with regards to transparency around tax expenditures and measures to protect domestic tax bases against international tax planning. Finally, the project will assist the Commission in addressing harmful tax competition, including by developing sectoral-based regional codes for mining, oil, and forestry. This project has been approved by the SC but formal endorsement of the authorities has not been received.

85. **RA-FIT:** This project builds on earlier FAD support received under the TPA-TF by assisting agencies to collect and share data on the performance of their agencies. It seeks to meet these objectives through a comprehensive TA directed to LLMICs to provide: assistance *to beneficiary countries,* both to complete the survey but also to build capacity in performance monitoring; o*utreach* via regional training workshops, webinars and the development and production of training material, to better equip survey participants and to promote the benefits of data driven reforms of revenue administrations; and analysis and quality assurance, which will involve ongoing data review, methodological enhancements, and preparation of analyses to draw cross-country lessons.

86. **Training:** The project seeks to introduce an innovative approach to delivering TA on tax policy analysis and revenue forecasting by tying closely together online training and face-to-face follow up assistance in countries with active RM-TF TA programs. This proposal is in line with the RM-TF program document both because sound revenue forecasting is an essential tool that enables governments to manage and maximize their tax capacity and because this project places an emphasis on human capital development through learning and leveraging the potential synergies between TA and training. Moreover, the use of online training will also enable efforts to promote gender balance among IMF training participants.

87. **WAEMU:** The region has made significant progress toward these objectives since the establishment of the customs union in 2000. This has included partial harmonization of VAT and excise taxes, and to a lesser extent taxes on profits. TA under the TPA-TF helped move forward this process. The three-year project builds on the progress of the TPA-TF, and in that sense, has similar objectives: improve the harmonization framework to better serve the objectives of the WAEMU treaty. It will take forward two of the proposals currently under way (tobacco taxation and "tax transition" program), and the taxation of the financial sector. Other TA activities at the country level (nearly all WAEMU members benefit from FAD TA) complement this work, especially by helping countries account for the constraints set by regional directives, while achieving their national objectives. This project has been approved by the SC but formal endorsement of the Commission authorities has not been received.

IV. Other Issues

A. Outreach activities

88. **Outreach activities during FY17 revolved around preparations for the RM-TF.** In this regard, the RM-TF program document was distributed widely to country officials attending the Annual Meetings in October 2016 and the Spring Meetings in April 2017, as well as during TA missions and by mail. A summary brochure (Overview of the RM-TF) was prepared in English, Spanish, and French. These have also been distributed widely and country officials have found them very useful.

89. **The RM-TF website was revamped and integrated with the IMF's Capacity Development web portal.**[26] The website now follows the IMF's web publishing standards and is accessible through links in related stories on the IMF's Capacity Development website which aims to bring to the fore the most relevant news, information and publications at any given moment. For example, the portal visitors will now be guided to information on RM-TF both when they are reading about examples of IMF's capacity work in tax administration and when they are reviewing the IMF's existing partnerships for capacity development. Specific changes to the RM-TF website included updated content and the introduction of improved navigation links for quick access to the specific subsections.

90. **During the Spring Meetings in April 2017, a presentation on the RM-TF TA program focusing on improving tax collection in Mongolia was featured in the official program.** It was part of the "Postcard from…" series of interactive presentations on the ongoing capacity development initiatives, involving respective country officials and the IMF staff involved in the implementation of the program. The video of the "Postcard from Mongolia" is available on RM-TF web page: http://www.imf.org/external/np/ins/english/RM-TF.htm

91. **An interdepartmental team comprising RM-TF staff won a small internal innovation grant to develop a proof of concept for introducing "gamification" to the capacity development tool kit.** As part of the IMF-wide challenge for new ideas regarding the use of modern technology in furthering capacity development objectives, the initiative of developing smartphone or online games around the key concepts of technical advice was noted by the selection panel. If proof of concept is successful, the intention is to seek RM-TF financing and pilot application of this new approach in one of the RM-TF programs. The expectation is that "gamification" could complement the standard TA delivery modalities, broaden the audience for the technical advice and therefore better entrench reforms.

