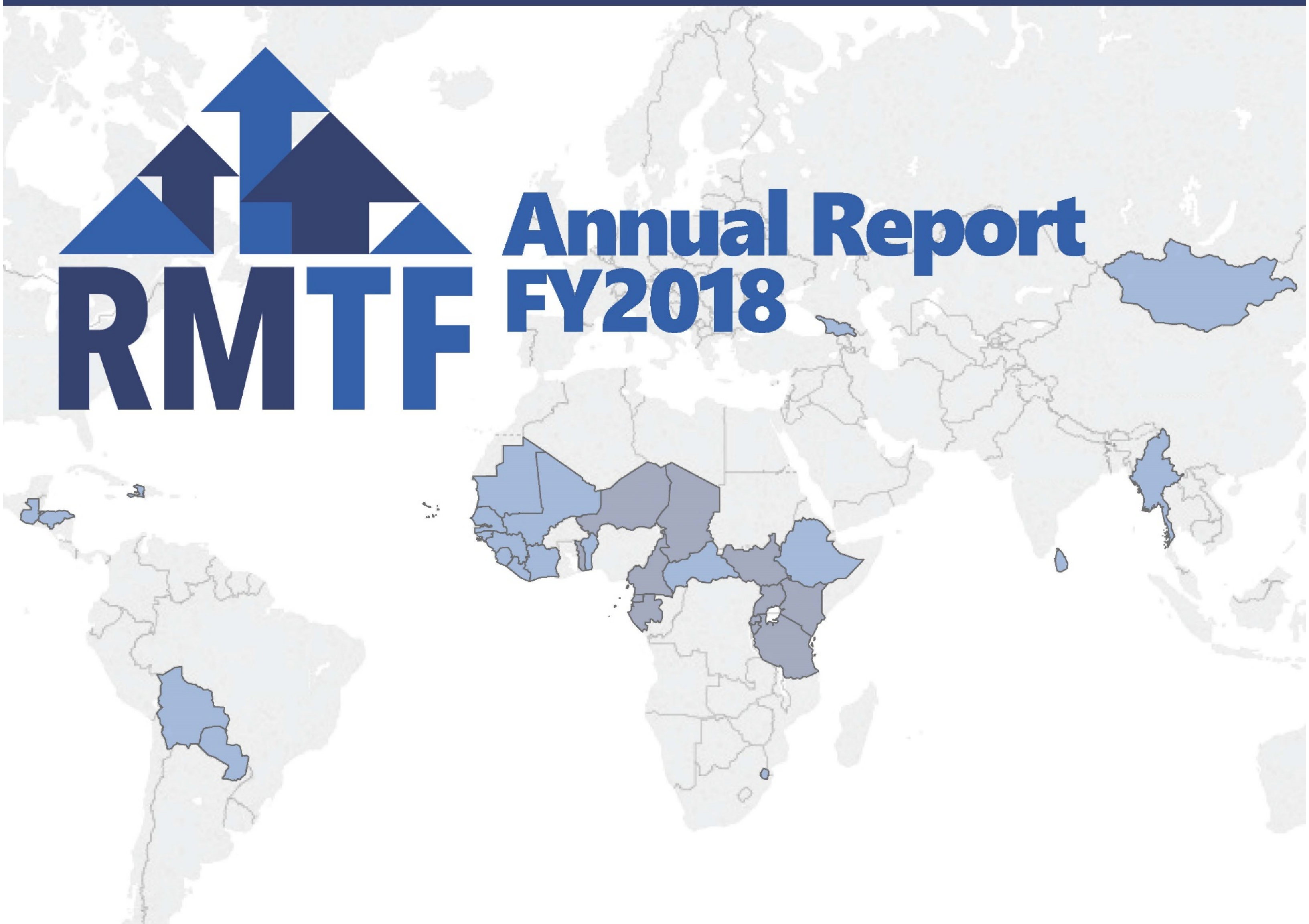
RMTF

Annual Report FY2018



REVENUE MOBILIZATION THEMATIC FUND

An IMF Initiatve implemented in partnership with:

Australia

Belgium

Denmark

European Commission

ACP-EC Partnership Agreeement

Germany

Japan

Luxembourg

Netherlands

Norway

Republic of Korea

Sweden

Switzerland

REVENUE MOBILIZATION THEMATIC FUND
FY2018 ANNUAL REPORT

JUNE 28, 2018

INTERNATIONAL MONETARY FUND
WASHINGTON, DC

TABLE OF CONTENTS

TABLES

APPENDICES

ACRONYMS

ATI	Addis Ababa Tax Initiative
CD	Capacity Development
CEMAC	Central African Economic and Monetary Community
CRM	Compliance Risk Management
EAC	East African Community
FAD	Fiscal Affairs Department (IMF)
FY	Fiscal Year
GDP	Gross Domestic Product
HIC	High Income Country
HR	Human Resources
ISORA	International Survey on Revenue Administration
IT	Information Technology
KPI	Key Performance Indicators
LTO	Large Taxpayer Office
LIC	Low Income Country
LMIC	Lower-Middle Income Country
MTO	Medium Taxpayer Office
MTRS	Medium-term Revenue Strategy
PNG	Papua New Guinea
RA-GAP	Revenue Administration Gap analysis Program
RA-FIT	Revenue Administration Fiscal Information Tool
RBM	Result Based Management
RM	Revenue Mobilization
RMTF	Revenue Mobilization Trust (Thematic) Fund
RTACs	Regional Technical Assistance Centers
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

EXECUTIVE SUMMARY

This is the first annual report of the multi-development-partner-funded Revenue Mobilization Thematic Fund (RMTF). It covers the International Monetary Fund (IMF)'s fiscal year 2018 (FY18) and builds on the mid-year report on implementation, which was discussed with the Steering Committee (SC) at its mid-year meeting on December 12, 2017.

