European Union

ACP

Germany

Switzerland

Belgium

The Netherlands

Norway

Luxembourg

Republic of Korea

Kuwait

TAX POLICY AND ADMINISTRATION TOPICAL TRUST FUND
ANNUAL REPORT
2015

5414202

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ACRONYMS

EAC	East African Community
EFD	Electronic Fiscal Devices
FAD	Fiscal Affairs Department (IMF)
GDP	Gross Domestic Product
RA-FIT	Revenue Administration-Fiscal Information Tool
RBM	Results-Based Management
SC	Steering Committee
SLF	Strategic Logframe
TA	Technical Assistance
TPA	Tax Policy and Administration
TTF	Topical Trust Fund
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union

Executive Summary

The Tax Policy and Administration Topical Trust Fund (TPA TTF)[1] implemented more than 50 percent of budgeted activities by the end of its fourth year of operations (FY15[2]). Expenditures amounted to $13.8 million or 51.5 percent of the endorsed multi-year budget. The year on year implementation in FY15 was broadly unchanged from the previous year. This largely reflects the negative impact of the Ebola crisis in Liberia and the termination of the Kyrgyz Republic project in December 2014. The majority of the projects continue showing high implementation rates; and the start of the operational work of two new country projects (East African Community and Mali) and the new phase of the Revenue Administration-Fiscal Information Tool (RA-FIT) project helped minimize the above-mentioned negative shocks. At the end of FY15, the TPA TTF encompassed 21 country projects, two regional projects and four research projects, with 55 percent of the endorsed budget spent on projects in Africa.

Active TPA TTF projects had a strong implementation track record in FY15. More than half of the TPA TTF project outcomes are now at least largely achieved (scores 3 and higher[3]), while only one third of the outcomes had a similar level of performance at end-FY14. Several modules were fully achieved in FY15: tax policy (Cape Verde); organization (Cape Verde, Liberia, and Mauritania); procedures and support functions (Mauritania); and strategy (WAEMU). Out of the nine TPA TTF modules, work has focused on four specific modules: Tax policy, Tax administration organization, Tax procedure code and core processing functions, and Enforcement.

Significant outcomes were achieved in FY15 in several projects. Achievements in tax policy included the implementation of personal and corporate income tax reforms in Cape Verde and Myanmar, and enactment of transfer pricing laws and regulations in Bolivia. In tax administration, key results were achieved in the following areas: organizational redesign and/or strengthening the headquarters function in Cape Verde, Paraguay, Liberia, Ethiopia, and Myanmar; implementing taxpayer segmentation principles in Burundi, Cote d'Ivoire, Mauritania, and Senegal; strengthening taxpayer self-assessment in Mali and Swaziland; and

[1] The Tax Policy and Administration Topical Trust Fund (TPA TTF) aims at assisting low income and lower

[2] IMF FY2015 was during May 1, 2014 – April 30, 2015.

[3] The TPA TTF's Results-Based Management framework measures results through the application of a 0-4 scoring system, where: 0 (not started), 1 (not achieved), 2 (partially achieved), 3 (largely achieved) and 4 (fully achieved).

simplifying operational procedures in Bolivia (audit, including for mining), Burundi (collection), Ethiopia (taxpayer services), and Liberia (audit and taxpayer service). Particularly in Liberia, the TPA TTF successfully carried out remote technical assistance (TA) work during the Ebola crisis, contributing to the launch of the Liberian Revenue Authority in July 2014.

The implementation of an enhanced Results-Based Management (RBM) framework was also a highlight of FY15. In March 2014, IMF staff and TPA TTF donors got together to discuss an enhanced RBM framework for monitoring, measuring, and reporting project outcomes. This report continues to sharpen the focus on results.

Finally, the TPA TTF mid-term evaluation was conducted in FY15. The independent evaluators found that the TPA TTF is on track to achieve its objectives in a sustainable manner in most of the countries in which it has delivered TA. They also recommended some improvements, which will be discussed by the TPA TTF Steering Committee.

I. OVERVIEW

A. Summary of TPA TTF

1. The Tax Policy and Administration Topical Trust Fund (TPA TTF) was launched by the International Monetary Fund (IMF) in April 2011 to help low-income and lower middle-income countries to implement effective and efficient tax systems and generate the revenue needed for providing essential public services and public goods.

2. The TPA TTF is designed to meet the increased demand of developing countries for TA in tax policy and administration. At a glance, the TPA TTF embodies the following:

- Promoting an appropriately designed and administered tax system, which contributes to domestic resource mobilization and is a core element in state building.
- Ensuring that domestic resource mobilization provides a critical anchor for raising the level of domestic resources required for substantial public investments
- Improving the structure of tax systems to make them more supportive of efficiency and growth and to improve equity.
- Strengthening revenue administration as part of domestic resource mobilization for development and growth, and reducing long-term aid dependency in low- and lower middle-income countries.