---

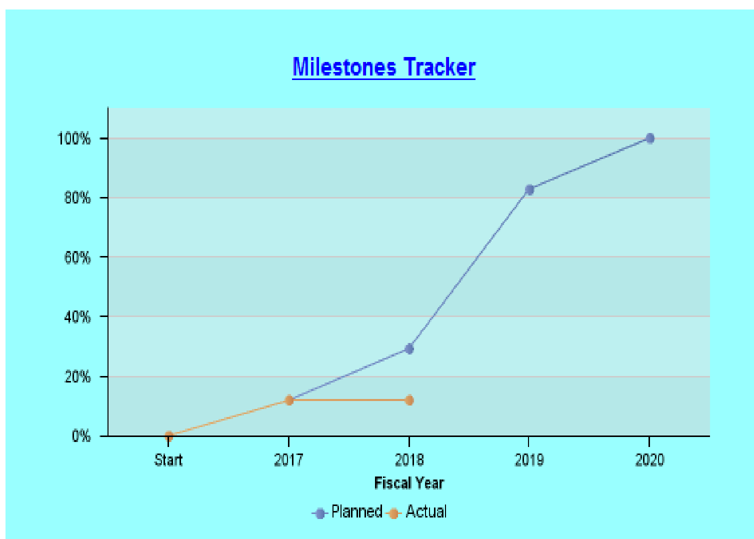
[26] IMF Capacity Development website is accessible at http://www.imf.org/external/np/ins/english/.

B. RBM and RM-TF

92. **Over the last year, the Fund has made significant progress in implementing the Results-based Management (RBM) framework.** In 2015, the IMF embarked on a Fund-wide RBM project for all TA and training. Its roll out and operationalization is a major priority for the Fund for FY18 with the RM-TF (and the MNRW) spearheading its use for improved TA monitoring by all stakeholders, including country officials, IMF staff, and donors. The following areas of progress are particularly worth highlighting:

- **Project design**: All RM-TF fund projects were designed with log frames based on the IMF's standardized catalog of results, as summarized in the RM-TF program document. The projects include a risk assessments based on pre-defined risk dimensions. This contributed to more coherent and robust project design with a stronger emphasis on results and risk management.

- **Project and portfolio management**: All RM-TF projects have been entered into the IMF's new RBM software which allows for improved project management and monitoring. With the roll-out of the software, RM-TF project managers will be able to better manage and track project financials, monitor progress and manage risks. At the program level, the new software allows to monitor various aspects of a portfolio of projects. RM-TF project managers now have a better overview and hence are better able to strategically steer a portfolio. All RM-TF project managers have been trained and will be guided and assisted throughout the process.
- **Results monitoring and reporting**: The roll-out of the RBM framework could help strengthen results monitoring and reporting. From the next SC cycle, individual project progress reporting could be based on tracking project milestones and outcomes (on an annual basis in the case of the latter). This will provide a simple and easy to understand view on project on-trackness (see milestone tracker). In addition, all project will report against the log frames using the IMF's standardized catalog of results which will provide more comparability across projects and a stronger focus on outcomes.