Fair, efficient, and sustainable revenue mobilization (RM) is crucial in RMTF beneficiary countries for achieving sound public finances, enhanced investment climates, inclusive economic growth, and the sustainable development goals (SDGs). At less than 15 percent of gross domestic product (GDP), tax efforts in the majority of the RMTF beneficiary countries, lag behind public expenditure needs. Additionally, the average debt-to-GDP ratio in these countries exceeded 40 percent as of 2017, and several percentage points of GDP are currently devoted to interest payments. Underpinning these debt ratios are large primary deficits that create unfavorable debt dynamics.

Capacity development (CD) was scaled up in FY18 by the IMF with the support of its partners, in line with commitments under the Addis Ababa Tax Initiative (ATI) (Figure 1). After a full year of implementation, 31 projects have been approved by the SC; 23 of which are country CD projects, distributed across four regions: Africa (16), Asia Pacific (3), Middle East and Central Asia (2), and Western Hemisphere (5).[1] The RMTF includes three regionally focused projects on tax harmonization: Central African Economic and Monetary Community (CEMAC), East Africa Community (EAC), and West Africa Economic and Monetary Union (WAEMU), as well as a regional workshop on Human Resources (HR) management for the West Africa region. Four other projects cover human capital development through training, and diagnostic tools and analysis. In total, 80 modules were activated and are being delivered. The RMTF portfolio has now matured to a steady state of operations, although there remains some room for a few additional projects.

The RMTF is continuing and building upon the achievements of the Tax Policy and Administration Thematic Fund (TPA TF). Good progress has already been achieved in several areas during the first year of RMTF operations. Most projects achieved a score between 1.5 and 2— on a rating scale from 1 (not achieved) to 4 (fully achieved)[2]— which is in-line with expectations, considering that implementation only started one year ago and most projects are expected to last at least three years. Critical milestones were met across most projects, including the drafting of new laws and regional directives, refining strategic plans, implementing improved organizational structures and taxpayer segmentation arrangements, cleansing the taxpayer register, strengthening

---

[1] The beneficiary countries are: Liberia, Senegal, Georgia, Guatemala, Mongolia, Myanmar, Benin, Bolivia, Cabo Verde, Central Africa Republic, Cote d'Ivoire, Ethiopia, Guinea, Guinea Bissau, Haiti, Honduras, Mauritania, Mali, Paraguay, São Tomé and Príncipe, Sierra Leone, Sri Lanka, and Swaziland. Six are intensive TA projects (Liberia, Senegal, Georgia, Guatemala, Mongolia, and Myanmar), while in the other countries targeted support is provided.

[2] See Box 3 for explanation of rating system.

compliance risk management (CRM) approaches, implementing improved data cross matching and audit practices, and additional e-services.

Overall, revenue performance improved in 2017 with the average tax-to-GDP ratio for all beneficiary countries increasing by 0.4 percentage points of GDP; the median improved by 1 percentage points of GDP (Figure 2). A total of 16 RMTF beneficiary countries posted improved revenue performance; countries that posted significant growth in revenue, i.e., more than 0.3 percent of GDP, include Benin, Cabo Verde, Guinea-Bissau, Mali, Mauritania, Myanmar, Paraguay, São Tomé and Príncipe, Sri Lanka, and Swaziland.

Discussions aimed at transitioning all the six intensive CD countries to Medium-Term Revenue Strategies (MTRS) are continuing, and IMF support to MTRS formulation and implementation is expanding. These discussions have been slow, but purposely so to allow the authorities to take full ownership of the initiative. The new Minister of Finance in Georgia has expressed interest in the potential of an MTRS and in a combined tax policy and administration mission to progress MTRS formulation. We are continuing to discuss with the authorities how they want to proceed. The Minister of Finance in Ethiopia (a targeted CD country) has also expressed interest in preparing an MTRS and requested CD support in this area, starting with a sensitization workshops for officials in Addis Ababa. More broadly, the IMF is leading MTRS discussions in several other countries such as Egypt, Ghana, Indonesia, Laos, Rwanda, Thailand, and Uganda. And, as presented in this report, the Papua New Guinea (PNG) Government requested IMF support for the implementation of the PNG's MTRS the IMF helped formulate and which was made public and the end of 2017.

The RMTF finances are approaching the program document target. The recent addition of Sweden and Denmark as contributors to the RMTF takes the amount raised to US$53.7 million; discussions on new or additional RMTF contributions continue with Australia, the European Commission, Germany, Norway, and the United Kingdom.

