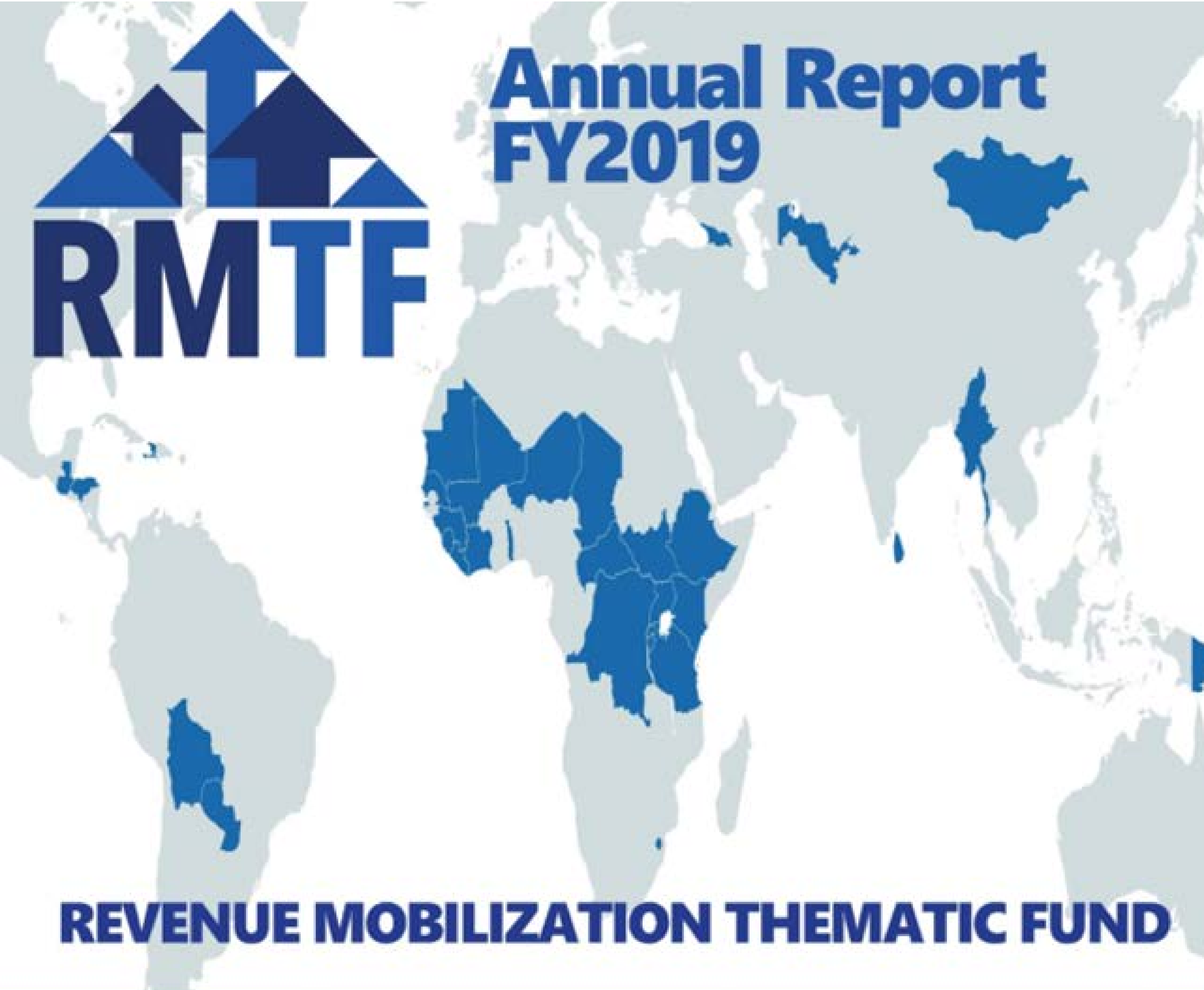
RMTF

Annual Report FY2019



REVENUE MOBILIZATION THEMATIC FUND

An IMF Initiatve implemented in partnership with:

Australia

Belgium
partner in development

Denmark

EUROPEAN UNION

ACP-EC Partnership Agreement

Germany

Japan

Luxembourg

Netherlands

Norwegian Ministry of Foreign Affairs

Norway

Ministry of Strategy and Finance

Republic of Korea

Sverige

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REVENUE MOBILIZATION THEMATIC FUND
FY2019 ANNUAL REPORT

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ACRONYMS

ADB	Asia Development Bank
AfDB	African Development Bank
ATAF	African Tax Administration Forum
CD	Capacity Development
CEMAC	Central African Economic and Monetary Community
CIAT	Inter-American Centre of Tax Administrations
CRM	Compliance Risk Management
DfID	UK's Department for International Development
EAC	East African Community
EU	European Union
FAD	IMF's Fiscal Affairs Department
FY	Fiscal Year
GDP	Gross Domestic Product
HIC	High Income Country
HR	Human Resources
HQ	Headquarters
ISORA	International Survey on Revenue Administration
IT	Information Technology
KPI	Key Performance Indicators
LTO	Large Taxpayer Office
LLMIC	Low and Lower-Middle Income Country
MTO	Medium Taxpayer Office
MTRS	Medium-term Revenue Strategy
OTA	US Treasury Office of Technical Assistance
PNG	Papua New Guinea
RA-GAP	Revenue Administration Gap Analysis Program
RA-FIT	Revenue Administration Fiscal Information Tool
RBM	Results-Based Management
RM	Revenue Mobilization
RMTF	Revenue Mobilization Thematic Fund
SC	Steering Committee
SDGs	Sustainable Development Goals
SSA	Sub-Saharan Africa
TADAT	Tax Administration Diagnostic Assessment Tool
TPA TF	Tax Policy and Administration Thematic Fund
VAT	Value-Added Tax
WAEMU	West African Economic and Monetary Union
WCO	World Customs Organization

EXECUTIVE SUMMARY

Fiscal year 2019 (FY19) marked the second full year of intensive capacity development (CD) support for low- and lower middle-income countries (LLMIC) via the Revenue Mobilization Thematic Fund (RMTF). This annual report to the steering committee (SC) of the RMTF outlines CD progress from May 2018 to April 2019. In particular, it reviews the RMTF's financial status and expenditures during the year, and assesses operations of the work program and the key achievements and developments.

CD activities were scaled up during FY19, continuing a trend (Figure 1) that started during the era of the Tax Policy and Administration Thematic Fund (TPA-TF),[1] FY2012 to FY2017. A total of 36 CD projects have been activated under the RMTF, as at April 30, 2019, covering a broad range of revenue mobilization (RM) issues and large geographical area. Africa and the Asia Pacific region account for 75 percent of the RMTF budget portfolio.

Several key reforms were implemented in the RMTF beneficiary countries with good results. A number of milestones were achieved, including with respect to (i) drafting or enactment of new laws or regional policy notes and directives; (ii) preparation of tax expenditure estimates; (iii) rollout and increased use of additional e-services; (iv) implementation of integrated taxpayer registers and cleansing of taxpayer data; (v) wider use of third-party data and improved compliance risk management (CRM) approaches; and (vi) improved tax administration processes and information technology (IT) systems (See RMTF at a glance below and Section III). In terms of progress toward outcomes, most projects have posted an RBM score[2] of between 2 to 3, on a rating scale of 1 (not achieved) to 4 (fully achieved). This is in line with expectations as some projects enter their third and final year. Countries that have achieved impressive results include Benin, Bolivia, and Eswatini (Swaziland). Overall, a total of 12 RMTF-beneficiary countries (out of 27) posted improved revenue performance during 2018—Figure 2.

As a welcome new development, a number of RMTF-beneficiary countries have expressed their keen interest in preparing Medium-term Revenue Strategies (MTRS). For example, the authorities in Senegal expressed interest in the approach given revenue needs and the consistency of this approach with their recently developed (long-term) national development plan *(Plan Emergant du Senegal)*. FAD conducted a one-week seminar in Senegal to provide more details on the MTRS framework to a multi-agency audience of officials. This work will be progressed via a successor CD program for Senegal that has been proposed. The authorities in Benin formally indicated interest in the MTRS approach, given revenue needs and wish to increase tax-to-GDP ratio to WAEMU levels (20 percent of GDP). Similar interests were expressed by the representatives of Honduras' Ministry of

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[1] The TPA-TF was launched in April 2011 with a funding envelope of US$28 million. It was designed to help low- and lower-middle-income countries strengthen their tax policy and administration.

[2] CD projects are designed and implemented in accordance with the IMF's Results Based Management (RBM) framework. The RMB score is a top down assessment of progress toward expected outcomes.

Finance and the Minister of Revenue (they referred to it as *"Pacto Fiscal")*. In both countries, as an initial step, a workshop on the MTRS framework is planned. In Ethiopia, an MTRS workshop took place in July 2018 but a change in key senior government officials has somewhat slowed the process towards MTRS preparation. In the meantime, the authorities have chosen to follow a gradual approach towards an MTRS, including undertaking more tax policy and administration analysis. MTRS implementation continues to be supported in Papua New Guinea (PNG), with early achievements in the tax system reform. Dialogue on formulating an MTRS is also on-going in Georgia, Mongolia, and Myanmar, and also potential RMTF-beneficiaries, such as Egypt.

RMTF finances are in a good position. The level of pledges to the RMTF, as of April 30, 2019, stands at US$69.4 million (with contributions of US$49.4 already received). This leaves a balance of US$7.6 million, against a new funding envelope of US$77 million. Fundraising efforts continue, with a contribution from the UK's Department for International Development (DfID) expected soon. Also, the IMF will be reaching out to potential new donors as well as to current donors to assess the possibility of additional contributions.

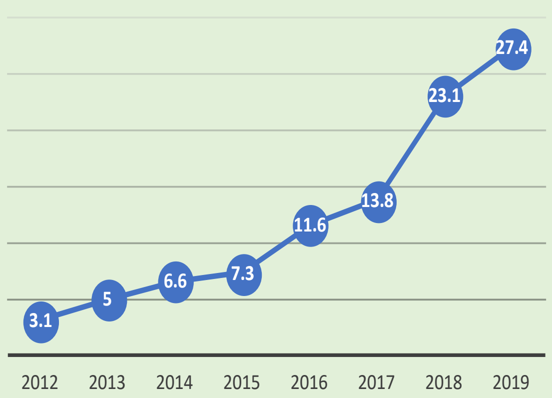
In line with the RMTF Program Document and as approved by the SC, the mid-term external evaluation of the RMTF activities will commence in September 2020. The new date follows the SC's extension of the date for the independent evaluation to FY21 (corresponding costs will be budgeted accordingly). The evaluation will be conducted by a team of external experts to assess the relevance, effectiveness, impact, efficiency and sustainability of RMTF work and offer recommendations for improvement. The findings of the evaluation will inform discussions on operations for the remainder of the Phase and beyond. It is expected that the report from the independent evaluation will be finalized by February 2022.

A. RMTF at-a-glance

RMTF: An important response by the IMF and its partners to the "Addis Challenge" in the area of RM.

The RMTF has sharply increased growth in RM CD (Figure 1 shows annual RM CD delivery in full time equivalents ((FTE)…

Figure 1. RMTF CD Delivery, in FTEs



Scope and coverage of the assistance expanded…

- ✓ A total of 36 CD projects have been launched in the first two years; compared to 21 in the six years of the TPA-TF. A total of 99 RMTF modules activated across all blocks of the RMTF.
- ✓ 27 are country CD projects covering Modules 1 to 5 (core focus areas): Africa (15); Asia Pacific (4); Middle East and Central Asia (3); and Western Hemisphere (5). All four regional CD projects are in Africa.
- ✓ CD projects in complementary focus areas include: work on two online courses in tax analysis and revenue forecasting and tax administration respectively; tax and customs data gathering and analysis (ISORA/ISOCA); and analytical work (a How-to-Notes on tax expenditure assessment, and a Working Paper on Autonomy in Revenue Administration).
- ✓ CD focus mainly in Africa and Asia Pacific regions; representing 75 percent of budget portfolio as at April 30, 2019.
- ✓ Portfolio covers 10 fragile states with weak institutional capacity.
- ✓ Dialogue regarding adoption of an MTRS is taking place in seven countries.

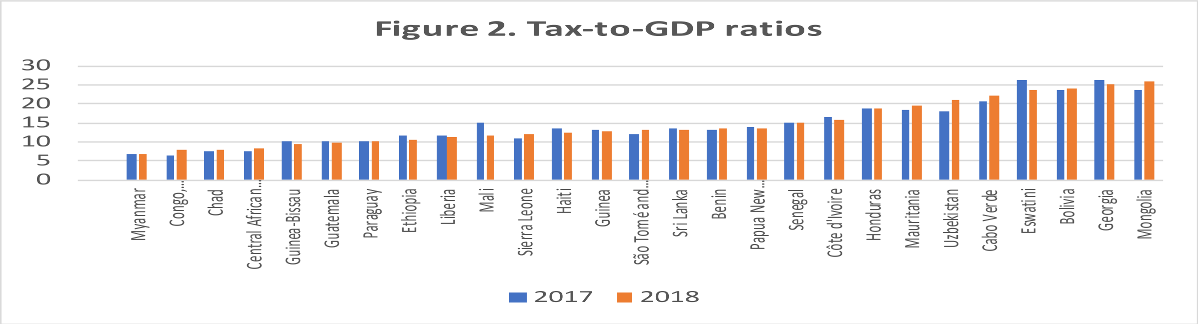
Several reforms were implemented during FY19 with good results. However, challenges remain, and RM is a top priority in all countries…

- ✓ Revenue performance in 2018 improved in 12 countries, out of 27 (Figure 2).
- ✓ New tax laws were drafted or endorsed in Honduras (new consolidated laws for the VAT, PIT and CIT were published), Guinea (international taxation framework adopted in the budget), Haiti (a fully-fledged tax code drafted),) and Mongolia (amendments to tax procedures law and income tax laws for a simplified small business regime).
- ✓ A new excise tax directive was approved for the Central African Economic and Monetary Community (CEMAC) region; a policy note on tax harmonization approved at the ministerial level in the East Africa Community (EAC).
- ✓ Work on rationalizing tax expenditure continued in Honduras following completion of a cost-benefit analysis; a tax expenditure assessment was completed in Congo, DR and will be released in the 2020 Budget; and Uzbekistan commenced work to report on tax expenditures.
- ✓ Organizational design refined in Georgia.
- ✓ Additional e-services launched: Benin (roll out of electronic filing to medium taxpayers); Bolivia, Guatemala, and Paraguay (implementation of VAT e-invoicing); Cote d'Ivoire (100 percent e-filing and e-payment by large and medium taxpayers); and Senegal (online access to tax accounts *(Mon Espace Perso*—one of the winning 2017 hackathon solutions) is being used by 6,000 users, with 12,000 registered to use the new application).[3]
- ✓ Improved taxpayer registers in Benin, Cote d'Ivoire, Ethiopia, Guatemala and Guinea Bissau.
- ✓ Increased use of third-party information in Benin, Bolivia, Cote d'Ivoire and Georgia.
- ✓ Improved CRM approaches in Bolivia, Georgia, Honduras, Sri Lanka, Eswatini, and Mongolia.
- ✓ Improved debt management and audit strategies in Central Africa Republic, Cote d'Ivoire, Ethiopia, Georgia, Guatemala, and Honduras.
- ✓ Improved integrated tax administration systems (ITAS) in Benin and Bolivia.