Appendix 1. Historic Performance of TPA-TF Projects

TPA-TTF	2012E	2013M	2013E	2014M	2014E	2015M	2015E	2016M	2016E	2017M	2017E	Change in Performance FY17E/ FY16E
Bangladesh												
Modules 3, 6		1.4	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	0.0
Benin												
Modules 1, 4									2.0	2.0	3.5	1.5
Bolivia												
Modules 3, 6					2.3	2.9	3.3	3.3	3.3	3.3	3.5	0.2
Module 4					2.0	3.0	3.3	3.3	3.3	3.3	3.5	0.2
Burundi												
Modules 3, 4, 5, 6				1.0	2.4	2.6	2.6	2.6	2.6			suspended
Cape Verde												
Modules 3			2.0	2.7	3.7	4.0	*A					
Modules 4			2.3	2.7	3.0	3.0	4.0	*A				
Modules 8			1.7	2.3	2.7	2.7	2.7	3.7	3.7	3.7	3.8	0.2
Cote d'Ivoire												
Module 4, 6				1.0	1.5	2.0	2.3	2.3	2.5	3.3	3.5	1.0
Cross-Africa												
Module 9		1.0	3.0	3.0	4.0	*A						
EAC												
Module 3						1.0	2.0	2.0	2.0	2.7	2.7	0.7
ETR												
Module 10		2.0	2.0	2.0	3.0	3.7	4.0	*A				
Ethiopia												
Module 5						2.0	2.0	2.0	**H			
Module 6		1.0	1.7	1.7	1.7	2.3	2.3	2.7	3.0	3.0	3.2	0.2
Module 7						2.7	3.0	3.3	3.3	***C		
Module 9		2.0	2.0	2.0	4.0	*A						
Georgia												
Module 1									1.0	2.0	4.0	new
Module 4									1.0	2.0	2.0	new
Module 6									1.0	2.0	2.3	new
Module 7									1.0	4.0	***C	new
Guinea Bissau												
Modules 1, 4, 5	2.0	1.5	1.5	1.5	1.4	2.6	2.7	3.1	3.1	3.2	3.3	0.2
Haiti												
Module 3		1.5	2.0	2.0	2.3	2.3	2.3	2.6	2.9	2.9	3.1	0.2
Module 4	1.0	1.7	3.0	3.0	2.7	3.0	3.3	3.3	3.3	3.3	***H	suspended
Kyrgyz												
Module 3				1.0	1.3	1.7	**H					
Module 4				1.0	1.0	1.0	**H					
Module 6	1.0	2.0	3.0	3.0	3.0	1.5	**H					
Liberia												
Module 3	2.3	2.3	2.0	2.0	3.0	**H						
Module 4	1.5	1.5	2.0	2.0	2.5	4.0	*A					
Modules 5, 6, 7	1.8	2.3	2.9	3.1	3.4	3.4	3.4	3.4	3.4	3.6	3.6	0.2
Mali												
Modules 3, 5, 6						1.0	1.6	2.0	2.2	2.4	2.5	0.4
Mauritania												
Module 4, 5	1.2	1.2	2.5	3.0	4.0	*A						
Module 6				1.0	2.0	2.0	2.0	2.0	2.2	2.6	3.0	0.8
Module 8		1.0	2.0	4.0	4.0	*A						
Myanmar												
Module 1			1.0	2.0	3.0	3.0	3.0	3.5	3.5	4.0	*A	0.5
Module 2, 3, 4, 5				1.0	1.7	1.9	2.0	2.7	3.0	3.4	3.5	0.5
Mongolia												
Modules 4, 5, 6, 7								2.3	2.1	2.3	2.9	0.8
Nepal												
Modules 3, 5, 6		1.0	2.0	2.0	1.5	1.5	1.7	2.0	2.3	2.3	2.3	0.0
Paraguay												
Modules 5, 6				1.0	1.7	1.7	2.2	2.6	3.0	3.0	3.2	0.2
RA-FIT (2nd project)												
Module 10							1	2.0	3.0	3.5	4.0	1.0
Senegal (1st project)												
Modules 3, 4, 5, 6	1.8	2.6	3.0	3.2	3.3	3.3	***C					
Senegal (2nd project)												
Modules 4, 5, 6								1.9	1.9	1.9	3.0	1.1
Module 8									1.0	1.0	2.5	1.5
Swaziland												
Module 4	1.0	3.0	4.0	4.0	*A							
Module 5					2.3	2.3	2.8	3.0	3.3	3.5	3.5	0.3
Module 6							2.0	2.3	3.0	3.5	3.5	0.5
WAEMU												
Module 1			1.0	4.0	4.0	*A						
Module 3			1.0	1.3	1.3	3.0	3.3	3.3	3.7	3.7	3.7	0.0
West Bank Gaza												
Module 3		1.0	2.0	2.0	2.0	2.0	**H					

* A=Achieved **H = Halted ***C = Concluded

Appendix 2. TPA-TF Scoring Methodology (extract from FY15 mid-year report to the SC)

Box 1. Keeping Track of Project Scores and Country Progress: the TPA TTF Approach

Starting with the FY14 annual report, a new results-based management (RBM) approach has been introduced. Table 2 summarizes the evolution of scores for each project under this approach, supported by a series of one-page descriptions of the developments in each country. At the June 2014 SC meeting, donors welcomed the new RBM approach and asked staff to keep enhancing the analysis by (1) clarifying the meaning of the aggregated scores and (2) describing the qualitative story about the achievements behind the numbers.