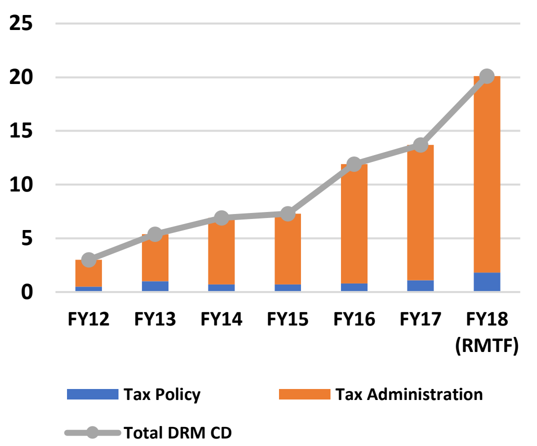
Additional RMTF contributions are welcome, and would allow addressing additional priority demands for CD, as well as increasing the certainty of support to reforms in beneficiary countries. Subject to IMF Management approval and RMTF SC decision making, RMTF contributions over and above the program document target could, for example, be used to: increase the number of intensive CD programs, by adding 2-3 new countries that develop and implement MTRS; add new targeted CD programs to respond to unmet demands of current RMTF countries or expand coverage to additional countries; strengthen regional RMTF engagements across groups of countries in a given region that face similar reform needs; and lengthen the duration of the RMTF by up to one year (through FY2023).

RMTF AT-A-GLANCE – JUNE 2018[3]

Key objectives: *The RMTF was launched by the IMF, in partnership with several development partners, to help meet an increased demand for CD from low- and lower middle-income countries in the area of RM.*

IMF CD in tax policy and administration under the RMTF was scaled up in accordance with our commitments under the ATI …

Figure 1. DRM CD Delivery under the RMTF, FTEs (includes histirical data for phase 1)



Broad coverage and mix of activities was achieved in the first full year of the RMTF…

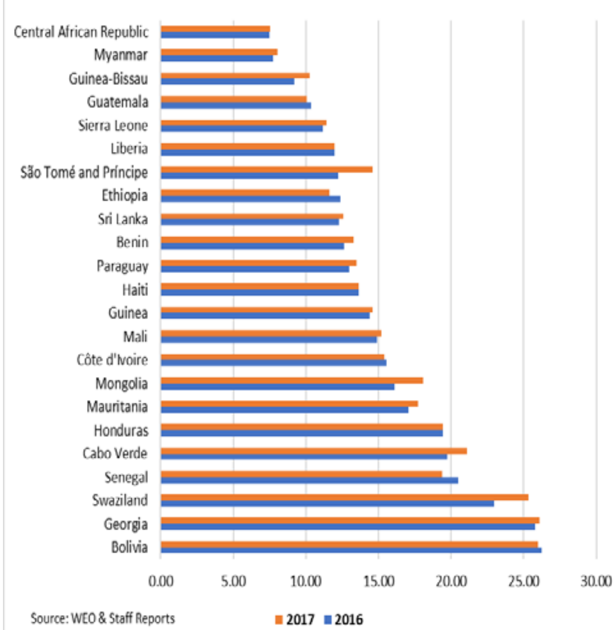
- ✓ 31 projects, including 23 country projects and four regional projects were launched.
- ✓ A total of 80 modules activated across all the building blocks of the RMTF.
- ✓ Country projects are distributed across four regions: Africa (13), Asia Pacific (3), Middle East and Central Asia (2), and Western Hemisphere (5). All regional projects cover Africa.
- ✓ Focus on Africa maintained with 17 country or regional projects launched in the region; representing 49 percent of the portfolio budget, as at June 2018.
- ✓ Portfolio covers nine fragile states with very weak institutional capacity.
- ✓ Other projects launched cover:
  - ✓ Building tax policy analysis and revenue forecasting.
  - ✓ Developing an on-line course on tax administration (concept stage).
  - ✓ Support to the Revenue Administration Fiscal Information Tool (RA-FIT)/International Survey on Revenue Administration (ISORA) data gathering analysis, and dissemination.
  - ✓ How-to-Note on estimating tax expenditures.

Key reforms implemented and achievements…

- ✓ Revenue performance improved in majority of the countries (Figure 2).
- ✓ New tax laws drafts or directives drafted in EAC, CEMAC, Haiti, Honduras, Mongolia, Myanmar, and WAEMU.
- ✓ Tax expenditure estimates prepared in Honduras.
- ✓ Explicit focus on international taxation in EAC, CEMAC, and Honduras; and climate change issues in Guatemala.
- ✓ Reform baselines developed through Tax Administration Diagnostic Assessment Tool (TADAT) in Guatemala; tax gap studies completed in Sri Lanka and Mongolia.
- ✓ Improved organizational structures and taxpayer segmentation arrangements implemented in Georgia, Guatemala, and Senegal.
- ✓ Strategic Plans prepared or refined in Liberia and Sierra Leone.
- ✓ Reform offices set up in Georgia, Sierra Leone, and Sri Lanka.
- ✓ Progress made in cleansing the tax register in Cabo Verde, Côte d’Ivoire, Honduras, Mauritania, and Senegal.
- ✓ Improved CRM approaches implemented in Benin, Côte d’Ivoire, Liberia, Mali, Mauritania, Myanmar, Mongolia, and Sri Lanka.
- ✓ Automation and development of new e-services in Bolivia, Côte d’Ivoire, and Senegal.

The average tax-to-GDP ratio for RMTF beneficiary countries improved by 0.4 percent of GDP in 2017; but the tax effort in many is less than 15 percent of GDP, which is insufficient to finance SDGs…

Figure 2. Tax-to-GDP ratios



---

[3] Figure 1 captures the TPA TF CD delivery data up to FY2017. FTEs means full time equivalent.