3. In the TPA TTF, TA is implemented under nine modules to address critical areas in building sustainable revenue systems. These modules are as follows:

- Module I: Revenue strategy
- Module II: Reform management
- Module III: Tax policy
- Module IV: Tax administration organization
- Module V: Tax procedure code and core processing functions
- Module VI: Enforcement
- Module VII: Taxpayer services
- Module VIII: Tax administration support functions
- Module IX: Tax administration integrity

B. Mapping of TPA TTF Beneficiary Countries

4. The TPA TTF has achieved broad geographical coverage and exposure (Figure 1). In FY15, there were 21 active projects (including two cross-country projects), distributed throughout four regions[4]: Africa (12), Asia Pacific (3), the Middle East and Central Asia (3),

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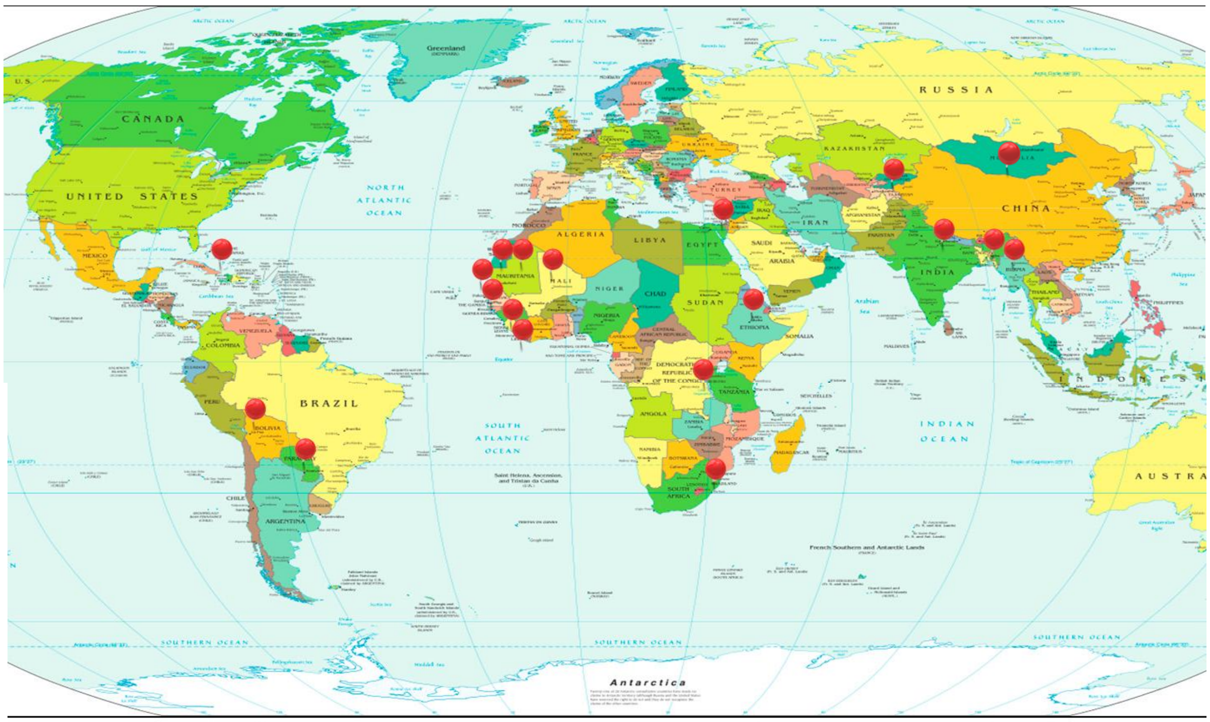
[4] Countries receiving TA from the TPA TTF phase I include: Bangladesh, Bolivia, Burundi, Cape Verde, Côte d'Ivoire, Ethiopia, Guinea Bissau, Haiti, Kyrgyz Republic, Liberia, Mauritania, Mali, Mongolia, Myanmar, Nepal, Paraguay, Senegal, Swaziland, and West Bank and Gaza. The two regional projects are: East African Communities (EAC) and West African Economic And Monetary Union (WAEMU).

and the Western Hemisphere (3). There were also four research projects. This geographical coverage gives the TPA TTF global visibility and provides IMF staff and country officials opportunities to share cross-country and cross-regional experiences.

Figure 1. TPA TTF–Geographical Coverage



Map source: CIA Factbook

TPA Active Country Project

C. Summary of Financial Status and Expenditure

5. The TPA TTF has a US$28.1 million budget to implement the 5-year TA program, which is currently scheduled to end in April 2016. This first phase is being funded by Belgium, the European Union, Germany, the Republic of Korea, Kuwait, Luxembourg, the Netherlands, Norway and Switzerland. As shown in Table 1, the Republic of Korea joined the trust fund during the fourth year of operations with a contribution of US$1.0 million.

Table 1. Status of Donor Contributions to TPA-TTF

Donor	Pledges			Dates legal agreements signed
	Currency[1]	Amount	(in US dollars)	
Total Confirmed			**28,083,727**	
Agreements signed			***28,083,727***	
Belgium	Euro	3,000,000	4,120,900	Oct. 10, 2010 and Sep.23, 2011
European Union	Euro	5,000,000	6,806,693	December 23, 2013
Germany	Euro	4,000,000	5,636,870	September 23, 2009
Korea	USD	1,000,000	1,000,000	April 24, 2015
Kuwait	USD	250,000	250,000	February 7, 2011
Luxembourg	Euro	1,250,000	1,619,701	December 20, 2010
The Netherlands	USD	2,205,863	2,205,863	November 30, 2009
Norway	USD	427,953	427,956	November 11, 2011
Norway	NOK	6,000,000	1,015,744	January 9, 2014
Switzerland	USD	5,000,000	5,000,000	April 17, 2011
Interest Earned			20,182	
Program Document Budget			**30,259,697**	
Surplus/ (Deficit)			**(2,155,788)**	

[1]Contributions in euro and NOK are recorded at the exchange rate of the Bank for International Settlements.

6. TPA TTF received cash contributions totaling US$1.6 million and earned interest of US$4,000 during the fourth year of operations (Table 2). Contributions were received from Switzerland (US$1 million), Luxembourg (US$0.3 million), and Norway (US$0.3 million). In the fifth year of operations, US$3.8 million in cash contributions is expected from signed agreements.