(1) The aggregated scores gauge how countries are moving toward the intended outcomes. Projects are assessed using a numerical scoring system from 0 to 4—denoting a gradual scale of outcome performance, from not started to fully achieved. Scores close to 4 depict an advanced stage of implementation. The ideal path would be a continuous evolution from 1 to 4 over the lifetime of a project. However, cross-country comparisons should be made cautiously because there are some caveats when interpreting those numbers:

- Projects have, on average, 2.5 modules and 7 outcomes. Outcomes are scored, and the simple average of these scores leads to the module score. The weighted average (weighted by budget) of module scores leads to the project aggregated score. However, when modules start in different times, the newer modules (scored at 1) would drag the entire average down. To avoid misleading the reader, Table 2 only aggregates information when modules start at the same time.
- Score progress should take in consideration the age of the projects; for example, a score of 2 does not mean the same if projects are at different points in time. Figure 5 highlights the aggregate scores and the lifetime of a project to enhance analysis comparability.

(2) The story behind the scores is a key component of the assessment. This report enhances the analysis between the progress in scores and the concrete country achievements (see Section IV).

Appendix 3. Tax Revenue Data

SLF's Overall Indicator: Tax-to-GDP

	2010	2011	2012	2013	2014	2015	2016
TPA-TTF Average	**14.8**	**15.1**	**16.4**	**16.3**	**16.5**	**16.6**	**16.2**
TPA-TTF Median	13.7	12.7	14.6	15.3	14.7	15.3	15.9
Bangladesh	7.8	8.7	9.0	9.0	8.6	8.5	8.8
Benin	15.2	14.5	14.4	14.8	14.6	14.5	12.6
Bolivia	26.3	28.9	31.8	33.7	33.7	31.3	25.6
Burundi	13.7	15.7	14.6	13.1	12.6	11.4	11.3
Cabo Verde	19.0	20.0	18.3	18.3	17.5	19.3	19.2
Côte d'Ivoire	15.6	12.3	16.2	15.6	14.7	15.3	15.9
Ethiopia	11.2	11.5	11.5	12.3	12.5	12.7	12.5
Georgia	23.5	25.2	25.4	24.7	25.1	25.1	26.0
Guinea-Bissau	8.0	7.8	7.7	6.8	8.5	10.1	9.6
Haiti	11.5	12.7	12.8	12.1	12.1	13.4	13.5
Liberia	18.8	19.5	21.1	18.5	18.9	18.8	17.7
Mali	12.8	11.9	11.9	12.3	12.5	14.0	15.0
Mauritania	13.0	12.6	16.1	15.9	17.2	17.2	17.2
Mongolia	24.2	26.1	21.7	22.1	19.3	17.7	16.0
Myanmar	3.3	3.6	6.3	7.3	7.8	7.5	7.7
Nepal	13.0	12.6	13.3	15.3	15.9	16.8	18.9
Paraguay	12.1	12.6	12.8	12.3	12.7	12.8	12.6
Senegal	18.7	19.0	19.0	18.3	19.6	19.8	20.4
Swaziland	19.3	19.4	29.6	28.5	29.1	27.1	22.7

Source: World Economic Outlook; Mongolia – Staff reports

Appendix 4 TPA-TF Strategic Log Frame (Revision: June 2014)