I. OVERVIEW

A. Summary of the RMTF

1. **The RMTF is a key vehicle of the IMF and its partners to respond to the "Addis Challenge" in the area of RM.[4]** 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 capacities to raise tax revenue efficiently and equitably. This calls for substantial additional support in this area, and highlights the importance of tackling tax evasion and avoidance. The RMTF provides a unique opportunity for a broad range of development partners to take a collective approach in supporting a holistic, medium-term CD initiative to strengthen tax policies and administrations in a select group of developing countries.

2. **The RMTF is structured around a modular approach with a topical focus closely aligned to the IMF's new results based management (RBM) framework (Appendices 1 and 2).** The modules are organized around three building blocks:

- *Intensive and targeted CD delivery (Modules 1-6)*: Covering the core RM focus areas, foundational CD work is delivered through two channels, framed in the context of multiyear engagement. Intensive CD delivery involves supporting the comprehensive reforms beneficiary countries make to their tax systems, including redesigning tax policy frameworks and strengthening revenue administrations. A more targeted approach, on the other hand, focuses on specific areas of the tax system where improvements are most needed.
- *Human capital development through training (Modules 7-8)*: A specific training module focuses on face-to-face and online courses to support and complement technical assistance delivery on selected tax policy and administration topics, particularly for low-capacity countries. The objective is to strengthen synergies between IMF technical assistance and training to maximize CD impact.
- *Diagnostic tools and analyses (Modules 9-10)*: Diagnostic tools are used to enable a better understanding of the strengths and weakness of tax systems as well as to monitor the progress of reforms. Also, applied analytical work, which examines developments associated with revenue reform in developing countries, is used to support both the CD and training streams.

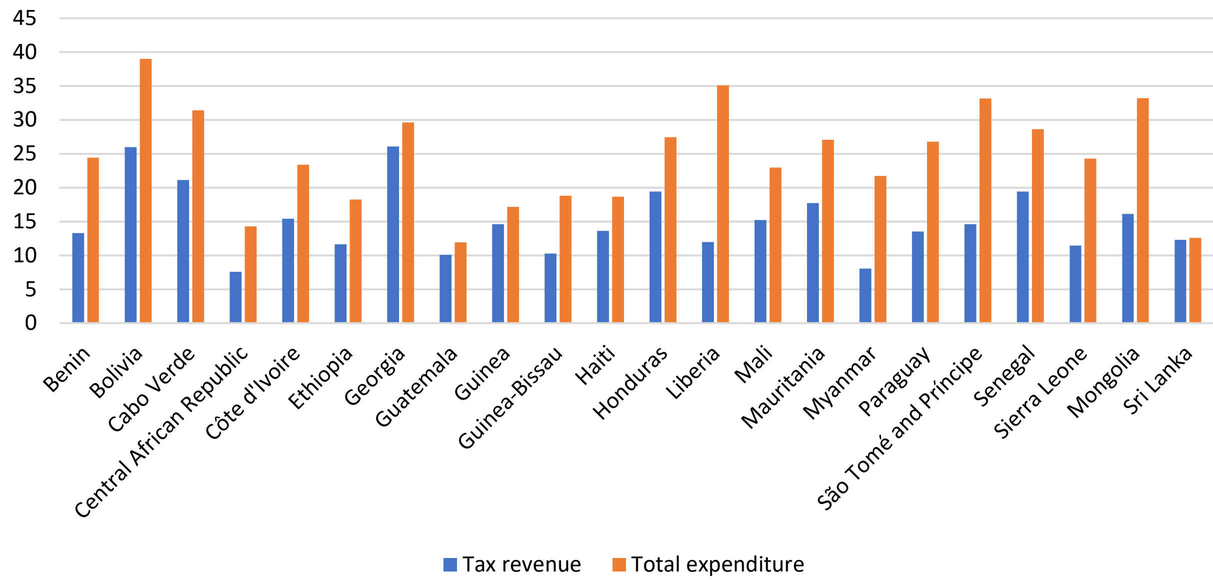
B. Economic Context of RMTF Countries

3. **The priority in RMTF beneficiary countries is to increase their revenue mobilization on a sustainable basis to finance critical additional physical, human capital, and social spending.** The average tax-to-GDP ratio for the RMTF beneficiary countries stood at 15.5 percent in 2017, with

[4] United Nations' Finance for Development Conference, Addis Ababa, Ethiopia, July 2015, Report of the Third International Conference on Financing for Development (A/CONF.227/20).