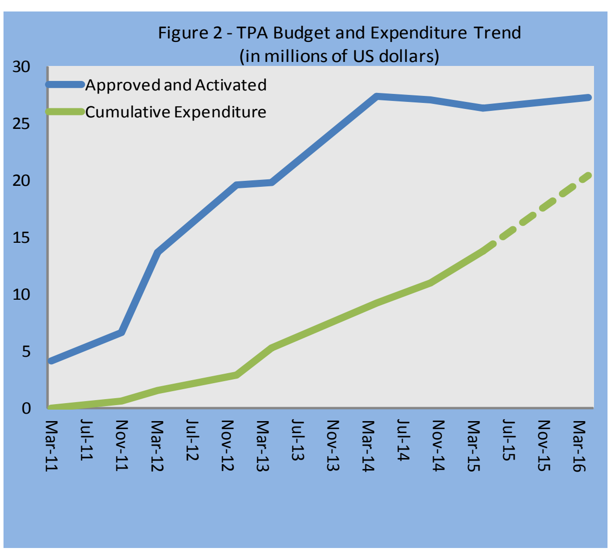
7. The endorsed multi-year budget of the TPA TTF amounted to US$26.7 million at end FY15. As shown in Table 2, expenditure on TPA activities amounted to US$4.0 million in FY15, 4.0 percent decline over the previous year. Over the first four years of operations, the trust fund implemented US$13.8 million in TA project activities or 51.5 percent of the approved budget (Table 2 and Figure 2). Most of the projects are implemented in African countries (55 percent) followed by Asia-Pacific countries (Figure 3). Activity is expected to scale up in FY16 due to the start of new projects (such as Mongolia and Senegal) and the extension of several projects that were coming to an end in 2015.

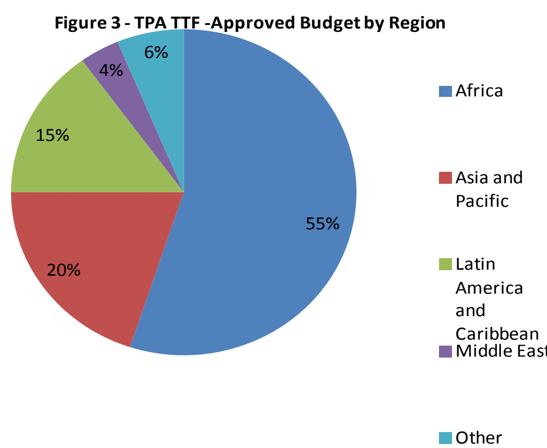
Table 2. TPA-TTF Resource Utilization
As of April 30, 2015
(In thousands of US dollars)

	FY 2012 Year 1	FY 2013 Year 2	FY 2014 Year 3	FY 2015 Year 4	FY 2016 Year 5	Total Pledges
Inflows:	**13,110**	**3,540**	**6,063**	**1,624**	**3,767**	**28,084**
Belgium[1]	4,121	-	-	-	-	4,121
European Commission[1]	-	-	4,720	-	2,087	6,807
Germany[1]	5,637	-	-	-	-	5,637
Korea	-	-	-	-	1,000	1,000
Kuwait	250	-	-	-	-	250
Luxembourg[1]	670	326	340	284	-	1,620
Netherlands	-	2,206	-	-	-	2,206
Norway	428	-	-	336	680	1,444
Switzerland	2,000	1,000	1,000	1,000	-	5,000
Interest Earned[2]	5	8	3	4	-	20
Utilized Resources[3]:	**2,261**	**3,309**	**4,176**	**4,009**	**6,625**	**20,380**
TTF Activities	2,261	3,309	4,176	4,009	6,625	20,380
of which TTF Fee	148	216	273	262	433	1,427
TTF Cash Balance[4]	**10,849**	**11,081**	**12,968**	**10,583**	**7,725**	

The accompanying notes form part of the statement:

[1]Original Donor Contribution in Euros. Outer years are estimates based on pledged amounts.
[2]Actual interest earned through April 31, 2015 . No projections for interest were made for FY16.
[3]Outflows for FY12, 13,14 & 15 were revised to report amounts based on the Funds accounting method for accruals.
[4]Cash balance is calculated by subtracting total utilized resources from total cash inflows.



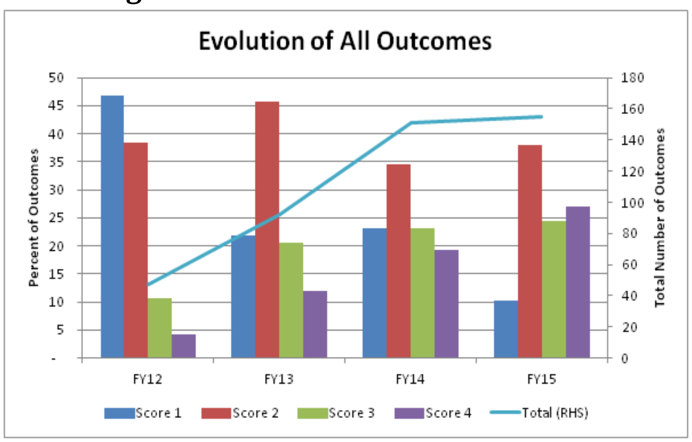


II. Operations and Outcomes of the TPA TTF Program

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

8. **Overall, active TPA TTF projects had a strong implementation track record in FY15.** Progress in performance, which is measured by a 0-4 scale scoring system, was largely positive, reflecting the maturation of TA programs and improved engagement from country authorities. More than half of the TPA TTF project outcomes are now at least largely achieved (scores 3 and higher), while only one third of the outcomes had a similar level of performance at end-FY14 (Figure 4). Several modules were fully achieved in FY15: tax policy (Cape Verde); organization (Cape Verde, Liberia, and Mauritania); procedures and support functions (Mauritania); and strategy (WAEMU).