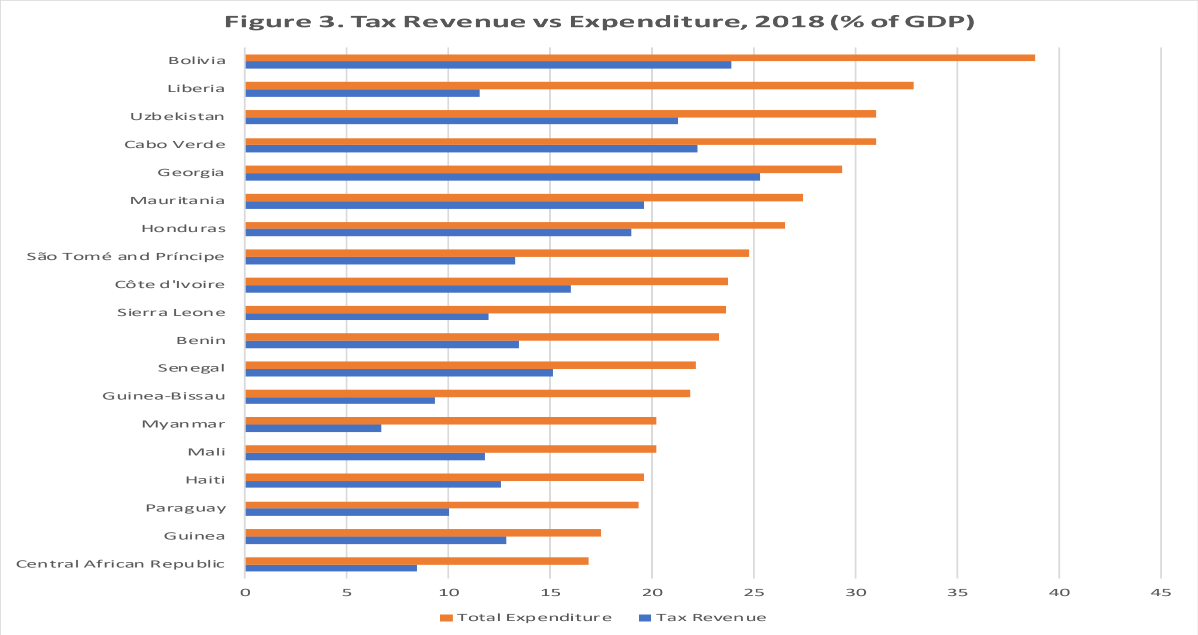
[3] The application has already helped update about 20 percent of tax account balances that were disputed by taxpayers.

Selected Economic Data for RMTF-Beneficiary Countries

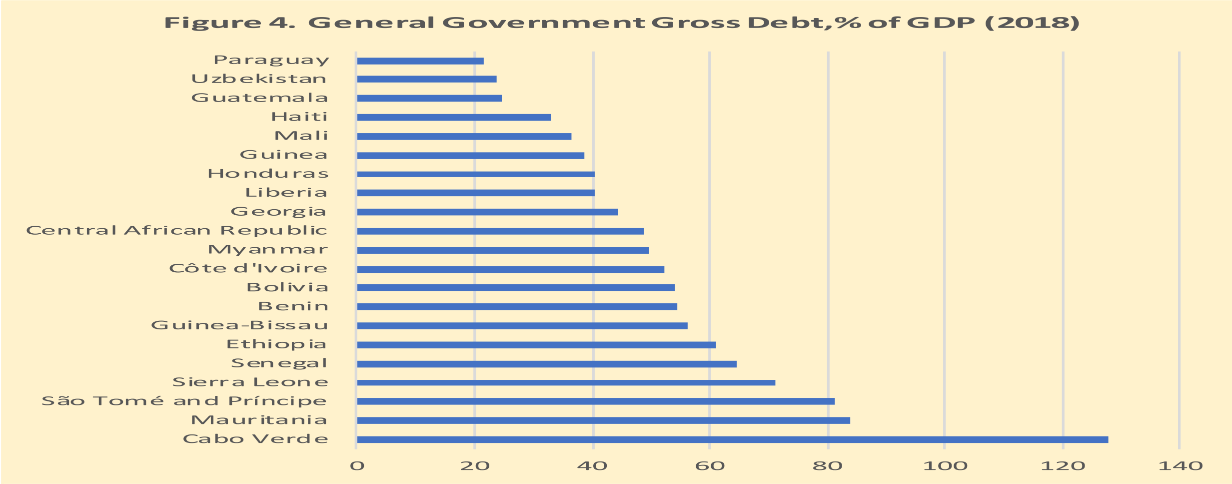
Tax-to-GDP ratios are still low in RMTF countries…



With expenditures outweighing tax revenue…



Resulting in high and increasing levels of indebtedness.



Source: WEO

II. INTRODUCTION

A. Role of the RMTF in FAD CD Delivery

1. **The RMTF has made it possible for the IMF to increase significantly its CD support for RM in low- and lower-middle income countries.** The RMTF (FY2018-23) is more than twice the size of its predecessor, the TPA-TF (FY2012-17); with total funding targeted at US$77 million over the six years. The RMTF aligns with the "Addis Tax Initiative" and reflects a broad international consensus on the need for improved RM in order to achieve the sustainable development goals (SDGs) and reduce aid dependency. The RMTF emphasizes strong country ownership and commitment to reforms, with well-prioritized CD programs that are elaborated with the help of diagnostic assessment tools, defined within the context of an agreed medium-term engagement framework, and supported by a range of complementary CD activities (e.g., training, peer learning).[4] See Box below for additional details on the RMTF.

Overview of the Revenue Mobilization Thematic Fund

The Revenue Mobilization Thematic Fund (RMTF) is an important response by the International Monetary Fund (IMF) and its partners to the "Addis Challenge" in the area of Domestic Revenue Mobilization (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 RMTF provides a unique opportunity for a broad range of development partners to take a collective approach in supporting a holistic, medium-term Capacity Development (CD) initiative to strengthen tax policies and administrations in a select group of countries.

The RMTF'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 calls for country authorities' sustained commitment, along with well sequenced support from CD providers. This approach is normally anchored by the assignment of long-term experts (LTXs) to ensure the needed on-the-ground assistance.
- **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.

The RMTF Modular Approach

	CD MODALITIES	MODULE	CD SUPPORT FOR:	MAJOR OBJECTIVES
CORE FOCUS AREAS	Intensive and targeted CD	I	Reform strategy and management	Advise on reform planning and establish sound reform implementation and governance arrangements.
		II	Tax policy design	Advise on country-specific tax policy frameworks, including in international taxation.
		III	Tax administration organization	Advise on improvements to tax administration organizational structure.
		IV	Tax administration corporate and compliance risk management	Provide assistance with developing country-specific capacity to identify, assess, and mitigate institutional and compliance risks.
		V	Tax administration core business functions and procedures	Provide assistance with implementing efficient and effective core tax administration functions (registration, filing, payment, taxpayer services, tax audit, and dispute resolution). Develop supporting tax procedure legislation.
		VI	Tax administration support functions	Advise on measures to strengthen human resources, information technology, and budget/financial policies.
COMPLEMENTARY FOCUS AREAS	Human capital through learning	VII	Training	Develop and deliver tax policy and administration training to raise human capacities.
		VIII	Conferences	Host international and regional conferences to promote dialogue across countries.
	Diagnostic tools and analysis	IX	Fiscal tools development and dissemination	Assist countries in establishing ISORA management platforms and delivery of the annual ISORA updates, and support analytical development of the RA-GAP methodology.
		X	Research and analytical work	Develop and build on existing research and analytical tools (including TADAT) to provide information and input to support CD work.

Other key components of the RMTF in support of sustainable DRM:

- **Synergies between IMF CD** are relied upon to maximize the capacity building impact. A specific training module focuses on face-to-face and online courses to support and complement CD delivery on selected tax policy and administration topics, particularly for lowcapacity countries.
- **Diagnostic tools** play a key role in defining reform priorities and subsequent capacity building. In particular, the Tax Administration Diagnostic Assessment Tool (TADAT), the International Survey on Revenue Administration (ISORA), and the Revenue Administration-Gap Analysis Program (RA-GAP) are used to assess where the impact of CD 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 is conducted to support CD. This research aims at assessing emerging issues, trends, and practices in tax policy and administration.

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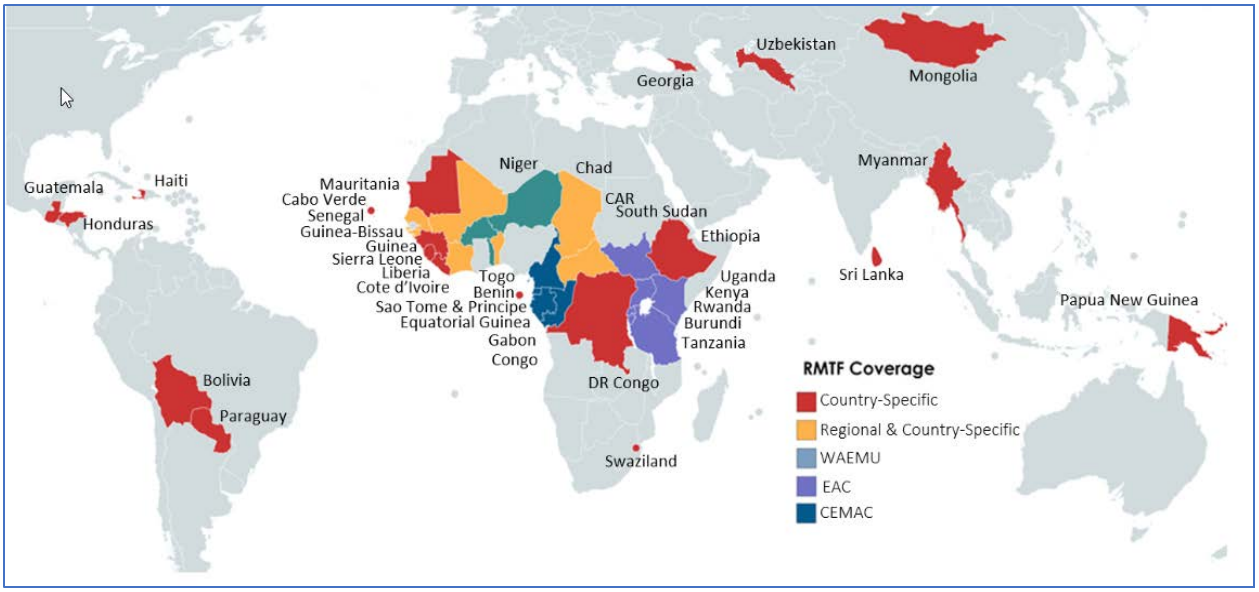
[4] The RMTF design includes key suggestions from a June 2015 external evaluation of the TPA-TF, including enhancing the strategic approach, monitoring and reporting, and results-orientation.

B. Coverage of the RMTF

2. **The increased size of the RMTF has enabled the IMF to provide RM CD to a larger number of countries.** The RMTF portfolio currently stands at a total of 36 CD projects, compared to 21 under the TPA-TF, and covers a number of regions—Figure 5.

Figure 5. Geographical Coverage of the RMTF



3. **Twenty-seven of the 36 CD projects are country-specific**. The beneficiary countries are as grouped into two categories as follows and distributed across four regions: Africa (15), Asia Pacific (4), Middle East and Central Asia (3), and Western Hemisphere (5):[5]

- Intensive CD programs: Georgia, Guatemala, Liberia, Mongolia, Myanmar, Papua New Guinea (PNG), Senegal, Uzbekistan.
- Targeted CD programs: Benin, Bolivia, Cabo Verde, Central Africa Republic, Chad, Cote d'Ivoire, Democratic Republic of Congo, Ethiopia, Guinea, Guinea Bissau, Haiti, Honduras, Mauritania, Mali, Paraguay, Sao Tome, Sierra Leone, Sri Lanka, and Swaziland.

4. **Four of the country CD projects were approved by the RMTF Steering Committee and launched during FY19—See Box 1.** Additionally, projects in three countries[6] were expanded and

[5] Also, total of 6 long-term experts (LTX) were assigned under the RMTF to provide ongoing CD support in selected countries.

[6] Ethiopia (existing project was extended by 1 year), Cote d'Ivoire (existing project was expanded to assist with implementation of hackathon recommendations), and Mongolia (existing project was expanded to cover CD in tax policy).

one-off scoping missions, funded by the RMTF, were carried out in three countries: Haiti, Rwanda, and Zimbabwe (tax administration).[7]

Box 1. Key CD Initiatives Launched During FY19

Chad (targeted CD project): A 3-year project to help the authorities address key constraints to RM effectiveness including an inaccurate taxpayer register, weak core processes and internal controls, and ineffective IT systems.

Congo, DR (targeted CD project): A 2-year targeted CD project with an initial focus on carrying out a tax expenditure assessment, supporting the simplification of non-tax revenue and multiple low-yielding and inefficient taxes, and strengthening VAT core operations.

Papua New Guinea (intensive CD project): A 3-year intensive CD project to improve the tax policy framework, strengthen revenue administration management and governance arrangements, strengthen core tax administration functions, and strengthen tax legislation. As requested by the authorities, the IMF has taken on the role of strategic lead advisor in implementation of their MTRS and early achievements with the tax reform strategy include: early work to establish a Revenue Policy Division; initiating the modernization and simplification of tax legislation; and commencement of core revenue administration process improvements.