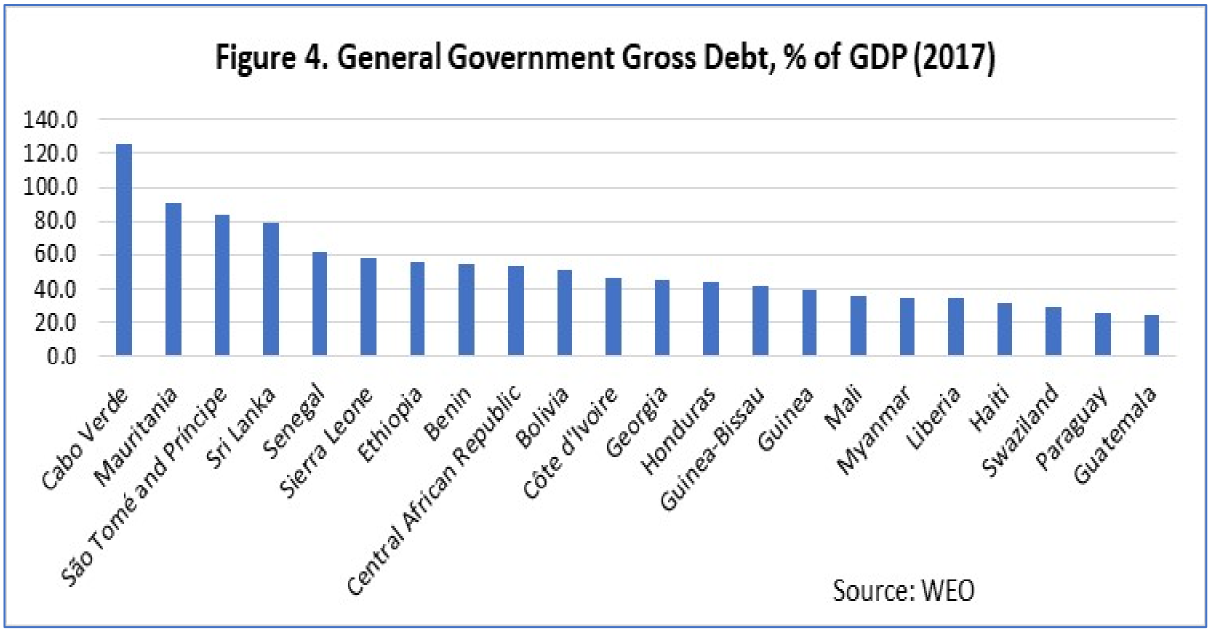
more than half of the countries collecting less than 15 percentage points of GDP, a tipping point in tax revenue levels.[5] Additionally, revenue mobilization lagged behind expenditure needs in all of the countries—the average total expenditure for RMTF beneficiary countries in 2017 was about 25 percent of GDP—and is grossly insufficient to finance countries' ambitions under the SDGs (Figure 3).

Figure 3. Tax Revenue vs Expenditure, 2017 (% of GDP)



4. **High debt is also a serious concern.** The average debt-to-GDP ratios, in the bulk of RMTF beneficiary countries, have been climbing at a rapid pace and exceeds 40 percent as of 2017 (Figure 4). This is in line with the trend for low income; nearly half of the debt in low income countries is on non-concessional terms, which has resulted in a doubling of the interest burden as a share of tax revenues in the past 10 years (Fiscal Monitor, 2018). Underpinning debt dynamics for all countries are large primary deficits, which reached record levels in the case of developing economies. Fair, efficient, and sustainable RM is crucial for sound public finances, enhanced investment climate, inclusive economic growth, and achieving the SDGs in many low and lower middle-income countries.

[5] Gaspar, Jaramillo, and Wingender (2016) provide strong empirical evidence that once tax-to-GDP level reaches 12¾ percent, real GDP per capita increases sharply and in a sustained manner over several years. They also note that, ideally, countries should aim to be safely above this threshold—e.g., above 15 percent of GDP—to provide adequate and sustainable resources for growth and development.