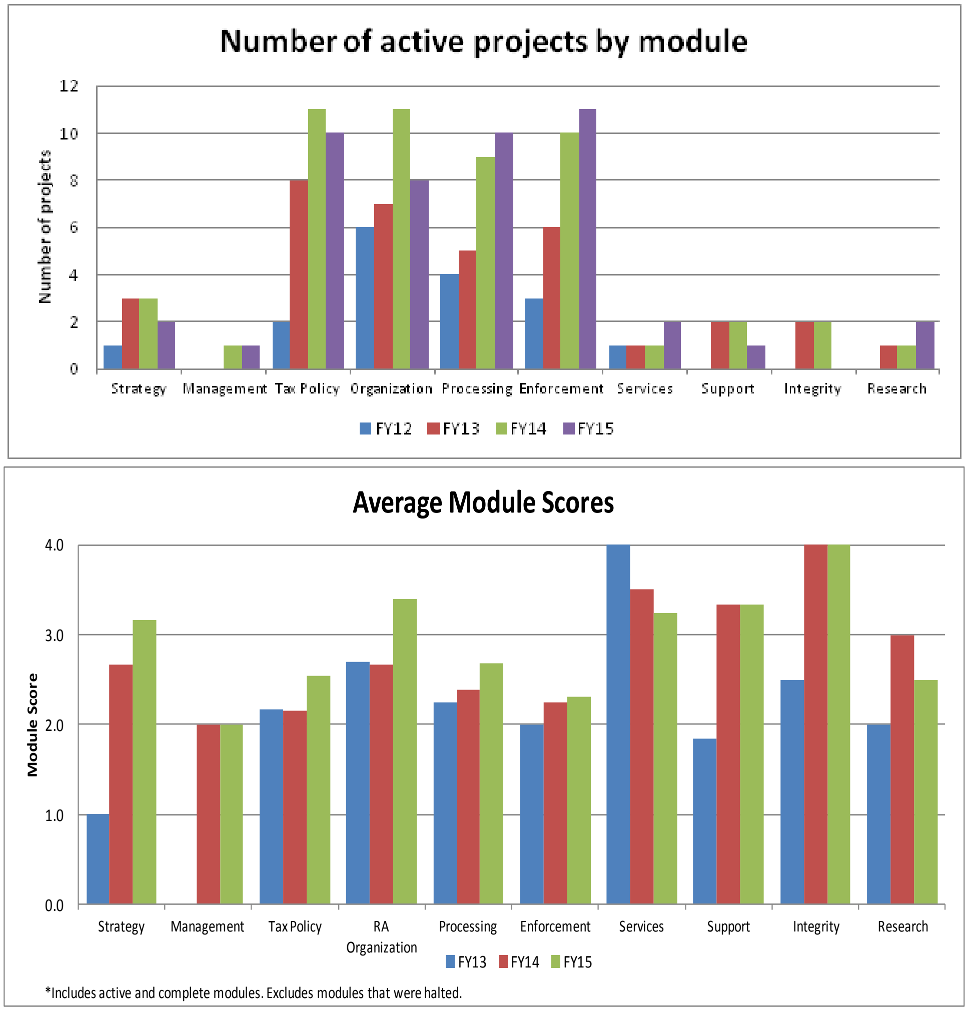
Figure 4. Evolution of All Outcomes



9. **Activities continue to focus primarily on Tax Policy, Organization, Processing, and Enforcement.** These four modules account for 83 percent of total activity. The number of active modules on tax policy and organization was reduced in FY15, in comparison to FY14, due to (1) the full achievement of the outcomes in Cape Verde and Liberia and (2) the closing of the Kyrgyz Republic project in December 2014. In contrast, new modules on enforcement were activated during FY15 in Ethiopia and Mali. There is no ongoing work on integrity issues after the conclusion of the cross-country African countries project and the Module 9 in Ethiopia, both fully achieved at end-FY14. The research agenda was strengthened in FY15 by the inclusion of two new technical notes—on management of tax administration reform programs and taxpayer services—and a successor RA-FIT project. Progress in performance was also observed at a modular level in FY15, particularly in relation to the work on Strategy (Module 1), Tax Policy (Module 3), Organization (Module

4), and Procedures and Processing (Module 5).[5] Figure 5 shows the number of active modules and total module scores over the TPA TTF cycle.

Figure 5. Number of Active Projects by Module and Average Module Scores



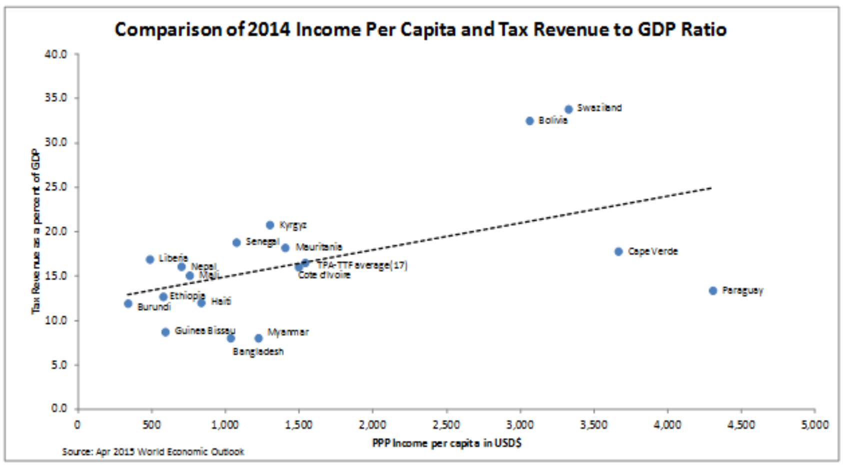
10. **Regarding the TPA TTF's Strategic Log Frame (SLF)[6], its overall impact-level indicator (average tax-to-GDP ratio) was stable over 2012-2014, at 16.7 percent of GDP** (see Annex 2)**.** Two factors explain this outturn: (1) the longer time needed to generate the effective impact at this high level of the Results-Based Management chain, and (2) the impact of other external variables that are not related to TA. For example, the tax-to-GDP ratio fell from 18.5 to 16.9 percent from 2013 to 2014 in Liberia because of the Ebola crisis and from 33.7 to 32.5 percent over the same period in Bolivia because of the plummeting oil

[5] The reduction of the average scores in the modules *Taxpayer Services* and *Research* actually reflects the start of new work on module 7 (Services) in Ethiopia and the new research projects in FY15.