Impact Level	**Overarching Objective**: Increased revenue mobilization to support fiscal sustainability and long-term growth. **Overall Indicator**: Average tax-to-GDP ratio trends up over time (in all participating countries).			
Strategic Objectives	**Indicators**	**Sources of Baseline**	**Progress on indicators**	**Risks and Mitigation**
Strategic Objective 1 Increased effectiveness of tax systems in participating countries	Indicator 1.1 Number of countries that have adopted and resourced a clear reform strategy	Initial project proposal and periodic assessments by project managers.	Available at country level, but not yet aggregated. Depends on each project manager's input.	Changes to the reform strategy pose risk, but not necessarily negative unless ill conceived.
Strategic Objective 2 Simpler, more transparent, and productive regimes are in place	Indicator 2.1 Number of countries with transparently reported tax expenditures	RA-FIT, government public websites, and information from project managers.	Very few TPA countries self-declare compliance with this indicator. Available at country level, but not yet aggregated. Depends on each project manager's input.	Political unwillingness to transparently divulge and/or quantify tax concessions. Difficulties in capturing data and implementing a sound methodology.
	Indicator 2.2 Number of countries where VAT productivity trends up over time	FAD database on VAT productivity and other public sources, but covers only partially the TPA countries and data often lack robustness.	Country specific baselines available for some program countries and regional averages possible for others.	Multiple VAT rates can distort productivity ratio.
Strategic Objective 3 Increased efficiency of participating revenue administrations	Indicator 3.1 Number of countries where the cost of collections trends down over time	RA-FIT: specific country baselines available for most TPA beneficiaries or regional averages for others.	Baselines for most program countries available. Second round of RA-FIT to be concluded only in 2014/Q3. Data reporting to be done in the mid-year report.	Revenue agencies with customs and non-core tax functions can distort costs, and the absence of donor capital costs can understate the ratio. Apportionment and inclusion of donor contributions can improve comparability.
	Indicator 3.2 Number of countries where compliance rates trend up (filing, debt, audit)	RA-FIT: data are usually available for on-time filing; data on debt and audit are generally missing for TPA countries.	Baselines for most program countries available. Second round of RA-FIT to be concluded only in 2014/Q3. Data reporting to be done in the mid-year report.	The absence of compliance data signals a need for reform, and is an area of significant attention in the TPA programs that includes creating systems to track compliance metrics.
	Indicator 3.3 Number of countries where taxpayer perceptions of service delivery trend up	RA- FIT will include a question on taxpayer services in the second round. Obtaining results of taxpayer perception surveys will be more difficult.	One specific TPA country (Liberia) is being targeted on this indicator. However, project managers to update whether other countries have taxpayer surveys.	If not performed independently, the results may not be objective and give a distorted view of taxpayer perceptions. Mitigated by using independent surveyors and robust methodology.

Strategic Log Frame Reference Sheet

- Overarching Objective and Overall Indicator: highest strategic objective and associated indicator of the TPA-TF at the impact level. Both are based on the TPA-TF Program Document (April 2011), ¶32 and ¶33, which read: “the overarching objective of TA in revenue policy and administration in low- and lower middle-income countries is to ensure that needed public spending is financed without jeopardizing fiscal stability” and “the main outcomes to be expected from a reform program should include…improved revenue performance, especially where the tax-to-GDP ratio is below the levels required for fiscal sustainability and longer-term growth”.

- Strategic Objectives: the objectives that support the achievement of the overarching objective.

- Indicators: Key performance indicators associated with the achievement of the strategic objectives. All indicators for the TPA-TF to be reported showing the results in terms of numbers (and/or associated percentages) of participating countries meeting the criteria. For example, indicator 1.1 would show that “a clear reform strategy has been adopted and resourced in x (or x percent) of participating countries”.

- Strategic Objective 1: Effectiveness of the tax system refers to a tax system that operates under the desired principles laid out in the TPA-TF Program Document (April 2011), namely a system that has: efficiency/neutrality; simplicity and transparency; equity; high revenue generating capacity; harmonization/coordination with other systems; greater reliance on domestic taxes; feasibility; and integration.

- Strategic Objective 2: Simplicity and transparency as defined in the TPA-TF Program Document (April 2011): taxes with simple rules; few and low rates; minimal exemptions; and a clear, wide, and measurable base. Productivity is measured by the VAT productivity indicator; taxes with few exemptions and a wide base are more productive.

- Strategic Objective 3: Efficiency of the revenue administration refers to an administration that operates under the desired principles laid out in the TPA-TF Program Document (April 2011), namely: the existence of a proper legal framework; efficient organizational and staffing arrangements; a system of self-assessment; streamlined collection systems and procedures; service oriented approaches; risk-based audit and other verification programs; extensive use of IT; modern HR practices; effective models for ongoing institutional change; and an environment of integrity and good governance.