PNG formulated its MTRS in 2017, with CD support lead by the IMF. Following the MTRS approach to tax system reform (TSR), PNG embraced the approach's four interdependent components to guide and steer the country's TSR, namely: (1) a RM objective of 14 percent of GDP by 2022 is set, along with other goals for the TSR; (2) a TSR plan for the period 2018-2022 is outlined, including concrete policy and administration reforms to mobilize the revenue goal, and the corresponding legal changes; (3) a governance arrangement and whole-of-government approach to manage the TSR is committed for the reform period, headed by the Deputy Minister of Finance; (4) the government set a framework for coordinating CD partners, entrusting the lead advisory role to the IMF. PNG's MTRS was formally launched in November 2017. At the government's request, IMF is providing implementation support through a 3-year, US$4.2 million program financed by the RMTF. In the first year of PNG's MTRS, there are signs that the downward trend in tax revenue (prior to the MTRS) is being arrested, with 2018 collections projected to be 13.6 percent of GDP. Thus, TSR is progressing – the Treasury is setting up a Revenue Policy Division to build fiscal planning capacity; the Treasury and the Internal Revenue Commission (IRC) have initiated the modernization and simplification of tax legislation; and the IRC and Customs Service have commenced core process improvements which should lay the foundation for fundamental organizational and institutional reforms to support further sustainable improvements in public revenue. Governance and management arrangements, which were slow in being set up, have now been established and are exercising increasing oversight of the MTRS program; and the PNG government has committed to financing a new ITAS. Finally, despite some issues with the coordination of CD partners, a

[7] The mission to Haiti was interrupted due to civil unrest while the other two led to agreement on CD project design with the authorities.

functioning framework for coordinating the inputs of CD partners has been established and support is being received from an expanding range of development partners.

Uzbekistan (intensive CD program): A 3-year intensive CD project to help the authorities simplify and broaden the taxation system through reforms of the tax administration and tax policy and their underlying legal framework. The project launched successfully with early achievements including: design and submission of a draft reform strategy; adopting a function-based organizational structure for headquarters; early work to establish a large taxpayer office (LTO) in Tashkent; and establishment of a tax policy unit at the Ministry of Finance.

Rwanda (scoping and reform design mission): The mission, which included participation of three partner organizations (Africa Tax Administration Forum (ATAF), DfID, and US Treasury Office of Technical Assistance (OTA)), completed a repeat TADAT[8] assessment of Rwanda's tax administration system and also helped the authorities identify prioritized reform measures for the short-term. Additionally, the mission discussed with the authorities the prospects for bringing the various RM reform initiatives (tax policy, legislation, and administration) for supporting their seven-year National Strategies for Transformation (NST1) together under a comprehensive MTRS. The authorities subsequently forwarded a formal letter to FAD seeking assistance with preparing and implementing the MTRS; the basis for a project proposal that has been submitted for funding under the RMTF. Potential support in this regard will have the added advantage of better alignment with SDG costing work that FAD has been, and continues to, support in this country.

Zimbabwe (scoping and reform design mission): Following a TADAT mission, which included participants from three partner organizations (DfID, ATAF, and OTA), the Minister of Finance formally requested a mission to assist in designing, prioritizing and supporting a medium-term reform plan to improve the tax administration. Using the TADAT results as a base, the mission assisted the authorities in defining, prioritizing and sequencing a short- and medium-term reform plan to strengthen identified weaknesses in tax administration in support of the country's Transitional Stabilization Program toward Zimbabwe's vision to become a prosperous and empowered upper middle-income society by 2030. This work is the basis for a project proposal that has been submitted for support under the RMTF.

5. **Four of the CD projects are regionally focused projects in Sub-Saharan Africa (SSA):** CEMAC, EAC, and West Africa Economic and Monetary Union (WAEMU) (all on tax policy),[9] and a regional workshop on HR management for West African Countries identified key measures to modernize Human Resource (HR) regimes in WAEMU and other countries (work completed).

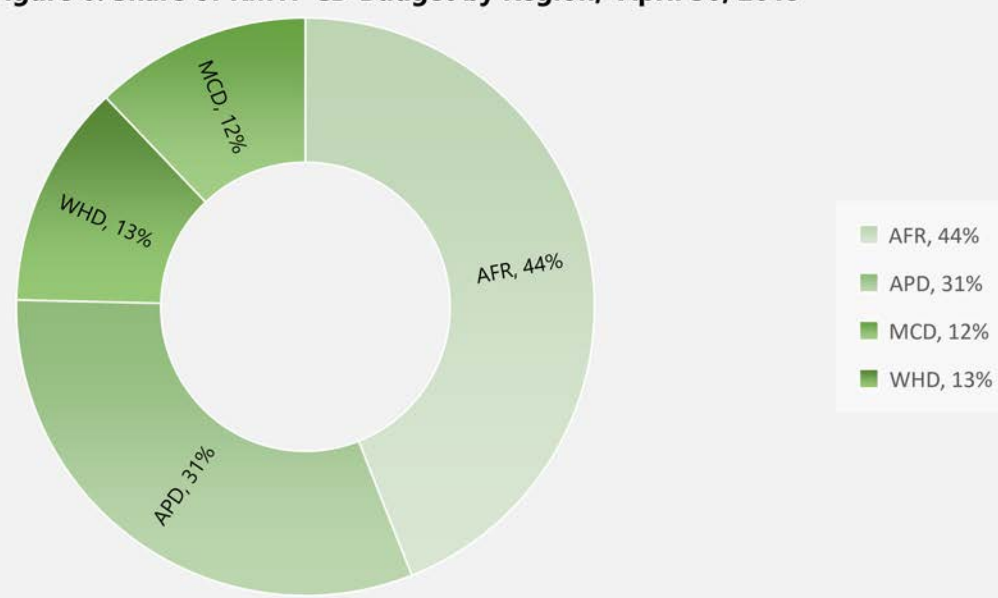
[8] Tax Administration Diagnostic and Assessment Tool.

[9] CEMAC is made up of six states: Cameroon, Central African Republic, Chad, Congo Republic, Equatorial Guinea, and Gabon. EAC is made up of six states: Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda. WAEMU is made up of eight states: Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

6. **Other CD initiatives have been launched to support country or regional level CD work.** Projects launched in the last 24 months in accordance with the RMTF program document,[10] include: (1) two projects focusing on developing human capacity through learning, i.e., a project for developing an on-line course on tax policy analysis and revenue forecasting and a project for developing online training in tax administration; (2) one project focusing on diagnostic tools, i.e., Revenue Administration Fiscal Information Tool (RA-FIT)/International Survey on Revenue Administration (ISORA)/International Survey on Customs Administration(ISOCA) data gathering and analysis; and (3) two projects focusing on analytical work (a How-to-Notes on "Tax Expenditures Assessment" (completed) and a Working Paper on "Autonomy in Revenue Administration". Overall, 16 CD projects address tax policy issues while 27 projects address tax administration issues

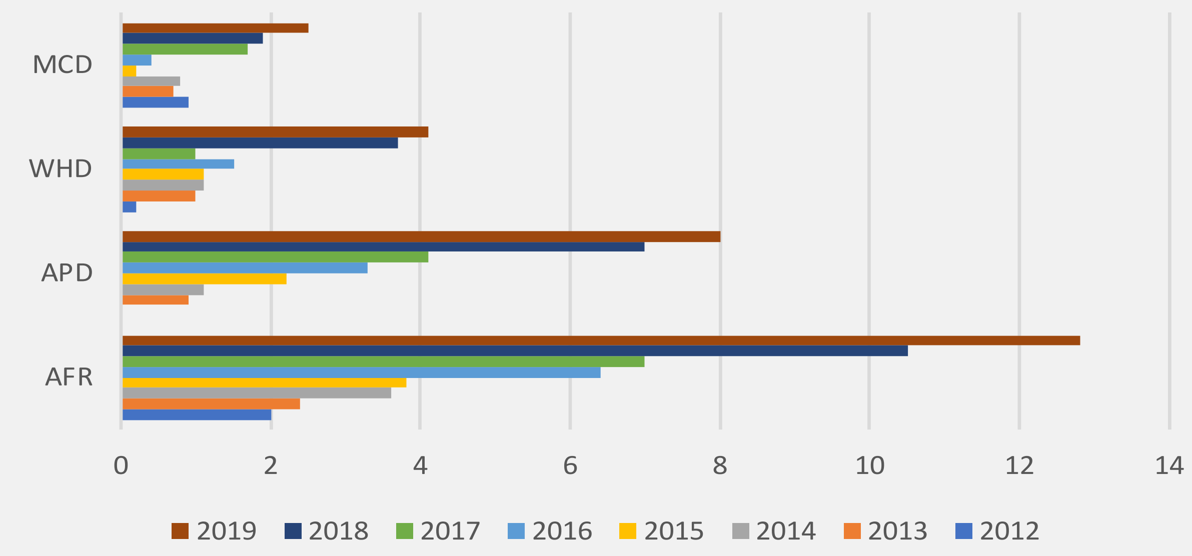
7. **The RMTF continues to allocate most of its resources to LLMICs in Africa and Asia Pacific, typically the regions where tax-to-GDP ratios are the lowest.** In the period ending April 30, 2019, the two regions accounted for 44 percent and 31 percent (respectively) of the total CD budget (Figure 6). Nineteen out of the 27 country CD programs are in the two regions, out of which five (Liberia, Senegal, Mongolia, Myanmar, and Papua New Guinea) are intensive CD programs. All regional projects are in SSA. Figure 7 also shows healthy growth in CD delivery (in FTEs) in the two regions over recent years.

Figure 6. Share of RMTF CD Budget by Region, April 30, 2019



[10] https://www.imf.org/external/np/ins/english/pdf/RMTF_Program_Document.pdf

Figure 7. RMTF CD Delivery by Region, in FTEs



8. **A total of 99 modules have been activated since the start of the RMTF—see Table 1.** About one quarter of CD modules focus on improving core tax administration functions and procedures (module 5), which is typically an area where many RMTF-beneficiary countries face the most challenges. The rest of the modules are more evenly distributed, with support in: reform strategy and management (module 1) accounting 14 percent of the modules;[11] tax policy design (module 2) – 16 percent; tax administration organization (module 3) – 8 percent; corporate and CRM (module 4) – 18 percent; tax administration support function (module 6) – 14 percent; and other complementary focus areas (modules 7, 8, and 9) – 5 percent.

[11] One-off scoping missions, e.g., activities to Haiti, Rwanda, and Zimbabwe are not counted under this module.

Table 1. RMTF Modules

	Project Name	Modules	1	2	3	4	5	6	7	8	9
1	**Benin:** Tax Administration Reform	IV, V				■	■				
2	**Bolivia:** Strengthening Tax Policy and Administration	I, II, IV, V	■			■	■				
3	**Cabo Verde:** Building Institutional Capacity in Tax Administration	I, V, VI	■				■	■			
4	**Central African Republic:** Tax Administration Reform	V					■				
5	**Chad:** Strengthening Revenue Administration	I, V	■				■				
6	**Congo, DR:** Controlling Tax Expenditures and Streamlining Nuisance Taxes	II, V, VI		■			■	■			
7	**Cote d'Ivoire:** Tax Administration Reform	IV, V, VI				■	■	■			
8	**Ethiopia:** Foundational Reform for Sustainable Compliance	I, V	■				■				
9	**Georgia:** Revenue Administration Reform	I, III, IV, V	■		■	■	■				
10	**Guatemala:** Strengthening Tax Policy and Administration	I, II, IV, V	■	■		■	■			▣	
11	**Guinea:** Improving Income Tax	II		■							
12	**Guinea Bissau:** Building Institutional Capacity in Tax Administration	I, IV, V, VI	■	■		■	■	■			
13	**Haiti:** Modernizing Tax System Through New Tax Code	II		■							
14	**Honduras:** Modernizing Revenue Administration	I, II, IV, V	■	■		■	■				
15	**Liberia:** Building Institutional Capacity in Tax Administration	I, II, IV, V, VI	■	■		■	■	■			
16	**Mali:** Strengthening Tax Administration	IV, V, VI				■	■	■	▣		
17	**Mauritania:** Tax Administration Reform	IV, V				■	■				
18	**Mongolia:** Improving Taxpayer Compliance	II, IV, V, VI		■		■	■	■	▣	▣	
19	**Myanmar:** Tax Policy and Administration Strengthening	I, II, III, IV, V, VI	■	■	■	■	■	■			
20	**Papua New Guinea:** Revenue Mobilization: Medium-Term Revenue Strategy	I, II, III, IV, V, VI	■	■	■	■	■	■			
21	**Paraguay:** Revenue Administration Reform	IV, V				■	■		▣		
22	**Sao Tome and Principe:** Tax Administration Reform	I, III, V, VI	■		■		■	■			
23	**Senegal:** DRM Through Simpler Tax System and Stronger Administration	II, III, V, VI		■	■		■	■			
24	**Sierra Leone:** Embracing Reform to Revenue Mobilization	I, III, IV, V	■		■	■	■				
25	**Sri Lanka:** Improving Taxpayer Compliance	II, IV, V, VI		■		■	■	■		▣	
26	**Swaziland:** Tax Administration Strengthening Program	III, IV			■	■					
27	**Uzbekistan:** Tax System Reform	I, II, III, IV, V, VI	■	■	■	■	■	■			
28	**CEMAC:** Enhancing DRM through Tax Harmonization Framework	II		■							
29	**EAC:** Tax Coordination and Tax Treaty Negotiation	II		■					▣		
30	**WAEMU:** Tax Coordination: Achieving WAEMU Treaty Objectives	II		■							
31	**West Africa:** HR Strategy							■			
32	RA-FIT/ISORA: Data Gathering, Analysis and Dissemination	VIII							▣	■	
33	Building Tax Policy Analysis and Revenue Forecasting Capacity	VIII							■		
34	Analytical Work: How-to Note on Tax Expenditures	IX									■
35	Online Training	VIII							■		
36	Autonomy in Revenue Administration	IX									■
	Total modules		**14**	**16**	**8**	**18**	**24**	**14**	**2***	**1***	**2**

*training or diagnostic tools activities delivered as an integral part of TA (shadded blue)

III. FINANCIAL UPDATES

A. Summary of Contributions and Cash Flow Projection

9. **In September 2018, IMF management endorsed a potential increase in the size of the RMTF to US$77 million, up from the initial target of US$60 million that was set out in the August 2016 RMTF Program Document.** Management also endorsed an extension of the current phase by one year; to April 2023 (FY23). In the December 2018 mid-year meeting, the SC also endorsed these decisions. These changes have enabled the IMF to accommodate additional contributions from partners, in line with its objectives of securing medium-term financing for CD priority areas and, importantly, consolidating CD financing sources under the main Thematic Funds that support RM (the RMTF and the Managing Natural Resource Wealth Thematic Fund (MNRW)). The additional resources will bolster CD in RM, for instance, by: supporting additional country programs that develop and implement MTRS; responding to unmet demands within the current workplan countries; or expanding coverage to new countries.