[6] The TPA TTF SLF is shown in Annex 1.

price. At the same time, improved political stability is supporting revenue mobilization in Guinea-Bissau, where revenues increased from 7.6 to 8.7 percent of GDP over the same period. Given the positive relation between tax-to-GDP performance and income level, the TPA TTF average tax-to-GDP ratio tends to be low—by international comparison—because projects are in low- and lower-middle income countries by design (Figure 6). Bangladesh, Guinea-Bissau, and Myanmar are countries with particularly low tax-to-GDP ratios in comparison to peers with similar income levels. On the other hand, Bolivia and Swaziland are the only TPA TTF countries with tax collections above 30 percent of GDP, but this is due to country-specific issues: natural resources and regional transfers, respectively.

Figure 6. Income and Tax



11. **Gathering the institutional indicators of the SLF in a systematic manner has been a significant challenge.** While data for the tax-to-GDP ratio are readily available, indicators for tax administration performance are sparse and of poor quality. The RA-FIT project will help close this gap overtime. Because the second round of the RA-FIT survey started only recently, RA-FIT data cannot be used for assessing progress yet. The available information gathered is shown in Table 3 (see Annex 3 for additional details). Capacity development takes a long time to have an effect, and it is still too early to assess institutional performance of the TPA TTF countries based on the high-level SLF indicators.

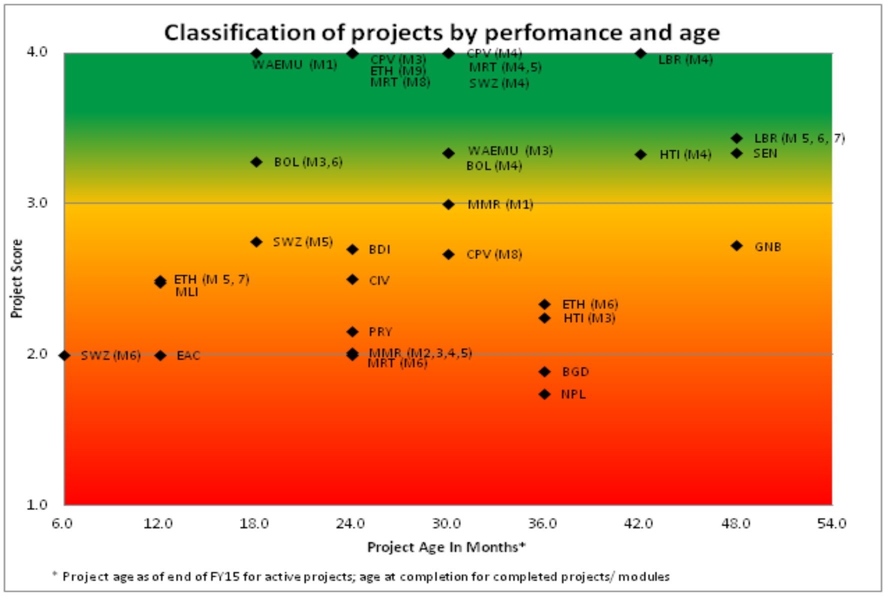
Table 3. Key Indicators on TPA TTF Achievements

Level	Source	Indicator Description	2011	2012	2013	2014
Impact	IMF/WEO	Tax-to-GDP ratio (average 17 countries)	15.0	16.8	16.7	16.7
1.1	IMF/Project Managers	Reform Strategy Adopted and Resourced	n/a	n/a	8 out of 18	10 out of 18
2.1	IMF/Project Managers	Tax Expenditures	n/a	n/a	2 out of 17	2 out of 17
2.2	USAID	VAT Productivity (average 14 countries)	0.37	0.38	0.4	n/a
3.1	IMF/RA-FIT	Cost of Administration in % of total collection (range- 3 countries)			0.68 - 5.67	n/a
3.2	IMF/RA-FIT	On-time VAT filing in % of total returns (range- 3 countries)	85 - 89.2	81.9 - 89.5	79.9 - 90.3	n/a
3.3	IMF/Project Managers	Taxpayers Survey Available	n/a	n/a	5 out of 17	5 out of 17

B. Country Project Outcomes

12. **TPA TTF countries continue to differ in terms of the pace of project implementation and achievement of results.** Figure 7 highlights the average scores and relative age for all projects. It is normal to expect lower scores related to infant projects, such as the East African Community (EAC) and Mali—both started in May 2014. The current pool of projects is showing more robust and sustainable progress than in previous years as some slow performing projects have been closed down or are being phased out (e.g., the Kyrgyz Republic and West Bank and Gaza). Indeed, no project had a negative change in performance during FY15, as was typically the case in previous years. Box 1 summarizes the key achievements in various TPA TTF country projects.