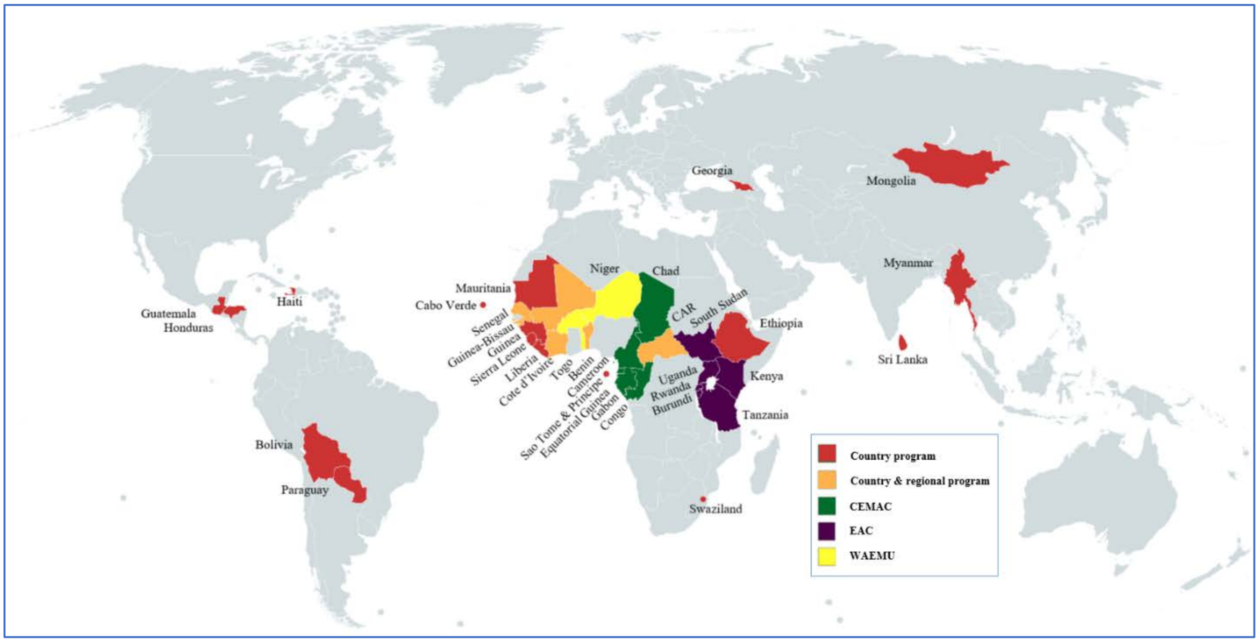


C. Mapping of RMTF Beneficiary Countries and Projects

5. **The first full year of the RMTF has seen the launch of 31 projects.** Twenty-three are country projects distributed across four regions: Africa (13), Asia Pacific (3), Middle East and Central Asia (2), and Western Hemisphere (5) (Figure 5). The RMTF also includes three regionally focused projects in Sub-Saharan Africa (SSA): CEMAC, EAC, and WAEMU,[6] all on tax policy. And a regional workshop on HR management for West African Countries aimed at concluding work started under phase I to identify key measures to modernize HR regimes in WAEMU and other countries.

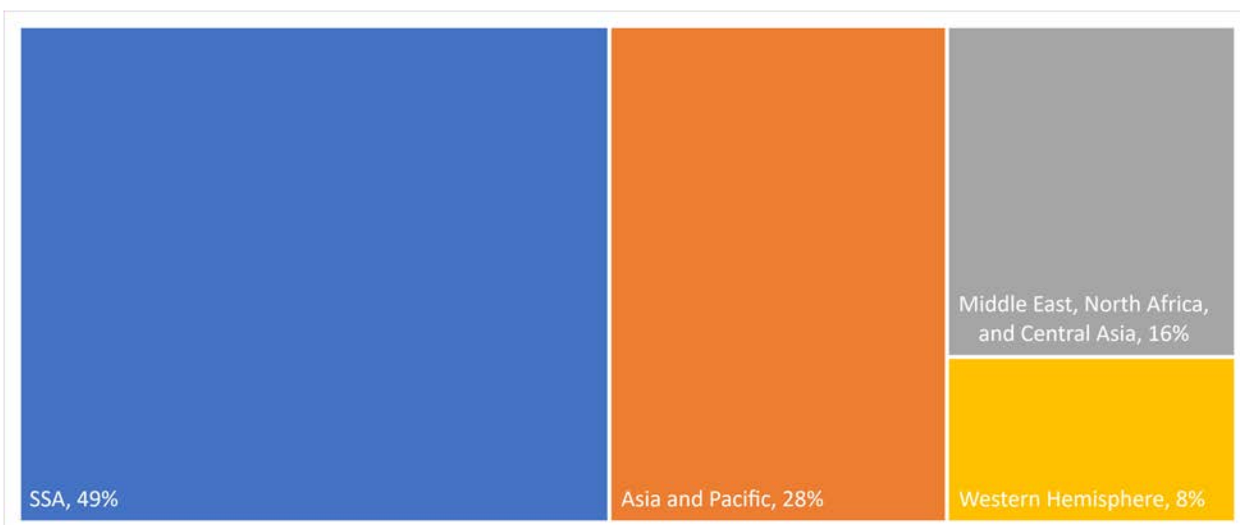
[6] CEMAC is made up of six states: Gabon, Cameroon, the Central African Republic, Chad, the Republic of the Congo and Equatorial Guinea. EAC is made up of six states: Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda. WAEMU is made up of eight states: Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau,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

Figure 5. Geographical Distribution of the RMTF



6. **The RMTF has a clear focus on SSA, as envisaged in the program document—**the region accounts for about 49 percent of the total portfolio budget (as of April 30, 2018)—Figure 6. Thirteen out of 23 country projects are in SSA, out of which 2 (Liberia and Senegal) are intensive CD projects. All the regional projects are in SSA, including one identifying key measures needed to modernize HR regimes in Francophone West African Countries.

Figure 6. Share of RMTF Budget by Region, April 30, 2018



7. **In total, 80 modules have been activated since the start of the RMTF—Table 1.** CD implementation is heavily focused on tax administration core functions: 16 projects cover work on tax administration corporate and CRM (module 4), while 20 focus on tax administration core functions (module 5), representing nearly 45 percent of all active modules. Fewer projects include support on revenue administration organizational arrangement (6 projects) and support functions (11 projects). About half (12) of the projects have a tax policy focus while seven projects address both tax policy and administration issues.

Table 1. RMTF Projects and Modules

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

*training or diagnostic tools activities delivered as an integral part of technical assistance (shaded blue)

8. **The RMTF portfolio is diversified in terms of risks (Table 2).** The portfolio covers 9 fragile states, which, while at different stages of institutional maturity, all carry heightened risks: Central African Republic, Côte d' Ivoire, Guinea, Guinea Bissau, Haiti, Liberia, Mali, Myanmar, and Sierra Leone. Key risks for these countries include weak institutional capacity, changes in management owing to political circles, political instability, and delays in implementing key reforms. Using the RBM framework, all project managers are actively monitoring and responding to the changing risk environment for each project.