10. **The current level of pledges to the RMTF stands at US$69.4 million**. Contributions received as of April 30, 2019 amounted to US$49.4 million and combined with the interest earned, a total of US$50 million has been received into the subaccount (please refer to Table 2). The most recent contribution agreements with Norway (NOK 43 million) and the European Union (EU) (€9 million) were finalized during the reporting period.

Table 2. Financial Contributions as of April 30, 2019 (in millions)

Agreement Information					Contribution Received		Contribution Expected (U.S. Dollars)	
Partners	Signed Date	Currency	Amount	U.S.Dollars	Agreement Currency	U.S.Dollars	Requested	Future Request
Partners								
Australia	May 5, 2016	AUD	10.6	7.9	6.6	4.9	-	3.0
Belgium	Nov. 11, 2016 and Sept. 29, 2017	EUR	9.0	10.3	7.6	8.6	-	1.7
Denmark	April 21, 2018	DKK	20.0	3.3	10.0	1.6	-	1.8
European Union	October 5, 2018	EUR	9.0	10.4	7.2	8.2	-	2.2
Germany	Nov. 21, 2016 and Dec. 18, 2017	EUR	1.5	1.6	1.2	1.4	-	0.3
Japan	Feb. 1, 2017 and Dec. 6, 2017	USD	10.1	10.1	10.1	10.1	-	-
Korea	July 28, 2017	USD	1.0	1.0	1.0	1.0	-	-
Luxembourg	December 1, 2016	EUR	2.5	2.6	1.5	1.7	-	1.0
Netherlands	October 7, 2016	USD	5.0	5.0	3.0	3.0	-	2.0
Norway	July 5, 2018	NOK	43.0	5.3	21.0	2.5	-	2.8
Sweden	April 19, 2018	SEK	40.0	4.8	10.0	1.2	-	3.6
Switzerland	October 8, 2016	CHF	7.0	7.1	5.5	5.5	-	1.7
Partners Total				**69.4**		**49.4**	**-**	**20.0**
Grand Total				**69.4**				
Program Document Budget				**77.0**				
Funding Gap				**(7.6)**				

Table 3. Cash Flow Statement
as of April 30, 2019
(in thousands of US$)

Partner	FY 2017 FY1	FY 2018 FY2	FY 2019 FY3	FY 2020 FY4	FY 2021 FY5	FY 2022 FY6	FY 2023 FY7	Totals
Contributions	14,204	14,369	20,834	8,695	7,030	4,230	-	69,361
Australia	450	1,483	2,928		1,520	1,520	-	7,901
Belgium	3,274	3,598	1,700	1,685	-	-	-	10,257
Denmark	-	-	1,552	1,771	-	-	-	3,323
European Union	-	-	8,210	2,154	-	-	-	10,364
Germany	436	695	229	286	-	-	-	1,647
Japan	5,062	5,000	-	-	-	-	-	10,062
Korea	-	1,000	-	-	-	-	-	1,000
Luxembourg	531	578	564	-	488	488	-	2,649
Netherlands	1,000	1,000	1,000	1,000	1,000	-	-	5,000
Norway	-	-	2,487	-	1,387	1,387	-	5,261
Sweden	-	-	1,162	1,800	1,800	-	-	4,762
Switzerland	3,451	1,014	1,003		834	834	-	7,136
Interest Earned	32	210	507	-	-	-	-	749
Total Cash Available	**14,236**	**14,578**	**21,341**	**8,695**	**7,030**	**4,230**	**-**	**70,110**
Expenses Paid[1]	245	11,505	13,739	19,961	8,515	5,935	1,686	61,587
Cash Balance	**13,991**	**17,064**	**24,666**	**13,400**	**11,915**	**10,209**	**8,523**	**8,523**

[1]Expenses paid include the 7% management fee. FY20 onwards are estimates based on proposed workplans.

11. **Fundraising efforts will continue given the funding gap of US$7.6 million relative to the US$77 million target.** A contribution by the United Kingdom (US$1.3 million through the DFID) is expected to be finalized in June 2019. In line with the increased budget envelope for RMTF, the IMF will be contacting new partners to secure financial support, and approaching current partners to assess the possibility of additional contributions to meet the current funding gap.

12. **The financial status of active RMTF projects through end-FY19 is shown in Table 3** (the projects status in terms of cumulative delivery through end-April 2019). The table shows an overall execution rate of about 45 percent, which would be in line with expectations as a number of projects are entering their final year.

Table 4. Project Financial Status, as of April 30, 2019 (in thousands of US$)

Country	Approved Budget as of Oct 2018	Approved Budget as of April 2019	Expenses	Remaining Budget[1]	Execution (%)
Technical Assistance	48,422	51,513	23,193	28,319	45%
Benin	1,402	1,402	462	940	33%
Bolivia	1,059	1,059	510	549	48%
Central African Republic	610	610	394	216	65%
CEMAC - Com. Econ. Mon. AFR Ce	852	852	473	379	55%
Cote D'Ivoire	1,063	1,409	752	657	53%
Congo, Democratic Republic Of	489	489	208	280	43%
Cabo Verde	1,993	1,993	588	1,405	29%
East African Community	1,347	1,347	437	910	32%
Ethiopia	1,134	1,134	895	239	79%
Georgia	2,714	2,714	1,591	1,123	59%
Guinea	369	369	203	166	55%
Guinea-Bissau	2,127	2,127	773	1,354	36%
Guatemala	1,827	1,827	1,102	725	60%
Honduras	1,337	1,337	647	690	48%
Haiti	715	715	443	272	62%
Liberia	3,813	3,813	1,305	2,508	34%
Sri Lanka	2,025	2,025	990	1,035	49%
Mali	943	943	504	439	53%
Myanmar, Union Of	6,455	6,455	3,101	3,354	48%
Mongolia	3,820	3,820	2,358	1,463	62%
Mauritania	880	880	398	482	45%
Papua New Guinea	3,925	3,925	1,016	2,910	26%
Paraguay	1,527	1,527	918	609	60%
Senegal	1,316	1,316	1,109	207	84%
Sierra Leone	1,049	1,049	428	620	41%
Sao Tome And Principe	1,467	1,467	593	875	40%
Kingdom Of Eswatini	879	879	505	374	57%
Chad	784	784	203	581	26%
Uzbekistan	-	2,752	194	2,558	7%
WAEMU:West African Eco/Monetar	501	493	95	398	19%
Training	583	583	368	214	63%
Building Tax Policy Analysis and Revenue Forecasting Capacity	556	556	342	214	62%
Revenue Administration Training	27	27	26	1	98%
Research Projects	2,863	2,870	909	1,961	32%
RA-FIT/ISORA	2,508	2,508	848	1,659	34%
Analytical Work: How-to Note on Tax Expenditures	47	54	54	-	100%
Autonomy in Revenue Administration	308	308	6	302	2%
Workshops	60	60	53	7	88%
HR Reform in Tax Administrations	60	60	53	7	88%
Scoping Missions	368	785	601	182	77%
Central African Republic	35	35	35	-	100%
Congo, Democratic Republic Of	30	30	30	-	100%
Guinea	27	27	27	-	100%
Haiti	-	83	49	34	59%
Cambodia	109	109	108	-	99%
Sri Lanka	95	95	95	-	100%
Rwanda	-	143	47	95	33%
Sao Tome And Principe	71	71	71	-	100%
Zimbabwe	-	190	138	52	72%
Administrative/Governance Cost	746	746	365	381	49%
Program Management	746	746	365	381	49%
Total	53,041	56,556	25,489	31,065	45%
of which Management Fee	3,470	3,700	1,668	2,032	

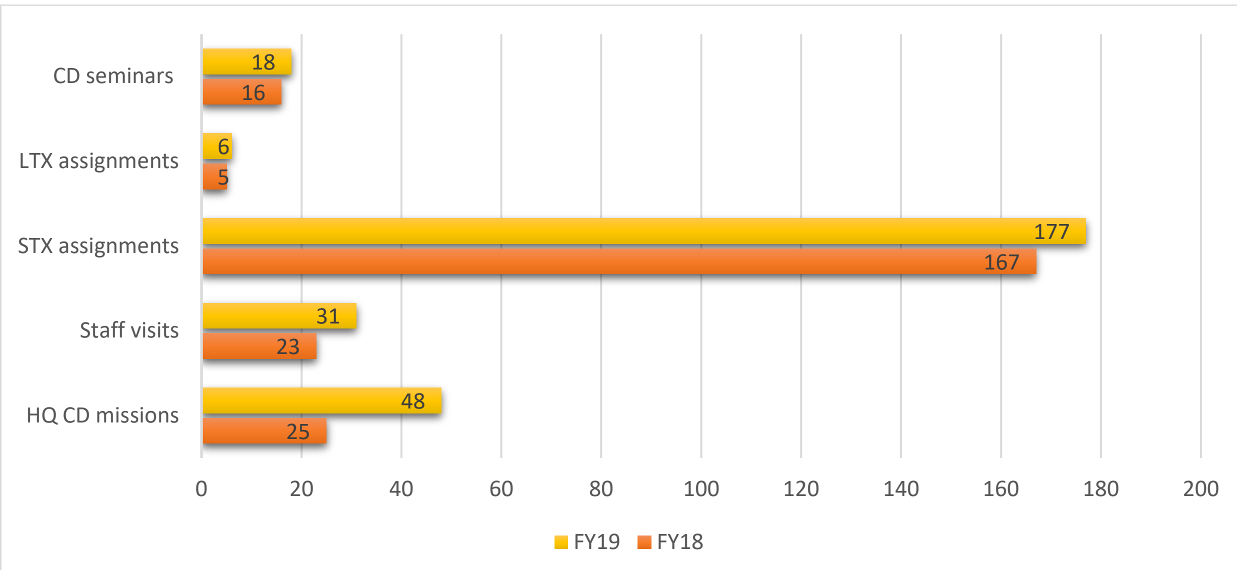
[1]The remaining balance for closed projects is zeroed out upon project completion.

IV. Key Achievements and Developments in the Reporting Period

A. Delivery of the Work Program

13. **Delivery of the RMTF work program proceeded at a relatively good pace during FY19.** There were 48 headquarters (HQ)-led CD missions, 31 staff visits, 177 short-term experts (STX) assignments, 6 long-term expert (LTX) assignments, and 18 CD seminars covering a variety of topics; reflecting increased demand for CD support against FY18 activity. Figure 8 below has a comparison against the same period in FY18.

Figure 8. CD Delivery (Number of activities)



14. **Several countries faced challenges during FY19 that had implications on reform implementation and CD delivery.** Challenges arose, for example, in relation to political transitions in some countries and associated staff changes. For example, new Ministers of Finance and/or Revenue were appointed in Ethiopia,[12] Guatemala, Myanmar, Paraguay, Sao Tome and Principe, and Sierra Leone, while a new Commissioner General or Director General were appointed in Ethiopia, Guinea Bissau, Liberia, Mali, PNG, Paraguay, and Sierra Leone. The implications of these changes were mixed but, in all cases, CD delivery was interrupted as the new authorities were brought up to speed and their commitment to previously agreed reform programs confirmed. For example, appointment of a new prime minister in Ethiopia brought with it changes, including the appointment of new ministers of finance and revenue. The changes impacted discussions toward the potential

[12] The minister of revenues in Ethiopia has changed, on average, every six months over the last three years, with the current minister the second appointed in the last year.

preparation of an MTRS as the new ministers of finance and/or revenue were brought up to date and their commitment to the MTRS approach confirmed.

15. **Challenges in some countries resulted from skill and capacity gaps, and the complexities of sequencing of the various reforms.** In Guinea Bissau, Mauritania, Myanmar Sao Tome and Principe and Sri Lanka for example, capacities to manage institutional reforms is very low with elements of resistance to change, and there is no corresponding government funding for the reform program. In Sierra Leone, for example, CD activities were suspended mid-year due to the revenue administration's need to focus on the design and rollout of a new ITAS.[13] Due to the limited capacity within the revenue administration and the need to prioritize the ITAS rollout, original plans to assist in some other compliance areas such as dispute resolution will be delayed until Phase II of the project that is anticipated to start in FY21.

16. **Delivery of the work program was coordinated with the IMF's regional CD centers and with other development partners.** Examples of close collaboration with partners include: Benin - Belgium and Canada; Bolivia - CIAT; Ethiopia - DfID; Guinea Bissau - OTA; Guatemala - USAID, OTA, GIZ, WB; Liberia - USAID; Honduras - IaDB and CIAT; Mauritania - France and WB; Mongolia – WB and Asia Development Bank; Myanmar – OTA and WB; PNG – DFAT Australia; Sao Tome and Principe - WB and AfDB; Senegal - EU and WB; Sierra Leone – DFID; and Uzbekistan – World Bank.[14] Box 2 provides an illustration of effective collaboration with other partners.

Box 2. Collaboration on RM Issues, Examples

Myanmar: Aligning CD support to the Myanmar Government's revenue reform strategy has been critical. From the outset the IMF, WB, and OTA teams aligned their individual CD programs with clear and specific reform initiatives under the Government-led reform journey. For example, the IMF was responsible for guiding the overarching reform strategy, reform management and governance, organizational design, and tax law design and drafting, OTA covered the large taxpayer office (LTO) development and audit, and the WB supported audit and the ITAS procurement. These arrangements allowed support for key initiatives, recognized the geographic office separation challenges and enabled simultaneous CD support at headquarters and frontline offices. Subsequently, other agencies (NORAD, the EU, DFID and Japan) joined the reforms, helping in specific areas aligned to the reform strategy. The timing of each agency's support has been closely aligned to key dates in the Government's revenue reform strategy. A multi-tiered donor coordination approach enhanced the effectiveness of CD planning decisions. A three-tiered approach was adopted. First, day-to-day coordination between in-country advisors helped model new collaborative behaviors and resolve local issues quickly. Second, regular conference calls between in-country advisors and CD team leaders helped identify and manage CD gaps and potential overlaps. Third, a bi-annual in-country donor roundtable hosted by the IMF helped keep the wider donor group informed of progress and early

[13] The contract supported by the World Bank was awarded in November 2018 and the rollout of the ITAS modules began in May 2019 starting with the design of the registration module. The project is back on track, with changes in the focus within the existing project modules, to concentrate on aligning with the ITAS rollout. In FY20 the project will assist with business process re-engineering and data migration plans and strengthening the VAT regime.