Figure 7. Classification of Projects by Performance and Age



Box 1. Key Achievements in TPA TTF projects in FY15

Bolivia: The work has had strong political and managerial support. Key outcomes include the approval of the transfer pricing decree and regulations; the preparation of the audit manuals, including audit procedures for the mining sector (the manuals started being applied in January 2015); the pilot of the new taxpayer current account system at the Large Taxpayer Office (LTO); and the strengthening of data matching.

Burundi: The authorities are implementing segmentation principles: the LTO threshold has been adjusted and an effective separation between the Medium Taxpayer Office (MTO) and Small Taxpayer Office (STO) has been introduced. Simplification of collection procedures is ongoing, and supporting documents attached to VAT returns have been eliminated. Compliance rates for the large taxpayers have been increasing.

Cape Verde: The new corporate and personal income tax codes were approved in November 2014. Following the creation of the National Revenue Directorate in 2013, the administration's senior leadership was appointed in September 2014, including the Director and six departments' heads. Operations under the merged administration started in January 2015.

Côte d'Ivoire: The large taxpayer office was strengthened by a review of the selection criteria (turnover threshold) and the extension of its jurisdiction nationwide. The establishment of two pilot medium-size taxpayer offices in Abidjan has improved compliance results—the filing non-compliance rate fell from 27.6 percent in August 2014 to 16.2 percent in November 2014.

Ethiopia: A new and more streamlined organizational structure has been approved, the implementation of the Enterprise Risk Management Framework has continued to gain traction, and a detailed taxpayer charter has been prepared. Another main achievement was the establishment of a new call center, which will support the strengthening of taxpayer services.

Guinea-Bissau: See Box 2 for country details.

Liberia: Despite the Ebola crisis, the Liberian Revenue Authority was launched in July 2014 as planned, including extensive work on developing its institutional and legal framework. Full transfer of staff from the former revenue department has taken place. A training module in the use of computer-assisted audit techniques for the telecommunications sector has been completed. Work on taxpayer services is progressing well, including the development of a new website.

Mali: Key outcomes include the introduction of self-assessment for small taxpayers, the adoption of payment through banks for large taxpayers, and the elimination of the VAT withholding system for private companies. The medium taxpayer filing rate increased from 74 percent to 86 percent in 2014. The tax administration is cross-checking data from the treasury and customs departments to detect underreporting and non-registrants. A draft tax law to establish a tax policy unit is being prepared.

Mauritania: Headquarters (HQ) is now organized along functional lines; taxpayer segmentation is implemented; and the number of taxpayers receiving a taxpayer identification number (TIN) has increased continuously from 1,788 in 2012 to 6,908 in 2014. Human resources capacities have been reinforced: a training plan is available; new rules have been established to give stability to specialized staff; and a basic set of performance indicators has been implemented.

Myanmar: A tax reform was adopted in 2014, simplifying personal income and commercial taxes and broadening the tax base. The tax administration's HQ reorganization has commenced and staff assignments are almost finalized.

Paraguay: A new organizational structure is in place since end-2014. The taxpayer registration system and all related online applications were simplified and strengthened. Online payment through banks has been implemented.

Senegal: Taxpayer segmentation principles have been implemented and a pilot MTO was set up in Dakar. The tax register has been updated and new electronic procedures for returns filing and payment were introduced. Compliance enforcement is being improved through the introduction of risk-based audit approaches and developing and implementing an action plan to control tax arrears.

Swaziland: The introduction of self-assessment is being done in a phased manner, with all large taxpayers and relevant medium-sized taxpayers (all VAT-registered business and high net wealth individuals) being now subject to the new self-assessment procedures.

13. **In five countries, Bangladesh, Haiti, the Kyrgyz Republic, Nepal, and West Bank and Gaza, progress was slow in FY15.** Key reasons include unstable political environment, weak commitment for reforms, and constant turnovers in management positions, which caused loss of continuity in reform activities. At the request of the authorities, the project in the Kyrgyz Republic was closed in December 2014. The West Bank and Gaza project is being concluded in FY15 with no expected re-engagement. The Bangladesh project is expiring in June 2015: no new activities are foreseen on tax administration, but discussion is ongoing on the continuation of work on tax policy. Staff is in contact with the Haitian and Nepalese authorities to assess plans for moving ahead, given that these projects are expiring in 2015. In particular, deciding on how to support Nepal after the devastating April 2015 earthquake is crucial. Information so far indicates a collapse of one of the tax office buildings and four staff deaths. Some tax offices have had to be temporarily relocated due to property damage. The experience of Haiti, another TPA TTF beneficiary, can be very useful in assessing the challenges to rebuild institutions affected by natural disasters.

C. Research Project Outcomes

14. **The research agenda progressed very well in FY15, with three key achievements:**

- The paper on Electronic Fiscal Devices (EFDs) was concluded and published (IMF Working Paper 15/73[7]). The WP concludes that despite their widespread use, EFDs can only be effective if they are a part of a comprehensive compliance improvement strategy that clearly identifies and mitigates risks for the different segments of taxpayers. The working paper also points out that EFDs should not be construed as the "silver bullet" for improving tax compliance. As with any other technological improvement, the deployment of fiscal devices alone cannot achieve meaningful results, whether in terms of revenue gains or permanent compliance improvements.

- The RA-FIT project was successfully concluded in August 2014 and a new successor project was approved by the SC in December 2014. The original project supported data gathering and analysis and outreach activities related to the first round of the Excel-based RA-FIT survey. It also supported the launch of a new web-based platform for round 2 in early 2014. The analytical paper describing the findings of round 1 was published in May 2015.[8] The successor project started in the second half of FY15 to: (1) ensure that the majority of Round 2 targeted countries respond to RA-FIT by providing in-country assistance and (2) to further collaborate with stakeholders in expanding the RA-FIT platform. At the end of March 2015, over 75 administrations had either completed data input or were inputting data.