Table 2. RMTF Portfolio Risk

Project	RBM score	Political Support	Management Support & Technical Staff Commitment	Resource Adequacy	External climate/conditions	Other Risks
Benin: Tax Administration Reform	2.4	Low	Low	Low	Low	Low
Bolivia: Strengthening Tax Policy and Administration	1.8	Low	Low	Low	Medium	Medium
Central African Republic: Tax Administration Reform	1.0	Medium	High	High	High	High
CEMAC: Enhancing DRM through Tax Harmonization Framework	1.5	High	Medium	Medium	Low	Medium
Cote d'Ivoire: Tax Administration Reform	1.8	Medium	High	Medium	Medium	n/a
Cabo Verde: Building Institutional Capacity in Tax Administration	1.6	Low	Medium	Low	Low	n/a
EAC: Tax Coordination and Tax Treaty Negotiation	2.3	Medium	Medium	Low	Low	Medium
Ethiopia: Foundational Reform for Sustainable Compliance	2.0	Medium	High	Medium	High	n/a
Georgia: Revenue Administration Reform	2.0	High	Medium	Low	Low	n/a
Guinea: Improving Income Tax	1.0	Medium	Low	Medium	Low	Medium
Guinea Bissau: Building Institutional Capacity in Tax Administration	1.6	High	Low	High	Medium	High
Guatemala: Strengthening Tax Policy and Administration	1.6	Low	Low	Low	Medium	Medium
Honduras: Modernizing Revenue Administration	1.7	Low	Low	Medium	Medium	Low
Haiti: Modernizing Tax System Through New Tax Code	2.0	Medium	Medium	Low	Medium	n/a
Liberia: Building Institutional Capacity in Tax Administration	1.6	Low	Low	Medium	Low	n/a
Sri Lanka: Improving Taxpayer Compliance	1.4	Low	High	Low	Low	Medium
Mali: Strengthening Tax Administration	2.3	High	High	Medium	Medium	n/a
Myanmar: Tax Policy and Administration Strengthening	1.8	Medium	Low	Medium	Medium	Medium
Mongolia: Improving Taxpayer Compliance	1.9	Medium	Medium	High	Low	n/a
Mauritania: Tax Administration Reform	2.0	Low	Low	Medium	Medium	n/a
Paraguay: Revenue Administration Reform	1.5	Medium	Low	Low	Low	n/a
Senegal: DRM Through Simpler Tax System and Stronger Administration	1.6	Low	Low	Low	Low	Low
Sierra Leone: Embracing Reform to Revenue Mobilization	1.5	Medium	High	Very High	High	n/a
Sao Tome and Principe: Tax Administration Reform	1.4	Low	Medium	Medium	Low	Low
Swaziland: Tax Administration Strengthening Program	2.0	Medium	Low	Medium	High	n/a
Tax Coordination: Achieving WAEMU Treaty Objectives	4.0	Medium	Medium	High	High	Medium

II. SUMMARY OF FINANCIAL STATUS AND EXPENDITURE

9. **RMTF contributions are moving towards the program document target.** Fundraising progressed well in FY18, reflecting a strong interest among development partners in supporting revenue mobilization reform. Denmark and Sweden were able to finalize their RMTF contributions, and the amount now secured from partners totals US$53.7 million, as shown in Table 3, which compares to an original program document target of US$60 million (for the full funding cycle through FY2022).

9. **Contribution discussions continue with a number of current or potential RMTF partners, which may put RMTF finances above the initial program document target.** The European Commission and Norway are close to finalizing their contribution decisions, Australia is considering an additional contribution, and Germany's full pledge has yet to be secured in a letter of understanding; also, tentative discussions with the United Kingdom continue.

10. **Additional RMTF contributions are welcome, and would allow addressing additional priority demands for CD, as well as increasing the certainty of support to reforms in beneficiary countries.** Subject to IMF Management approval and RMTF SC decision making, RMTF contributions over and above the program document target could, for example, be used to:

- Increase the number of intensive CD programs, by adding 2-3 new countries that develop and implement MTRS. This could include adding new country projects, based on demand, or transitioning some existing targeted RMTF country engagements into medium-term intensive CD projects as countries formalize their MTRS.
- Add new targeted CD programs to respond to unmet demands of current RMTF countries or expand coverage to additional countries.
- Strengthen regional RMTF engagements across groups of countries in a given region that face similar reform needs; this could also entail new regional expert assignments.
- Lengthen the duration of the RMTF by up to one year (through FY2023), to increase the certainty of continued RMTF support with an emphasis on concluding the MTRS engagements, which typically have a 4-6-year implementation span.

Table 3. Financial Contributions Report

As of April 30, 2018

(In Millions of U.S. Dollars)

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	2.4	1.9	1.5	4.5
Belgium	Nov. 11, 2016 and Sept. 29, 2017	EUR	9.0	10.3	6.3	6.9	-	3.4
Denmark	April 21, 2018	DKK	20.0	3.3	-	-	1.7	1.7
Germany	Nov. 21, 2016 and Dec. 18, 2017	EUR	1.5	1.6	1.0	1.1	-	0.5
Japan	February 1, 2017	USD	5.1	5.1	5.1	5.1	-	-
Japan	December 6, 2017	USD	5.0	5.0	5.0	5.0	-	-
Korea	July 28, 2017	USD	1.0	1.0	1.0	1.0	-	-
Luxembourg	December 1, 2016	EUR	2.5	2.6	1.0	1.1	-	1.5
Netherlands	October 7, 2016	USD	5.0	5.0	2.0	2.0	-	3.0
Sweden	April 19, 2018	SEK	40.0	4.8	-	-	1.2	3.6
Switzerland	October 8, 2016	CHF	7.0	7.1	4.5	4.5	-	2.7
Partners - Total				**53.7**		**28.6**	**4.3**	**20.8**
Under Negotiation								
European Commission	Pending	EUR	9.0	10.9				
Germany	Pending	EUR	2.5	3.0				
Norway	Pending	NOK	43.0	5.4				
Australia	Pending	AUD	5.2	3.9				
Under Negotiation - Total				**23.3**				
Grand Total				**77.0**				
Program Document Budget				**60.0**				
Funding Surplus				**17.0**				