[14] Acronyms used (and not yet defined) are: AfDB – African Development Bank; CIAT – Inter-American Centre of Tax Administrations; DFAT – Department of Foreign Affairs and Trade; NORAD – Norway Agency for Development Cooperation; and USAID – United States Agency for international Development. This list is for illustrative purposes only and is not meant to be the full list of partners providing assistance in these countries.

identification of future CD needs to help ensure the right support was available at the right time from an appropriate CD partner. IMF was instrumental in identifying the CD needs and, with the Inland Revenue Departments' consent, liaised with CD partners to help them design targeted CD projects and identify experts to fill the gaps. This semi-structured approach to CD partners coordination should be consolidated and further developed when Myanmar ultimately transitions to the full MTRS approach.

Guatemala: Providing advice for a reform strategy and aligning CD support for this strategy was crucial to define the road map for revenue administration reform in Guatemala. In early 2016 a new government took office following the 2015 elections. The IMF, WB, Inter-American Development Bank (IADB), German International Cooperation Agency (GIZ), and OTA collaborated closely to respond to the authorities' urgent request for assistance in the wake of institutional damage resulting from the crisis.[15] In early 2016, the IMF organized a series of meetings among donors to offer a common response to the call for help from the new authorities. The partner organizations agreed a framework to align their individual CD programs with specific reform initiatives. In May 2016, the IMF carried out a diagnostic mission, in collaboration with WB staff, which proposed a strategy to improve tax and customs compliance and strengthen the tax administration. The WB then prepared a major project to support various aspects of the administration's operations based on that mission's main conclusions and recommendations. Although the WB approved the project and the associated $80 million loan, the Guatemalan congress did not authorize it, and it was withdrawn in 2018. The IADB also prepared a project loan that the authorities did not authorize. Nonetheless, collaboration between CD partners continued.
The IMF designed and has been implementing a CD program in tax administration, with funding under the RMTF. The project has provided support in key areas such as VAT administration, large taxpayer compliance management, audit and enforcement. A TADAT mission led by FAD was carried out in September 2017 in collaboration with GIZ and OTA. The IMF's Regional CD Center for Central America, Panama, and the Dominican Republic (CAPTAC-DR), has also provided complementary CD in specific areas of tax and customs administration. Throughout this process, close contact has continued among all development partners, including the WB. In 2017 and 2018, IMF and WB, and other donors participated in several joint meetings with the tax administration to ensure that all CD provided was done in a coordinated manner.

Uzbekistan: The country's limited experience with reform on a large scale encouraged it to seek external support; though sometimes with similar CD needs to multiple providers. In early 2018, the government sought IMF CD support in the taxation and expenditure areas; subsequently it also sought WB advice in taxation areas, as well as from Russia and Georgia. Initial coordination of CD activities was challenging. By giving similar advice mandates, notably to the IMF and WB, overlapping and uncoordinated advice was provided during 2018. Since the authorities were not coordinating the advice requested, the Deputy Prime Minister was asked to appoint a lead external advisor of the tax system reform and the authorities made a decision to entrust the leadership to the IMF in late 2018. An intensive CD project was approved by the RMTF SC in late 2018, and delivery started in early 2019, The support covers the tax system reform and considering several modalities of CD, including a resident advisor based in Tashkent since April 2019. CD support coordination is improving. The clearer division of CD responsibilities and enhanced relationship among the IMF and WB teams are enabling a more collaborative and complementary CD support. Under the RMTF project, the IMF is advising on strategic reform design (policy, institutional settings, organizational design, tax administration business strategy) and support the governance of the reforms. The WB will provide implementation support focused on areas such as HR, and business process implementation support that will be needed alongside the implementation of new information technology systems. The respective IMF and WB teams are starting to coordinate the field work closely. For example, the IMF team visited Tashkent in April 2019 to advise on structural issues in tax reform management, and install and support the new resident advisor, liaised with the WB team which assessed the IT systems at a high level, and

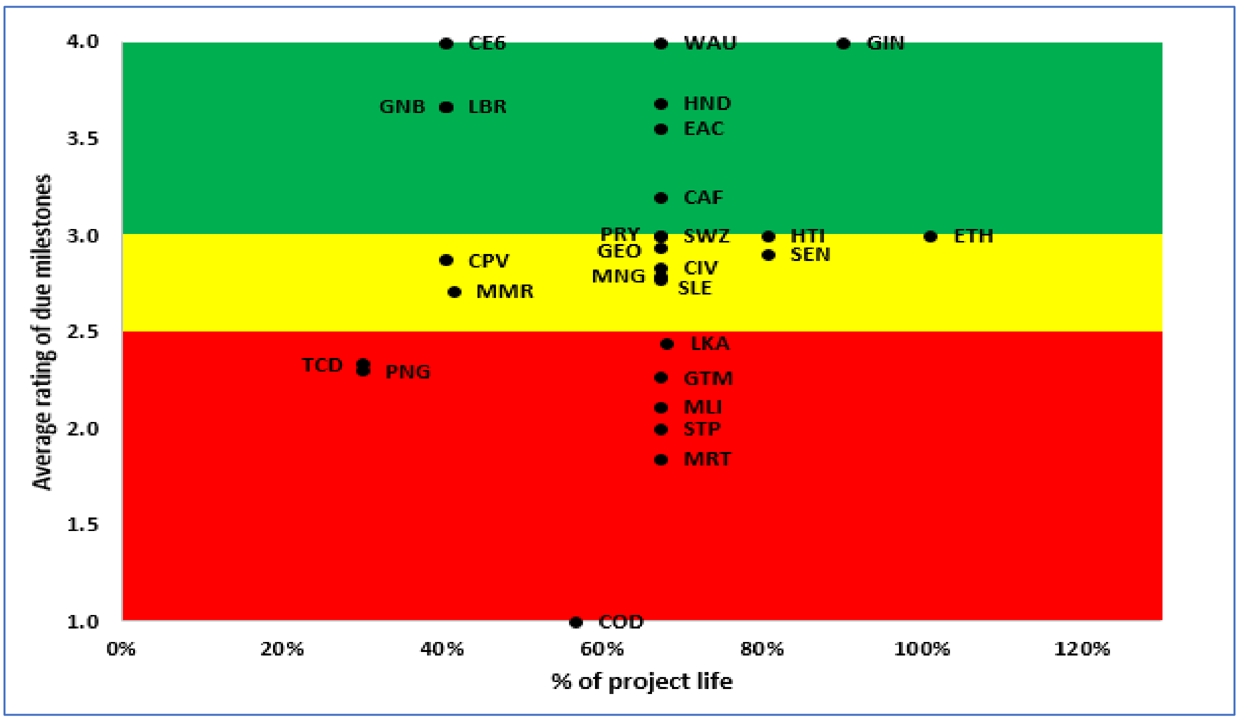
[15] USAID would join this group later.

provided a process mapping—as agreed among the teams, the IMF resident advisor joined the WB mission. It is expected that this collaboration will continue. Incorporating other CD providers will be required to ensure consistency among all CD providers.

B. Progress Against Milestones and Outcomes

17. **The various challenges (enumerated above) notwithstanding, agreed milestones were mostly achieved in the majority of countries (Figure 9).** The information from the IMF's Results-Based Management (RBM) system confirms the qualitative assessments. Milestones are interim steps toward the achievement of an outcome. They are a monitoring tool to track progress during implementation. Figure 9 shows that most projects made significant progress against agreed milestones. Particularly strong progress in meeting project milestones has been recorded in Guinea Bissau, Liberia, Central African Republic, Honduras and Guinea as well as the regional projects in CEMAC, EAC and WAEMU. Progress has been slower in Congo DR, Guatemala, Mali, Mauritania, Papua New Guinea, Sao Tome and Principe, and Sri Lanka.

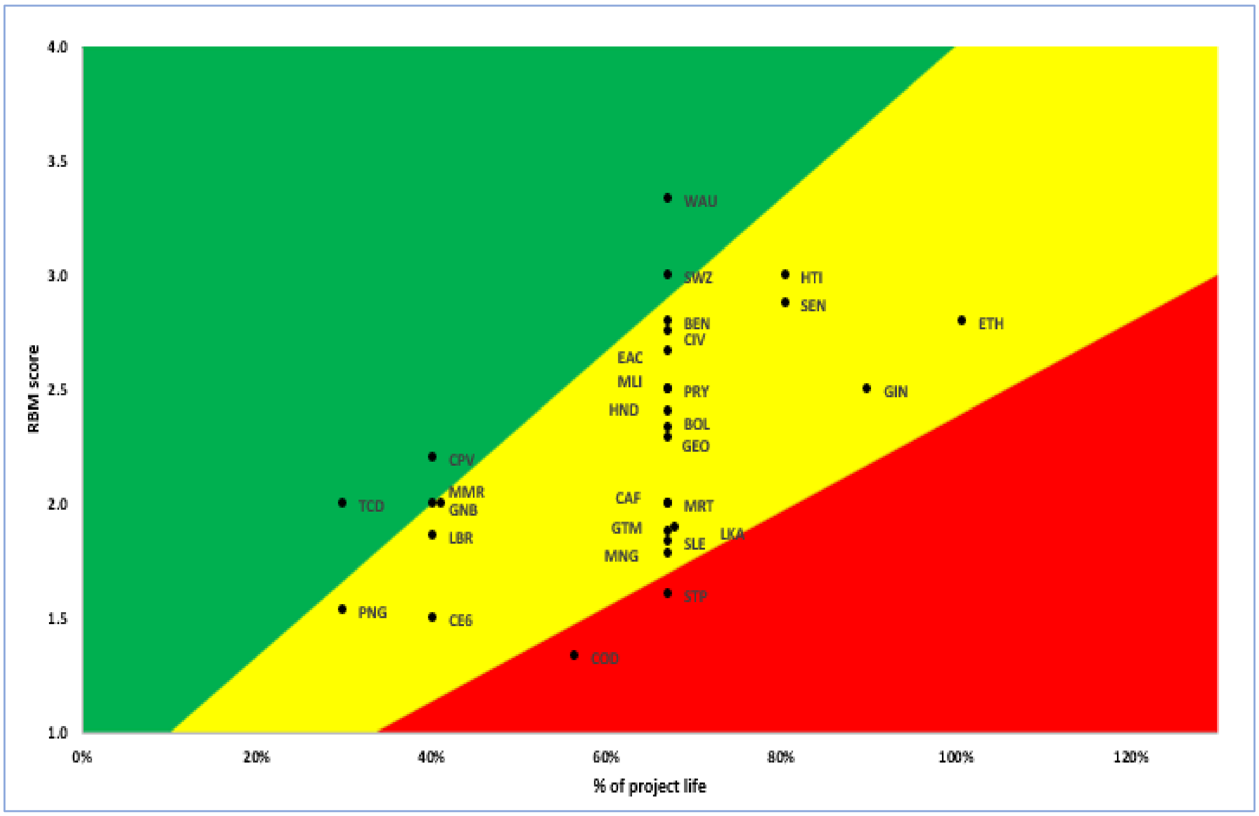
Figure 9. Average Rating of Due Milestones, by Country[16]



[16] The acronyms used in Figures 9 and 10 are the following: BEN – Benin; BOL – Bolivia; CPV - Cabo Verde; CAF - Central Africa Republic; CE6 – CEMAC; TCD – Chad; COD - Congo DR; CIV - Cote d'Ivoire; ETH – Ethiopia; GEO – Georgia; GIN – Guinea; GNB - Guinea Bissau; GTM – Guatemala; HTI – Haiti; HND – Honduras; LBR – Liberia; MLI – Mali; MRT – Mauritania; MNG – Mongolia; MMR – Myanmar; PRY – Paraguay; PNG - Papua New Guinea; STP - Sao Tome and Principe; SEN – Senegal; SLE - Sierra Leone; LKA - Sri Lanka; SWZ – Eswatini; and WAU – WAEMU.

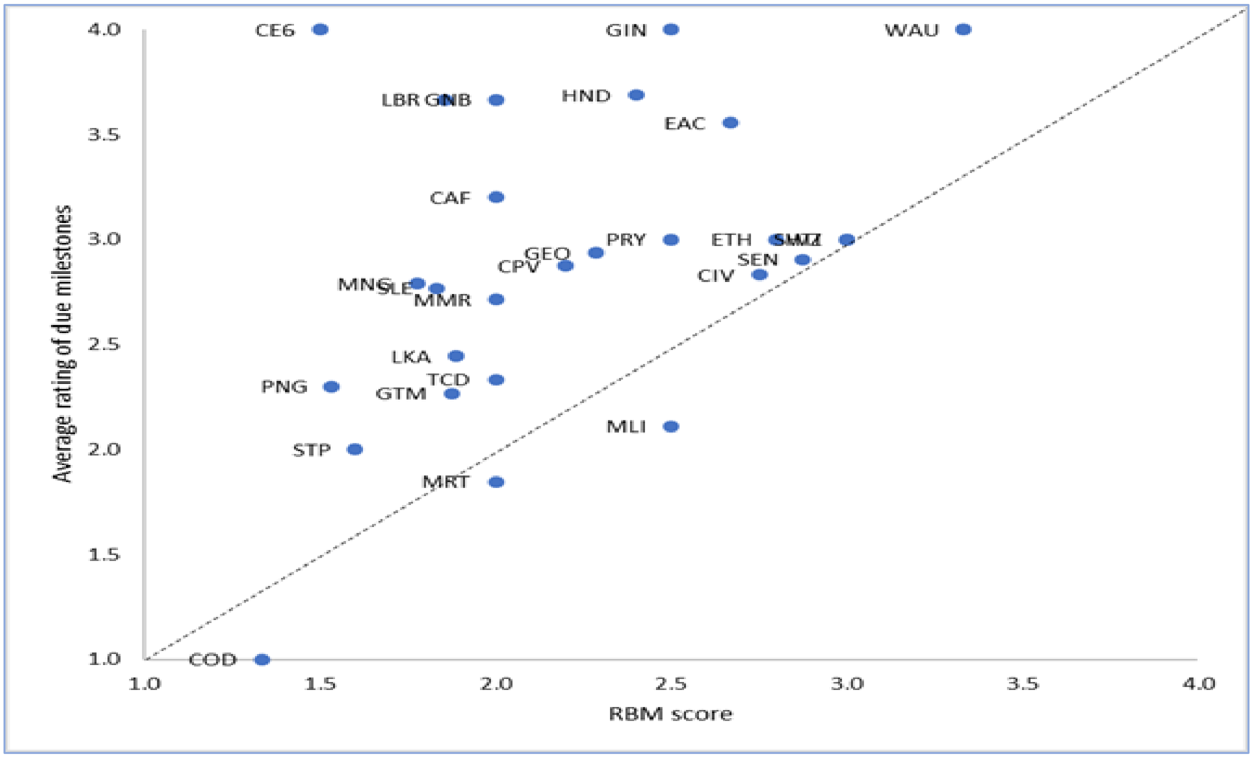
18. **Most CD programs or projects are largely on-track.** The RBM score is a composite indicator of all outcomes in a project. Outcomes are rated against the expected result at the end of the project. Typically, outcome ratings lag behind the milestone ratings as results are only achieved after most milestones have been largely or fully achieved. The majority of projects score between 2 and 3.[17] This is in-line with overall program expectations considering implementation has been going on for 24 months and most projects are expected to last at least three years. Figure 10 shows the evolution of all projects' performance results as we enter a reasonably steady delivery state in year 3 of the RMTF. Figure 11 confirms the assertion that milestone ratings are typically higher than RBM scores (all projects above 45-degree line).