- Two technical notes are being prepared, drawing on TPA TTF country experiences: one on management of tax administration reforms and one on taxpayer services. The draft notes are undergoing final review and publication is expected around mid-FY16.

III. Lessons Learned and Looking Ahead

A. Lessons Learned

15. **Many of the lessons highlighted in previous reports to the TPA TTF SC remain valid.** In particular, political support and management stability/commitment are crucial for a

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[7] See "Electronic Fiscal Devices (EFDs): An Empirical Study of their Impact on Taxpayer Compliance and Administrative Efficiency."
http://www.imf.org/external/pubs/ft/wp/2015/wp1573.pdf

[8] See "Understanding Revenue Administration: An Initial Data Analysis Using the Revenue Administration Fiscal Information Tool" http://www.imf.org/external/pubs/ft/dp/2015/fad1501.pdf

TA project to succeed. Nevertheless, low-income countries generally lack those characteristics. Therefore, sustaining reform momentum over a long period has been a challenge. Even the more successful TPA TTF projects have faced “ups and downs”. In addition, other external risk factors have been present, such as the Ebola crisis in Liberia, the military coup in Guinea-Bissau, and the recent earthquake in Nepal. Box 2 describes an example of “lessons learned” during this first phase of the TPA TTF, based on Guinea-Bissau’s experience. The project was halted during the military intervention and resources scaled down, but it is currently getting new traction. This experience shows that a volatile political environment and other external factors have a strong impact on TA efforts in some low-income countries; long-term engagement is essential for progress in these countries.

Box 2. Guinea-Bissau Country Study

Guinea-Bissau’s revenue administration has been characterized by outdated procedures, low capacity, and poor performance. However, encouraging steps were taken under the leadership of the former reform-minded minister of finance to strengthen revenue collection in a challenging political environment. Following his request for TA in 2011, a three-year TPA TTF project was launched. A first mission (strategy module) and three short-term expert (STX) visits were fielded. The authorities adopted a tax administration reform plan and set up a reform management structure. Key objectives included: (1) reorganization of the tax department and strengthening of the large taxpayer office; (2) tax administration computerization; (3) improved taxpayer registration; (3) increased filing rates and enforced collection; (4) strengthened audit; and (5) staff training and recruitment measures. However, all TA was suspended following the 2012 military coup, showing how external shocks can suddenly interrupt the flow of capacity building efforts.

Despite the political instability, the tax authorities were able to implement some of the recommendations laid out by the 2011 FAD mission. However, the April 2013 staff visit that assessed the situation in the field found that many of the earlier gains had regressed and new efforts were needed to recover the lost ground. The uncertainty of the political instability led to the reduction of the TPA TTF project budget. As an example of how quickly changes may happen in post-conflict countries, the new government that was elected in early 2014 has demonstrated keen commitment to reforms, including in facing integrity problems. Indeed, 207 irregular staff were dismissed in 2014. Additional achievements over the past year included: the approval of the new organizational structure in May 2014, the implementation of audit manuals and new procedures, and the conclusion of an IT taxpayer registration module. In September 2014, a mission helped the authorities to prepare a new 2015-2018 Strategic Plan and the 2015 Operational Plan. In 2015, a reform unit was created at the Ministry of Finance to coordinate technical assistance efforts and a public hiring procedure to contract 50-100 staff is ongoing. These are only small steps in comparison to the challenges Guinea-Bissau faces, where the tax administration is very fragile and tax-to-GDP reached its all-time high in 2014 of only 8.7 percent of GDP.

This experience shows how political support and management commitment are crucial elements to underpin a successful tax administration reform. The decisive action of the current government has shifted gears and gave the project a new momentum. However, sustainability is not assured yet given the risks associated to political volatility. The authorities have shown their appreciation for the TPA TTF work and, in light of the new environment, additional donors are now getting involved and partnering with the TPA TTF.

16. **Thanks to the TPA TTF program approach, FAD delivered over 80 percent of the original annual plan to Liberia in revenue administration, despite the public health crisis.** This was achieved, among others, by leveraging on modern technology to deliver the much needed TA support remotely (remote TA delivery). Using this approach, deliberation and strategy discussions with the authorities took place periodically via Skype calls and messaging, Viber software, and teleconferences, while formal meetings and seminars were held off-site (e.g., Ghana – risk management workshop, the UK – Strategy Meeting, or the IMF HQ – several meetings). This approach was possible only due to the close working relationships between staff, experts, and the authorities, as well as the deep understanding of the country's situation, which is best achieved in medium-term TA engagements, such as the TPA TTF. This was also a key achievement in FY15 and a particularly important lesson on how to deliver effective TA remotely. The Liberian authorities have expressed their appreciation to the TPA TTF efforts in sustaining TA during the crisis.

17. The main conclusions that can be drawn from the FY15 TPA TTF activities—which will be highlighted in the technical note on management of tax reforms—are:

- Tax policy and administration reform in developing countries presents unique circumstances, which need to be taken into account both at the beginning of a reform program and throughout its duration.
- Expectations need to be realistic, not overly high; timeframes generally need to be lengthened to achieve meaningful results..
- Up-to-date, coherent, and pragmatic reform strategies are an essential prerequisite. Specific reform projects should stick to basics, and overly sophisticated objectives and activities avoided. The risk is to "translate" state-of-the-art solutions to countries that do not have the fundamentals in place.
- The key to success is the *sustained* commitment of the authorities. Every effort should be made to strengthen this commitment at the front end, to involve stakeholders, to make the commitment public, and to create a sense of urgency.
- Innovative approaches to technical assistance delivery are required, especially during disaster situations.
- Potential off-ramps need to be identified, and consequences of not meeting milestones laid out.
- Coordination among donors and TA providers working in the various beneficiary countries is essential, and, often, there is a room for improvement.

B. Looking Ahead

18. **The TPA TTF is entering its fifth year of implementation.** A mid-term independent evaluation has just assessed the TPA TTF's performance and concluded that it is "on track to achieve its objectives in a sustainable manner in most of the countries in which it has delivered TA." Looking ahead, IMF staff and TPA TTF donors will start discussing an eventual successor program. The 2015 Addis Ababa Conference on Financing for Developing is an important backdrop for the continuing support of the international donor community to domestic revenue mobilization efforts in the developing world. The overarching goal is to sustain economic development and eradicate poverty and hunger. Based on the work under the TPA TTF, low- and lower middle-income countries still face enormous challenges and mobilizing domestic resources should be a crucial element of the international agenda. Therefore, sustained support for medium-term TA engagement and delivery, as well for the developing and effective use of fiscal analytical tools—such as the RA-FIT and Revenue Administration – Gap Analysis Program (RA-GAP)—should be key components of capacity building efforts over the next years.

19. **Advancing the international agenda on resource mobilization will require synergies and partnerships**. Beyond the work on strengthening tax administrations and designing improved tax systems, mobilizing revenues in developing countries also include the challenges to modernize customs administrations and implement more effective extractive industries systems. In order to maximize synergies across these areas, the TPA TTF has coordinated efforts with the Managing Natural Resources Wealth TTF (MNRW TTF) as well as other TA providers.

Annex 1. TPA TTF Strategic Log Frame (Revision: June 2014)

Impact Level **Overarching Objective**: Increased revenue mobilization to support fiscal sustainability and long-term growth.
Overall Indicator: Average tax-to-GDP ratio trends up over time (in all participating countries).

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

Strategic Log Frame Reference Sheet

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

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

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

- Strategic Objective 1: Effectiveness of the tax system refers to a tax system that operates under the desired principles laid out in Box 4 of the TPA-TTF Program Document (April 2011), namely a system that has: efficiency/neutrality; simplicity and transparency; equity; high revenue generating capacity; harmonization/coordination with other systems; greater reliance on domestic taxes; feasibility; and integration.

- Strategic Objective 2: Simplicity and transparency as defined in Box 4 of the TPA-TTF Program Document (April 2011): taxes with simple rules; few and low rates; minimal exemptions; and a clear, wide, and measurable base. Productivity is measured by the VAT productivity indicator; taxes with few exemptions and a wide base are more productive.

- Strategic Objective 3: Efficiency of the revenue administration refers to an administration that operates under the desired principles laid out in Box 5 of the TPA-TTF Program Document (April 2011), namely: the existence of a proper legal framework; efficient organizational and staffing arrangements; a system of self-assessment; streamlined collection systems and procedures; service oriented approaches; risk-based audit and other verification programs; extensive use of IT; modern HR practices; effective models for ongoing institutional change; and an environment of integrity and good governance.

Annex 2. Statistical Data - Overall Indicator: Tax-to-GDP

	2008	2009	2010	2011	2012	2013	2014
TPA-TTF Average(19)	15.0	14.6	14.7	15.0	16.8	16.7	16.7
Bangladesh	7.2	7.0	7.3	8.1	8.4	8.4	8.0
Bolivia	28.5	26.9	26.3	28.9	31.8	33.7	32.5
Burundi	12.0	12.8	13.7	14.2	13.6	12.4	12.0
Cape Verde	22.0	18.9	19.0	20.0	18.3	18.0	17.8
Cote d'Ivoire	15.1	15.7	15.6	12.5	16.0	15.7	16.0
Ethiopia	9.5	8.6	11.2	11.5	11.5	12.4	12.7
Guinea-Bissau	5.2	6.8	8.0	7.7	7.9	7.6	8.7
Haiti	10.4	10.8	11.5	12.6	12.7	11.9	12.0
The Kyrgyz Republic	19.1	17.9	17.9	18.5	20.6	20.5	20.8
Liberia	16.7	17.5	18.8	19.5	21.1	18.5	16.9
Mali	13.3	14.7	14.5	14.4	14.2	14.7	15.1
Mauritania	12.0	11.1	13.0	12.8	17.4	17.7	18.2
Myanmar	3.1	3.1	3.3	3.9	7.1	7.7	8.0
Nepal	10.6	11.8	13.0	12.6	13.3	15.2	16.1
Paraguay			12.0	12.6	12.7	11.8	12.9
Senegal	18.2	17.9	18.7	19.0	19.3	18.4	18.8
Swaziland	36.6	32.5	23.5	24.4	36.0	34.7	33.8

Source: April 2015 World Economic Outlook

Annex 3. SLF Indicators 1.1, 2.1, and 3.1

Country	**Indicator 1.1 (Reform Strategy)**	**Indicator 2.1 (Tax Expenditures)**	**Indicator 3.3 (Taxpayer Survey)**
Bangladesh	Yes (only for VAT)	No	No
Bolivia	Yes	Yes	Yes
Burundi	Yes	No	No
Cape Verde	Yes		No
Cote d'Ivoire	No	No	Yes
EAC			
Ethiopia	Yes (adopted) No (resourced)	No	No
Guinea-Bissau	No	No	No
Haiti	Yes	No	No
Kyrgyz Republic	Yes	No	Yes
Liberia	Yes	No	Yes
Mali			
Mauritania	No		No
Myanmar	Yes (adopted) No (resourced)	No	No
Nepal	Yes	No	Yes
Paraguay	Yes	No	No
Senegal	Yes	Yes	No
Swaziland	Yes	No	No
WAEMU	No	Not applicable	Not applicable
West Bank and Gaza	No	No	