Figure 10. Classification of Projects by Performance and Age



[17] Projects are rated on a scale from 1 (not achieved) to 4 (fully achieved).

Figure 11. Average Rating of Due Milestones Against the RBM Score



19. **A few projects are underperforming against initial expectation.** Three projects (Congo DR, Ethiopia, Guinea, Haiti, and Senegal) were initially scoped for two years. In Congo DR, uncertainty relating to the elections disrupted CD activities and the pace of reform. However, it is expected that some of the tax policy work will be reflected in the 2020 budget. In Ethiopia, appointment of new ministers disrupted some work, especially discussions around the need for an MTRS. However, initial reform progress was made in targeted areas such as taxpayer registration. In Guinea, work on drafting of the Tax Code and the Tax Procedure Code is not complete yet. Civil unrest in Haiti brought CD delivery, including a scoping mission on revenue administration, to a halt although contact with country authorities has continued at the technical level. In Ethiopia, the project is being rescoped to address emerging challenges and to focus on preparation of a MTRS. Other countries that show slow progress with their reforms include: Guatemala (mixed commitment to reform); Mauritania (mixed commitment to reform); Mongolia (reforms with respect to tax administration are on track and will be fully delivered by the end of the project, however, CD in tax policy started late and has achieved very limited traction to-date); Sao Tome and Principe (the current government has not clarified its position on VAT implementation); Sierra Leone (new authorities requested reprioritization of the reforms); and Sri Lanka (staff changes and political unrest affected scheduling of CD activity). A number of these projects are coming to end in FY20 and these factors will be taken into account in the final assessment.

C. Intensive and Targeted CD Programs

20. Table 4 summarizes the key developments and results under the RMTF, by countries. Detailed case studies for Mongolia, Cabo Verde, and CEMAC are also presented in Boxes 3, 4, and 5.

Table 5. Key Reforms and Results, by Country

Country	Key reforms during FY19 and results.
Benin	The main reforms implemented: (i) rolling out e-filing procedures for medium-sized enterprises; (ii) operationalizing an intelligence system to cross-check internal and external information; and (iii) cleaning the taxpayer register and migrating clean data to the new ITAS. The tax administration's headquarters and regional offices are now organized more efficiently and include fully-fledged LTO and medium taxpayer offices (MTO). Risk-based and segment-tailored tax compliance strategies are being implemented and monitored. Electronic invoicing for the VAT is also being deployed. Revenue performance improved during 2018.
Bolivia	Main reforms and results include: implementation of a project to expand the taxpayer registry which increased the number of new taxpayers by 11 percent; using improved risk identification activities to prepare the taxpayers compliance plan for 2019; implementing systems for crosschecking information from sales and purchases to inform audit case selection; implementing an electronic invoicing system and aligning it with the new risk model; expanding third-party sources; and improving communication with taxpayers. Revenue performance improved during 2018.
Central African Republic	CD activities contributed to substantive progress in securing payment procedures (100 percent of payments are made through the bank and reconciled by the Treasury), improving audit coverage (by increasing the proportion of issue-oriented audits), and establishing the inventory of tax arrears. These reforms contributed to improved tax performance during 2018.
Chad	CD delivered helped propose: revisions to the organizational structure (following authorities' setting up of a new VAT directorate within the tax department for the Ministry of Finance); and an action plan to improve revenue performance. Progress was made with setting up an integrated taxpayer register and use of third-party data to identify discrepancies and inform compliance management activities. Revenue performance improved during 2018.
Congo DR	The authorities have produced a complete tax expenditures assessment report ahead of the end-2019 original objective (to be released with the 2020 budget). It is now planned to have an annual update of this report mandated in the Public Finance Management Law, and an implementation decree has already been drafted to support this initiative, with FAD's support. The authorities are also preparing an internal note on tax expenditures rationalization.
Côte d'Ivoire	CD activities helped update the taxpayer register, expand audit coverage by carrying out a larger proportion of issue-oriented audits, and develop a HR strategy as a basis for modernization. Assistance is also being provided, as part of a broader compliance improvement program, to help develop an e-invoicing system that, coupled with a cloud computing solution, will help taxpayers do their accounting and prepare their returns. The system can work with any smart phone or tablet (at no additional cost to the taxpayer).
Ethiopia	Key results include: significant progress on the roadmap to improve the integrity of the taxpayer register including the manual determination of the number of active enterprise taxpayers and the integration of third-party data to manually update registration details; and improvements in tax debt management to include the establishment of a headquarters Directorate and improvements in the ratio of total core tax arrears as a percentage of total core tax revenue collections—from a "D" to a "C" rating for the large and a medium taxpayer office for POA 5-15-1, based on a self-assessment stand-alone snapshot. Coordination and the partnership with DfID's reform program has been instrumental in achieving implementation results from the reform plans developed through the project.
Georgia	Key reforms include: strengthening the organizational structure with a focus on the HQ functions of program design and monitoring; delivering the operational plans with deepening use of key performance indicators (KPI); strengthening CRM approaches and the audit function; improving taxpayer registration; extending the VAT filing compliance program to other tax types; and launching an automated VAT refund system.

Country	Key reforms during FY19 and results.
Guinea	A whole new section on international taxation based on FAD and LEG's recommendations was included in the Tax Code (2019 budget), as well as an upper PIT bracket and a lower CIT rate for businesses other than from the financial, natural resources, telecoms and fuel distribution sectors (2018 and 2019 budgets).
Guinea Bissau	Main reforms implemented include: cleaning of taxpayers register, including geolocation solution to locate taxpayers; deployment of e-filing for corporate income tax; use of a wider set of third-party information for crosschecking with tax returns; development of own IT system, and improvement of tax arrears enforcement measures.
Guatemala	Key reforms undertaken in the program include: improved knowledge of the potential taxpayer database through new initiatives to detect non-registered taxpayers; development a new taxpayer database system; implemented improved compliance improvement strategies and programs for VAT and large and medium taxpayers; set up a CRM office; implementation of a new electronic invoicing system; and enhanced taxpayer feedback for products and services.
Haiti	The authorities have completed the first Tax Code in the history of Haiti, with support from FAD, LEG and the TPA-TTF/RMTF since 2012. The result of over 20 missions and STX, the Tax Code will replace and modernize all documented existing tax laws (including local taxation) and eliminate dozens more antiquated tax measures. A round of external consultations with stakeholders (private sector, local governments, civil society) is planned for the summer of 2019, before the Tax Code is introduced to the Council of Ministers and then to Parliament.
Honduras	In tax policy, the main reforms implemented include publication of new laws for the VAT, PIT, and CIT that consolidated several laws and regulations passed over the last 30 years,[18] and preparation and dissemination of tax expenditures estimates. in revenue administration, key reforms include: (i) implementation of data cleansing plans and adjustments to the IT system functionalities for strengthening the integrity of the registered taxpayer base and the taxpayers accounting system; (ii) establishment of formal governance arrangement at the senior management level for CRM and approval of 71 possible measures to mitigate prioritized compliance risks through a Compliance Improvement Plan; and (iii) enhancement of CRM practices at customs.
Liberia	The main reforms implemented include: aligning the strategic plan with the priorities of the new government and key performance indicators; reengineering and drafting business process requirements to support the procurement of a new ITAS; finetuning the CRM framework and identification of appropriate treatments for a critical industry segment; and the establishment of fora for discussing technical issues with key taxpayer segments and issuance of public rulings and technical interpretations.
Mali	CD activities helped design and implement short-term measures to improve RM, including designing compliance improvement plan with KPIs, undertaking a larger proportion of issue-oriented audits and the enforcement of tax arrears. Progress was also made with developing work procedures and job descriptions and implementing a new HR management software. Key results include: an improvement in on-time filing for VAT and PAYE from 68 percent to 77 percent and a collection of 27 percent of 2018's tax arrears recoverable from January to March 2019.
Mauritania	Overall, slow progress was made with a mixed level of commitment. Examples of reforms include: setting up ad hoc structures and procedures to deliver risk management strategies and an effort to map processes and identify related risks; cleansing the taxpayer database with over 1,000 inactive taxpayers removed; conducting a proactive taxpayer registration campaign and a communication campaign to encourage on-time filing and payment; and analyzing and categorizing debt stock.
Myanmar	Two key reforms, centralized data processing and a technical issue escalation process, were implemented which have helped streamline processes for the large and medium taxpayer offices, improve interaction between headquarters and the tax offices and improve taxpayer services. Several public statements have been published in the Myanmar language and are now being published in English. Also, key reform initiatives, previously delayed, are now coming back on stream, including the Tax Administration Law and Income Tax Law which, together with the WB-funded IT are critical for expansion of the self-assessment system to other offices.
PNG	Key MTRS deliverables to date include work on the comprehensive re-write of the Income Tax Act to modernize and simplify the current law and the Treasury's early planning to establish a revenue policy division, which will

[18] http://www.sefin.gob.hn/normativa/

Country	Key reforms during FY19 and results.
	increase its analytical and fiscal planning capacity. Within the tax administration, an LTO has been established, functional specifications for a new ITAS have been prepared and baseline reviews of core business processes have commenced. Early moves towards improving governance arrangements at program and implementing agency levels are gaining momentum and are essential for such a significant MTRS implementation.
Paraguay	The tax administration made solid progress in implementing previous FAD recommendations including improvements in the taxpayer registry, taxpayer services, audit capacity, and tax arrears collection. Key results include good progress implementing the VAT e-invoicing project—the first e-invoice was issued in November 2018 reflecting the success of the October 2017 e-invoicing regional workshop. To date, the taxpayers have been issued more than 13,000 e-invoices.
Senegal	The main reforms implemented include: operationalized a data warehouse to cross-check internal and external information; introduced electronic procedures; operationalized a management system that tracks taxpayers' requests; implemented *Mon Espace Perso*, a hackathon solution that allows taxpayers to access their tax accounts; and introduced *SondageOnline*, an online service evaluation tool aiming to gather taxpayers' perceptions and improve accountability. As a result, stronger taxpayer services and electronic procedures facilitate voluntary compliance—taxpayers have direct access to their tax data. The tax administration is improving audit and collection functions and is adopting risk-based approaches to compliance management.
Sierra Leone	A review of the organizational structure was completed and streamlined filing and payment processes were launched, including procedures to obtain the closing and opening tax debt balances for taxpayers. Key results include: the implementation of organizational structure changes and the hiring of executive leaders and line professional staff; some reform plans established and reflected in operational plans; and the implementation of a new banking module with major banks to better reconcile taxpayer payments with declarations and the taxpayer ledgers.
Sri Lanka	The risk-based approach was piloted in a compliance project in the construction sector for large VAT taxpayers. The approach proved to be beneficial and is being expanded to other industry sectors in the large business population. A risk management unit has been established and staffed, whose responsibility is to identify compliance risks and select cases for audit. To further expand the risk-based approach, changes were recommended to the taxpayer segmentation to better reflect good practice in compliance management. This work with the large taxpayer population has prepared the way for the upcoming development of a compliance strategy for medium businesses. Work has also begun on the enhancement of core functions, namely payment compliance and arrears management.
Eswatini	Key reforms include: (1) the development of a CRM methodology; the compilation of a compliance risk register, prioritization of 14 compliance risks for treatment; developed 17 compliance risk treatments to address very high or extreme risks in the 2019/20 CRM program, obtained endorsement for the work by executive management, established how treatment actions will be monitored and results evaluated and reported; and (2) full implementation of self-assessment, including all associated changes to process and implementation of audit post-assessment.
Uzbekistan	This project is at an early stage, but the authorities have shown strong commitment to reforms and swift progress has been made since the project launch. Key reforms include: establishing a tax policy unit at the Ministry of Finance with developing analytical capacity; developing a draft reform strategy; adopting a function-based organizational structure for the State Tax Committee headquarters; and first steps to establish an LTO.
CEMAC	CD support helped revise the CEMAC multilateral tax treaty and draft new regional directives on excise taxes and the value added tax (VAT). The excise tax directive was approved by Finance Ministers in April 2019 while approval of the new tax treaty appears imminent. The VAT directive will be reviewed at an upcoming senior officials' meeting and subsequently presented to Finance Ministers for their approval.
EAC	A Policy Note on tax harmonization was approved at the ministerial level.
WAEMU	The WAEMU Commission issued a new directive on tobacco excises in December 2017. Under this directive, member countries are expected to increase *ad valorem* taxes to at least 50 percent.

Box 3. Country Case Study – Mongolia: Progress on Reforms

Context: Mongolia's RMTF-funded tax administration project (May 2017 to April 2020) is designed to achieve sustainable tax revenue increases through tax administration improvements. The project was launched against the backdrop of a large fiscal deficit (16.1 percent of GDP in 2016) and a sharp decline in revenue. To support fiscal consolidation, the government set a target of reducing the fiscal deficit to 6.0 percent of GDP by 2019, to be achieved through both expenditure reductions and revenue raising measures. The RMTF project is aiding these objectives through the delivery of an intensive program of CD.

Reform Design and Status: Over the last two years, the General Department of Taxation (GDT) has made strong progress in each of the four RMTF project modules: strengthening CRM (Module 4), enhancing core tax administration processes (Module 5), improving key support functions (Module 6), and implementing new fiscal tools (Module 9).

- Comprehensive compliance improvement strategies have been designed and implemented.
- Core tax administration processes have been enhanced. The integrity of the taxpayer register has improved, there is greater take-up of e-services, and an outbound debt management call center has achieved marked improvements in recovering small debts.
- A new tax administration computer system will be fully implemented by October 2019.
- Two new fiscal tools give better information about revenue collection performance.
- New tax legislation strengthened key tax administration provisions and created a simplified income tax regime for smaller businesses.

Impact on RM: The first two years of the RMTF project have coincided with a surge in revenue collection as total revenue (including both tax and non-tax) increased sharply from 23.5 percent of GDP in 2016 to an estimated 31.3 percent in 2018. Non-mineral revenue accounted for more than half of the overall revenue increase (rising from 21.2 percent of GDP to 25.9 percent over the same time period). With revenue growing higher than could be expected from economic and tax policy factors, tax administration improvements are likely to account for (at least) part of the residual. This is supported by the reduction in the VAT compliance gap, which is estimated to have declined from 24 percent in 2016 to 19 percent in 2017.

Success Factors: The impressive results have reflected both the government's commitment to the reforms and effective CD delivery. Government commitment has been manifested in strong political support (by enacting new legislation) and management backing (by implementing a broad range of reforms). CD effectiveness has been achieved through continuous engagement (by the assignment of a long-term advisor and periodic headquarters staff visits and missions) and ample technical support (through multiple short-term technical experts, whose tasks and follow-up actions are agreed with the GDT prior to and after each visit, respectively). The advisor has played a crucial role, closely coordinating the planning and delivery of CD with the GDT counterpart team and ensuring the agreed follow-up actions move forward between expert visits.

Next Steps: The GDT set a goal of achieving 90 percent of project milestones rated as either fully or largely achieved by April 2020 (compared to 60 percent today). Even with achieving this goal, additional time and effort will be required for the reforms to take firm root across the organization and fully yield their expected benefits

Box 4. Country Case Study – Cabo Verde: Progress on Reforms

Context: The RMTF project (2017 – 2022) aims at consolidating the progress achieved under the TPA-TTF project (2013 – 2017) and strengthening institutional capacity in tax administration. Improving revenue performance is a key component of the government agenda, in which fiscal consolidation to reduce the public debt is a priority. An RA-GAP mission estimated the VAT compliance gap at 40 percent of GDP in 2014.

Reform Design and Status: The revenue administration has made sound progress in the three RMTF project modules: managing reform strategy (Module 1.1), enhancing core tax administration processes (Module 5.1), and improving key support functions (Module 6.1). Progress achieved includes, but is not limited to:

- KPIs were established and relevant structural projects were prioritized.
- Internal control mechanisms have been strengthened. Internal audit processes and procedures were redesigned to address risky areas.
- The consistency of the taxpayer register has improved. More than 95 percent of the data was cleansed, and new requirements (filters) for data entry were defined.
- Processes and procedures have been automated. Non-compliance in filing and payment on VAT and WHT triggers automated procedures: issuing alerts to taxpayers, imposing penalties, and electronically notifying taxpayers.
- A broad range of verification actions have been used. The audit plan includes visiting taxpayers and stopping trucks to check the existence of non-registered taxpayers, the issuing of invoices, and the existence of appropriate documentation to support the transit of goods.
- Third-party data have been gathered on a regular basis, and taxpayer information has been cross-checked against internal and external data.
- Roles and responsibilities for logistics and HR processes were established, and process flows were redefined.
- A project to implement electronic invoicing has been developed

Impact on RM: Tax collection has improved in the last couple of years. The tax-to-GDP ratio reached 22.1 percent in 2018 (against 20.7 percent in 2017 and 19.4 percent in 2016) and is estimated to reach 23.1 percent in 2024. As no tax policy reform was implemented in this period, tax administration improvements are likely to account for (at least) part of the revenue collection increase.

Success Factors: The sound progress echoes both the authorities' commitment to reforms and the effective TA support. The existence of a favorable environment, which reflects the reforms undertaken under the former CD project, the TPA-TTF, provides an appropriate basis for further modernizing the revenue administration. The government favors a paperless environment. The revenue administration has gradually abolished paper-based practices: a 100 percent of tax returns are electronic; 99.9 percent of payments are online; taxpayers can consult their tax position in the DNRE's website; and taxpayers are required to activate an electronic box.

Next Steps: Additional support is required to achieve all the project milestones. Despite the authorities' engagement, deploying the strategy and operationalizing plans and projects require additional effort and time. More work is needed to incorporate risk management practices, to develop a comprehensive strategy to promote compliance, to implement changes in the legal and institutional framework to comply with international standards on exchange of information, and to implement a new HR policy that comprises the harmonization of the career path for both tax and customs officers.

Box 5. Case Study – CEMAC: Tax Coordination

Context: The CEMAC region was severely affected by a sharp decline in commodity prices after 2014, notably the reduction in oil prices. Government revenue in the region fell by close to 40 percent between 2012 and 2017, representing more than 10 percentage points of GDP. This fiscal shock impacted all six-member countries—Cameroon, Gabon, Congo, Chad, Central African Republic, and Equatorial Guinea—albeit to different degrees. While steps were taken to achieve fiscal consolidation by streamlining non-priority expenditures, it became apparent that more is needed to be done to close the fiscal gap, including in terms of mobilizing additional domestic tax revenue.

CD support: In October 2016, tax policy experts from the FAD met with the CEMAC Commission to initiate discussions on an ambitious program of region-wide reforms. The shared intention was to leverage the existing tax coordination framework to help push forward incremental, yet meaningful, reforms in all member countries. This framework, which mostly consists of a set of regional directives governing the design of key national taxes such as the value added tax, personal income tax, corporate income tax and investment codes, and excise taxes, was outdated and ill-suited to adequately support member countries in mobilizing additional revenue. During this meeting, a five-year program prioritizing different areas of reforms was prepared. This plan was later submitted to, and approved by, the RMTF steering committee who agreed to provide financial support to this important initiative. The first activities under the program focused on excise taxes and the multilateral tax treaty. Three CD activities were deployed between 2017 and 2018 to establish a diagnostic, formulate policy recommendations, engage with officials not only from the Commission itself but also from member countries, and assist with the legal drafting of revised regional instruments. In March 2019, the CEMAC Council of Finance Ministers formally endorsed the adoption of a new Excise Tax Directive and updates to the multilateral tax treaty.

Impact: The multilateral tax treaty, which dated back to the 1960s, has been updated to include the minimum standards under the BEPS project. This should limit possible abuse of this treaty by third-state residents through treaty shopping. As for excise taxes, focus was placed on adding used and luxury passenger vehicles to the mandatory list of excisable products (together with tobacco and alcohol), removing the 25 percent maximum rate thereby allowing flexibility to raise taxes, and establishing new minimum rates (30 percent tobacco, 25 percent alcohol, and 12.5 percent passenger vehicles). These changes are expected to help increase excise tax revenues in the region, which only averaged 0.5 percent of GDP as compared to 1.4 percent in the WAEMU and over 2 percent in both the EAC and the Southern African Customs Union (SACU). Some CEMAC members already raised some of their excise tax rates in their 2019 Finance Law, including for instance Chad (tobacco, alcohol and passenger vehicles) and Cameroon (tobacco), possibly in anticipation of the adoption of the revised Excise Tax Directive.

Next Steps: The CD program is ongoing, and the focus has now shifted to the VAT. As the VAT is the single-most important source of CEMAC non-oil revenue at a share of about 40 percent, the revision of the VAT Directive offers an important opportunity to improve fiscal outcomes across the region. A first technical assistance activity took place in December 2018, where FAD experts and country officials held constructive exchanges on ways to improve the economic efficiency, revenue productivity, fairness and administrability of the VAT. A proposed revised VAT Directive is currently being drafted, along with technical explanatory notes, and was discussed with country officials as part of a second workshop in March 2019.

D. Building Human Capital Through Learning

Training and peer learning workshops and seminars

21. **Several training and peer learning workshops covering a range of RM topics were delivered during the year as an integral part of CD delivery.** Examples include: a post-TADAT strategy setting seminar in Bolivia; a workshop on operational planning; CRM training workshops in Bolivia, Honduras, and Paraguay; tax treaty negotiation training and international taxation workshop for EAC member states; a workshop on regional coordination of the VAT for CEMAC member countries; a workshop on tax strategies for WAEMU member countries; and RAFIT/ISORA training sessions for African countries.

Online course on tax policy analysis and revenue forecasting

22. **Development of a new online course on Revenue Forecasting and Analysis (RFAx) is progressing well.** The course will cover four areas: trends, tax policy principles and institutional elements of revenue forecasting (module 1); introduction to revenue forecasting techniques (module 2); revenue forecasting and analysis of VAT, excise taxes and custom duties (module 3); and revenue forecasting and analysis of the personal income tax and corporate income tax (module 4). Modules 1 and 2 are now complete, including filming. Work on modules 3 and 4 is ongoing and proceeding simultaneously. These modules will follow similar structures, providing students with foundational knowledge on key tax policy considerations in designing these taxes as well as hands-on learning on forecasting the associated revenue and assessing the revenue impact of different policy changes.

Plans for Developing Online training on tax administration

23. **Discussions with several development partners regarding the development of a multi-partner online training program (e-tact) in tax administration continued.** These discussions have led to the appointment of a multi-partner working group comprising officials from the CIAT, the Intra-European Organization of Tax Administrations (IOTA) and the Organization for Economic Cooperation and Development (OECD), the latter including the Forum on Tax Administration (FTA). The terms for this cooperation will be set out in a future Memorandum of Understanding. It is envisaged that the FAD will take the lead in developing the curriculum covering issues such as institutional governance, management, and support; these are crucial components in FAD's CD delivery in revenue administration, which focuses on strategic reforms, including the development of an MTRS.

E. Developing and Disseminating Applied Diagnostics and Analysis

Update on ISORA/ISOCA surveys

ISORA 2018—Largest number of participants to-date.

24. **ISORA 2018 closed with a record number of 159 administrations having participated.** Invitations to participate in ISORA 2018 were extended to 175 tax administrations managed by the ISORA partners/associate as follows: Asian Development Bank (ADB)–19; CIAT–18; IMF–69; IOTA–11; and the OECD–58. It should be noted that the ADB is not yet a full partner in ISORA and a separate participation agreement was thus signed between the partners (CIAT, IMF, IOTA and the OECD) and the ADB in advance of the ADB-managed administrations using the ISORA 2018 survey. Table 5 provides details of the number of participants invited to participate by each partner/associate and the number participating. At present partners/associate are carrying out quality assurance reviews on data to ensure that there are no obvious errors in the data provided by administrations. Once these reviews have been completed, data will be released as per the terms and conditions, and analysis will be conducted.

Table 6. ISORA 2018: Number of Participating Administrations

Managed by:	***Administrations invited to participate in ISORA 2018:***	***Administrations participating in ISORA 2018:***
ADB	19	14
CIAT	18	17
IMF	69	60
IOTA	11	10
OECD	58	58
Total	**175**	**159**

Report on ISORA 2016, published in January 2019.

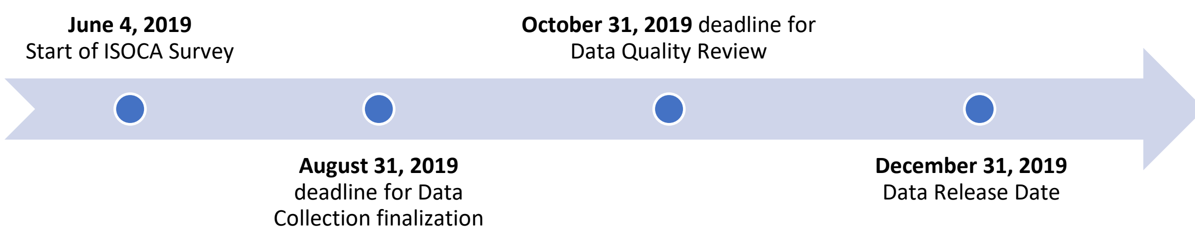
25. **The third volume of *Understanding Revenue Administration* covering ISORA 2016 data was published as a Departmental Paper in January 2019.** This paper, using aggregated data only, analyzes the data for three country groups, viz. small states (population of 1.5 million or less), lower-income countries, and higher-income countries. As expected, both size and the income level influence the administrative and operational practices of tax administrations. Tax administrations that participate in the survey can access country-level data, which is useful for their own benchmarking—for example, according to regional factors, institutional arrangements, human resources, etc. In addition, the paper has sought to analyze data in three subject areas: (1) performance-related data, e.g., on-time filing rates by tax type; (2) profile data, e.g., institutional arrangements; and (3) administrative and operational practices, e.g., the development of four separate indices—performance standards, autonomy, public accountability, and service orientation. This paper can be downloaded from the IMF website at https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2019/03/07/ISORA-2016-Understanding-Revenue-Administration-46337

The results from the ISORA 2018 survey, which comprises data gathered from 159 administrations for the 2016 and 2017 fiscal years, will be published later in 2019 once the data has been thoroughly analyzed.

Update on the International Survey on Customs Administration (ISOCA)[19]

26. **The first Technical Working Group (TWG) meeting took place in Brussels, Belgium at the (World Customs Organization) WCO Headquarters over the period April 15 and 16, 2019.** ISOCA will be deployed in both English and French, the two official languages of the WCO, although a Spanish version will also be available to participants who would find this useful. ISOCA is a much shorter survey than ISORA and should therefore require less time by participating customs administrations to complete. The inaugural survey will cover fiscal years 2016 and 2017, and it is intended that the next ISOCA survey will be deployed in 2020 (next year) to align data gathering efforts for both ISORA and ISOCA. The TWG agreed the timeline for ISOCA as illustrated in Figure 11.

Figure 12. Timeline for Deployment of ISOCA 2019



27. **The TWG was able to agree on several key operational issues for endorsement by the Executive Council of ISOCA.** Final reviews of the survey questions were agreed by the WCO who were also to remind members to provide coordinator details by May 20, 2019. The IMF is to assist in increasing participation in ISOCA via RCDCs and agreed to pursue non-WCO members. The ISOCA partnership is targeting at least 100 participating customs administrations in this, the inaugural customs survey. In addition, it was agreed that the WCO would be the main contact point for participants with the IMF managing responses to queries relating to customs collections, institutional arrangements, and HR and budget matters with the WCO managing responses pertaining to customs operations.

[19] ISOCA, a collaborative initiative with the WCO, is an international data gathering tool for customs (similar to ISORA but for customs administrations). It contains questions on revenue collections, institutional arrangements, HR and budget and also across the whole spectrum of customs operations.

28. **After the TWG meeting (April 17, 2019), the IMF was able to brief RMTF partners on ISORA and ISOCA.** This briefing provided an update on ISORA 2018, the published Departmental Paper, and the work undertaken with the WCO on ISOCA. Representatives from the Belgian tax and customs administrations were also present. In the picture, from left to right, Mr. Tim Cap, Belgian Ministry of Foreign Affairs; Mr. Geert van Reybrouck, Belgian Ministry of Finance; Ms. Anca-Maria Szigeti, DG DEVCO; Ms. Liz Gavin, FAD; Mr. Vincent Bigot, DG DEVCO; and Mr. Andrew Masters, FAD.

TADAT

29. **Results of TADAT assessments are actively being utilized to inform reform planning.** During FY19, a TADAT assessment was completed for Bolivia. The assessment results showed some areas of good practice, including the range and accessibility of tax information and assistance to taxpayers, methods used to obtain feedback from taxpayers on the quality of services, electronic filing and payment of tax declarations, timeliness in VAT payments, timely publication of the tax administration's annual report. However, key weaknesses identified include: integrity of the taxpayer register; low on-time filing rates; absence of a system of binding public and private rulings; and an inadequate VAT refund system. Additional TADAT and post TADAT assessments were carried out in two scoping missions (Rwanda and Zimbabwe) and used as a basis for discussions with the authorities and other partners and development of project proposals for funding under the RMTF.

30. **In total, TADAT assessments have been conducted in eight RMTF-beneficiary countries[20] out of a total of 78 carried out to date.** The results provided a basis for a common understanding of the key strengths and weaknesses of the system of tax administrations in the respective countries and informed the preparation or finetuning of strategic and operational plans for the tax administrations. In some countries, such as Sierra Leone and Guatemala, specific post-TADAT strategy-setting missions were undertaken to help clarify reform and CD priorities. CD projects under the RMTF address areas identified or confirmed by a TADAT or prioritized by post-TADAT activities. For example, work has been undertaken, some with initial positive results, in addressing the integrity of the taxpayer register (TADAT performance outcome area (POA) 1) in six of the eight countries (Cote d'Ivoire, Ethiopia, Guatemala, Liberia, Paraguay, and Sierra Leone). Refinement of CRM frameworks (POA 2) has been prioritized, with good initial results in Cote

[20] Congo DR, Cote d'Ivoire, Ethiopia, Georgia, Guatemala, Liberia, Paraguay, and Sierra Leone.

d'Ivoire, Georgia, Guatemala and Liberia. Paraguay has prioritized work on POA 3 (voluntary compliance) with excellent results. Several countries have also prioritized work on filing (POA 4), tax payment (POA 5), and accurate porting (POA6); examples of detailed reforms are presented in Table 4. TADAT assessments will also be carried out at the end of CD projects; for example, one is planned for Georgia (a repeat TADAT planned for FY20), and Eswatini (a new TADAT planned for FY20). These TADAT assessments will be used to assess reform progress and also set new baselines for future interventions.

RA-GAP Program

31. **VAT gap studies have been used in the respective countries to guide strategy setting and compliance management work.** During the year, a VAT gap study was completed for Ethiopia. The study revealed that the overall VAT gap was high due to increases in both the policy and compliance gap. The authorities are using the analysis to help shape legislative changes in the VAT law to include consideration to provide greater control of exemptions and to focus compliance measures for their new fiscal year starting in July 2019. The results of this study are also expected to inform discussions on a medium-term revenue strategy within the context of the Ethiopia's Growth and Transformation Plan (GTP) III.

32. **Overall, VAT gap studies have been completed in six RMTF-beneficiary countries (Cabo Verde, Ethiopia, Georgia, Mongolia, Senegal, and Sri Lanka).**[21] These studies have been used well to guide policy and operations. For example:

- ✓ In Cabo Verde, the study was conducted at a time of sharp revenue decline. The results of the VAT gap study were used by the authorities to identify the most non-compliant sectors, and to assess and analyze the factors that lead to the non-compliance behavior, and to develop mitigating measures. This work contributed to 80 percent of the scope of the audit program for 2017, for example, and to revenue growth in recent years.

- ✓ In Georgia, new procedures have been developed to expedite the handling of VAT refunds, including the introduction of an automated risk selection system, which is operational since early 2019. This has substantially improved the timeliness and value of refunds issued. Additional steps are being prepared to achieve a further reduction in the total stock of refunds.

- ✓ In Mongolia, a full VAT gap study in 2017 was followed up by a preliminary VAT gap study in 2018, using national accounts aggregates. Both studies revealed a volatile VAT gap in both the compliance and policy dimensions. The gaps were counter-cyclical, falling with increasing activity in Mongolia's large mining sector. Use of the most recent study was limited by the

[21] A VAT gap study for Benin is scheduled during FY20, along with a follow-up study for Sri Lanka and Georgia.

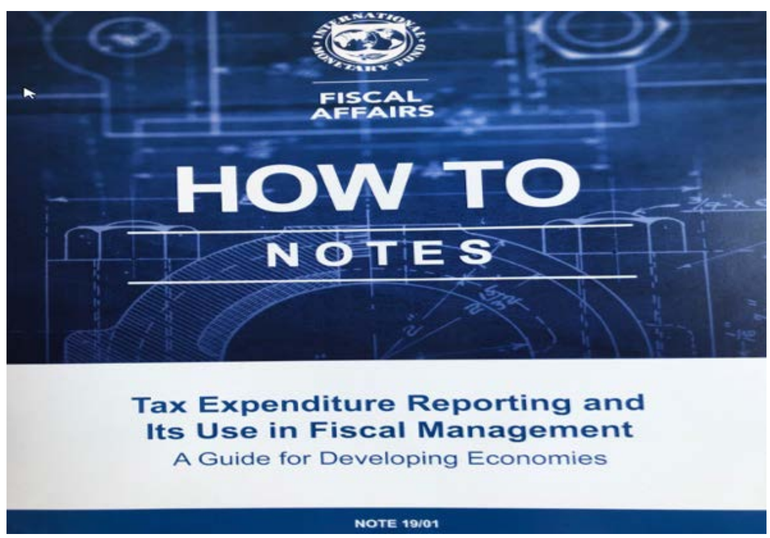
lack of detailed data for a sectoral breakdown, which will be rectified in a forthcoming update; but the compliance gap estimates allowed the authorities to evaluate the impact of their reform program and major compliance measures aimed at the informal sector.

- ✓ In Senegal, a VAT gap study was prepared in 2016. Subsequently, the RMTF CD program helped design (in 2017) a VAT compliance strategy including a package of concrete and quantified VAT revenue raising measures. These comprise: (1) redirecting VAT audits towards taxpayers with the highest risks such (a) illegal exemptions claims, (b) unregistered businesses, (c) unreported business turnover and over-claimed credits, (d) discrepancies from crosschecking amounts reported in VAT declarations with information obtained from third parties and (2) de-registering VAT registered entities that have been inactive. In 2018, these measures yielded an additional VAT revenue of 0.3 percent of GDP.

- ✓ In Sri Lanka, a VAT gap study in 2017 concluded there was both a policy gap and a compliance gap. The sector that contributed most significantly to the compliance gap was the construction sector. In building capacity to undertake CRM, the construction sector was successfully used to pilot the approach among large taxpayers.

How-to-Notes

33. The How-to-Notes on "Tax Expenditure Reporting and its Use in fiscal Management: A Guide for Developing Economies", funded under the RMTF, was published in March 2019. The note aims to inform governments in developing countries on how to account for tax expenditures and use that information in fiscal management. In this regard, the note outlines the role that tax expenditure assessment can play in fiscal management, provides a step-by-step guidance on how tax expenditure accounts can be built, with emphasis on data, methods and models, and institutional requirements, and summarizes the current status of tax expenditure reporting in developing economies, with some reference to advanced economies. The note will guide FAD CD work in an area that has seen increasing demand in recent years, including contributing to preparation of well-informed MTRS. This paper can be downloaded from the IMF website https://www.imf.org/en/Publications/Fiscal-Affairs-Department-How-To-Notes/Issues/2019/03/27/Tax-Expenditure-Reporting-and-Its-Use-in-Fiscal-Management-A-Guide-for-Developing-Economies-46676



34. **Work has also begun on the degree to which autonomy can bring benefits in how well a revenue administration is managed and through this, contribute to improved performance results.** Autonomy in revenue administration and the impact it can have on improved RM remains a topic of interest to many countries and institutions. Countries are seeking information and guidance to help frame their own decisions about the policy framework that will support their organization and governance choices. The most recent IMF research on autonomy dates to 2006 and although it continues to be of some use to countries considering more autonomy including adopting the Revenue Authority (RA) model, the further experience of over a decade with semi-autonomy merits further review. The IMF has also hosted three seminars since 2013 (with ATAF and CATA) to explore emerging issues in RA board management. At these events, further research has been consistently sought by heads of RA administrations and the Chairpersons of RA Management Boards. The research will be in two parts: (1) autonomy issues (an update of existing IMF research; a more in-depth look at how autonomy, transparency and integrity manifest under the semi-autonomous approach; and, the role played by management boards in the formal RA structure); and (2) key issues related to co-management of customs and tax administration and possible impacts on efficiency and effectiveness (including the extent to which operational activities may be integrated). Data sources for this research project will include the following: (a) ISORA 2018 data; (b) a follow-up survey to selected ISORA 2018 participants; (c) TADAT data (where available); (d) literature reviews; (e) internet research; and (f) other third-party open sources. The result of the project will be a working paper.

Appendix 1. RMTF Strategic Logical Framework

Level	Module		Desired Outcome	Indicator	FY19 results and comments
Impact Level	**Strategic objective: Supporting developing countries to mobilize tax revenue to promote sustainable and inclusive development**				
			Desired Outcome	**Indicator**	**FY19 results and comments**
		S1	Domestic tax revenue performance improves in RMTF countries	Average tax-to-GDP ratio trends up in RMTF beneficiary countries	12 countries in FY19
		S2	Taxpayer compliance improves in RMTF countries	Average tax gaps reduce over time in RMTF countries (for the countries where this indicator is measured)	N/A
Outcome Level (Core Focus Areas)	**Delivering Technical Assistance: Modules I to VI**				
	Objective 1: Strengthen tax policies and tax administrations' managerial and operational capacity				
	Module		**Desired Outcome**	**Indicator:** The term "countries", both in the numerator and denominator, refers to RMTF countries that receive FAD and/or LEG advice in the respective module	**FY19 results and comments**
	Reform Strategy and Management	M1.1	Reform strategy and implementation governance framework adopted and institutionalized	Number of countries with strategic plans and annual business plans prepared and adopted/total countries	Strategic Plans completed or refined in Liberia and Georgia
	Tax Policy Design	M2.1	Tax policy reforms are designed and implemented	Number of countries that enact new laws/total countries	Laws prepared or approved in 4 countries; regional directives issued in 1 (CEMAC)
				Number of countries that estimate and report tax expenditures transparently/total countries	Estimates prepared or used in Congo DR and Honduras
				Tax revenue categories (e.g., VAT, CIT, PIT, etc.) improve over time, as a share of GDP	N/A
	Tax Administration Organization	M3.1	Organizational arrangements enable more effective delivery of strategy and reforms.	Number of countries with clear organizational structure along functional lines and/or taxpayer segmentation in place/total countries	Improvements implemented in Georgia
	Tax administration corporate and compliance risk management	M4.1	Corporate priorities and compliance better managed through effective risk management	Number of countries with compliance risks identified and ranked, or that introduce formal compliance improvement programs/total countries	CRM concepts strengthened in Benin, Cote d'Ivoire, Liberia, Mali, Mauritania, Myanmar, Mongolia, and Sri Lanka
	Tax administration core business functions and procedures	M5.1	Core business functions and procedures effectively promote taxpayer compliance	Number of countries where taxpayer service indicators improve/total countries	N/A

Level	Module		Desired Outcome	Indicator	FY19 results and comments
				Average on-time filing and payment ratio	N/A
				Amount of tax arrears (VAT, PIT, CIT, and PAYE) stock at end-year/total annual collection	N/A
	Tax administration support functions	M6.1	Support functions enable more effective delivery of strategy and reforms	Number of tax administrations that adopt robust HR and IT policies/total countries	IT developments made in Bolivia, Cote d'Ivoire, and Senegal
Outcome Level (Complementary Focus Areas)	**Building Human Capital through Learning: Modules VII and VIII**				
	Objective 2: Enhance tax authorities' knowledge and skills to support better institutions				
	Module		**Desired Outcome**	**Indicator**	**FY19 results and comments**
	Training and peer learning	M7.1	Capacity is enhanced through high quality training and peer learning	Rate of participants who consider that the knowledge gained in RMTF training and events will help them do their jobs better	N/A
				Number of women, and percentage of participants who are women participating in RMTF training and learning events	N/A
	Developing and Disseminating Applied Diagnostic Tools and Analysis: Modules IX and X				
	Objective 3: Promote the development of analytical tools to support informed policy and administration decisions				
	Module		**Desired Outcome**	**Indicator**	**FY19 results and comments**
	Fiscal tools development and dissemination	M8.1	RMTF countries use FAD diagnostic tools to establish baselines, monitor institutional improvements, and manage operational performance more effectively	Number RMTF countries responding to the RA-FIT survey/number of total RMTF surveyed countries	A total of 25 out of 27 RMTF beneficiary countries. Haiti did not complete the questionnaire while Mauritania about 20 of the 2016 form, but not the 2017 form.
				Number of RMTF countries that participated in a TADAT assessment [with baselines successfully established]/number of total RMTF countries	Two countries: Guatemala and Honduras
	Research and analytical work	M9.1	High quality working papers and technical notes with clear application in CD work are published	Number of analytical research papers prepared and published	One How-to-Notes completed.