11. **FY18 expenses of $11.5 million are in line with the annual outturns for RMTF envisaged in the Program Document.** With a few exceptions, all CD programs were delivered in full, and in some cases even exceeded indicative work plans for FY18. The overall FY18 expense is below the December 2017 projected expenditure of $14.9 million, reflecting cases where delivery plans shifted or work plans were delivered with budget savings. The "Expenses Paid" line in Table 4 shows the actual expense under endorsed projects in FY17 and FY18, added to projected expenditure based on estimated budgets under the existing workplan as of end-FY18.

Table 4. Cash Flow Statement

As of April 30, 2018
(In Thousands of U.S. Dollars)

Partner	FY 2017 FY1	FY 2018 FY2	FY 2019 FY3	FY 2020 FY4	FY 2021 FY5	FY 2022 FY6	Totals
Contributions	14,204	14,369	9,179	7,742	5,214	3,024	53,731
Australia	450	1,483	1,491	1,491	1,491	1,491	7,895
Belgium	3,274	3,598	1,617	1,767	-	-	10,257
Denmark	-	-	1,662	1,662	-	-	3,324
Germany	436	695	515	-	-	-	1,647
Japan	5,062	5,000	-	-	-	-	10,062
Korea	-	1,000	-	-	-	-	1,000
Luxembourg	531	578	513	-	513	513	2,649
Netherlands	1,000	1,000	1,000	1,000	1,000	-	5,000
Sweden	-	-	2,381	1,190	1,190	-	4,762
Switzerland	3,451	1,014	-	632	1,019	1,019	7,136
Interest Earned	32	182	-	-	-	-	214
Total Cash Available	**14,236**	**14,551**	**9,179**	**7,742**	**5,214**	**3,024**	**53,945**
Expenses Paid[1/]	245	11,505	14,643	12,200	3,162	3,240	44,995
Cash Balance	**13,991**	**17,036**	**11,572**	**7,115**	**9,166**	**8,950**	**8,950**

[1/]Expenses paid include the 7% TFM. FY19 onwards are estimates based on endorsed workplans.

12. **The total of the workplan proposed to the SC for endorsement is US$51.3 million.** This figure includes: the new projects (PNG, Chad and Democratic Republic of Congo), the multi-year budgets of all previously endorsed projects – including those revised up and down slightly to reflect under and over spend in FY18. Additionally, we will soon be proposing a new project for developing an online course on tax administration. Taking this, and the fact that some of the projects that were scoped for two or three years are likely to be extended in the coming year or two, into account means that, against the original budget of US$ 60 million, there may be room for only a few projects to be added to the current portfolio in the coming years. However, as already indicated, additional RMTF contributions are welcome, and would allow addressing additional priority demands for CD, as well as increasing the certainty of support to reforms in beneficiary countries.

13. **The IMF has now reported all FY17 expenditures under the RMTF to the International Aid Transparency Initiative.** FY2018 data is currently being entered and will be available for public use alongside the FY17 data shortly.

14. **Updated Operational Guidance Note is proposed to the SC for endorsement.** No major changes are proposed, rather these are refinements to bring operational practices in line with other thematic fund, formalize previous SC agreements and update outdated terminology.

III. Operations of the Work Program and Key Achievements

A. Operations of the Work Program

15. **Key achievements were made despite challenges in some countries.** In a number of RMTF countries (e.g., Ethiopia, Guatemala, Guinea Bissau, Liberia, Sierra Leone, etc.), there were appointments of new ministers of finance or new heads of tax administration and resultant staff changes. These and other external factors in beneficiary countries posed challenges to reform implementation. Nonetheless, many countries made progress in a number of areas.

16. **Milestones were mostly achieved in the majority of the countries (Figure 7).** This is a good indicator pointing to progress toward achieving project outcomes. Examples of key milestones achieved include: drafting of new laws or directives in EAC, CEMAC, Haiti, Honduras, Mongolia and WAEMU; implementing improved organizational structures and taxpayer segmentation arrangements in Georgia, Guatemala, Myanmar, and Senegal; preparing or refining Strategic Plans in Liberia and Sierra Leone; setting up of reform and modernization offices in Georgia, Sierra Leone, and Sri Lanka; progress with cleansing the taxpayer register in Cabo Verde, Côte d'Ivoire, Honduras, Mauritania, and Senegal, implementing improved CRM approaches in Benin, Côte d'Ivoire, Liberia, Mali, Mauritania, Mongolia, and Sri Lanka; process improvement, automation, and development of new e-services in Bolivia, Côte d'Ivoire, and Senegal.

17. **Some attention is necessary in countries in which particular milestones have not been achieved.** While there has been good progress overall in Sierra Leone, including improving payments and debt management, the centralized debt management and compliance unit was not established, as priorities shifted to the national elections. As the change in government leadership settles, the necessity for this centralized unit will be reinforced in FY19. Progress in Sri Lanka was slower than anticipated due to additional resources needed to support the compliance pilot and country officials' concurrent management of major income tax reforms, which impacted planned visits to progress the value added tax (VAT)

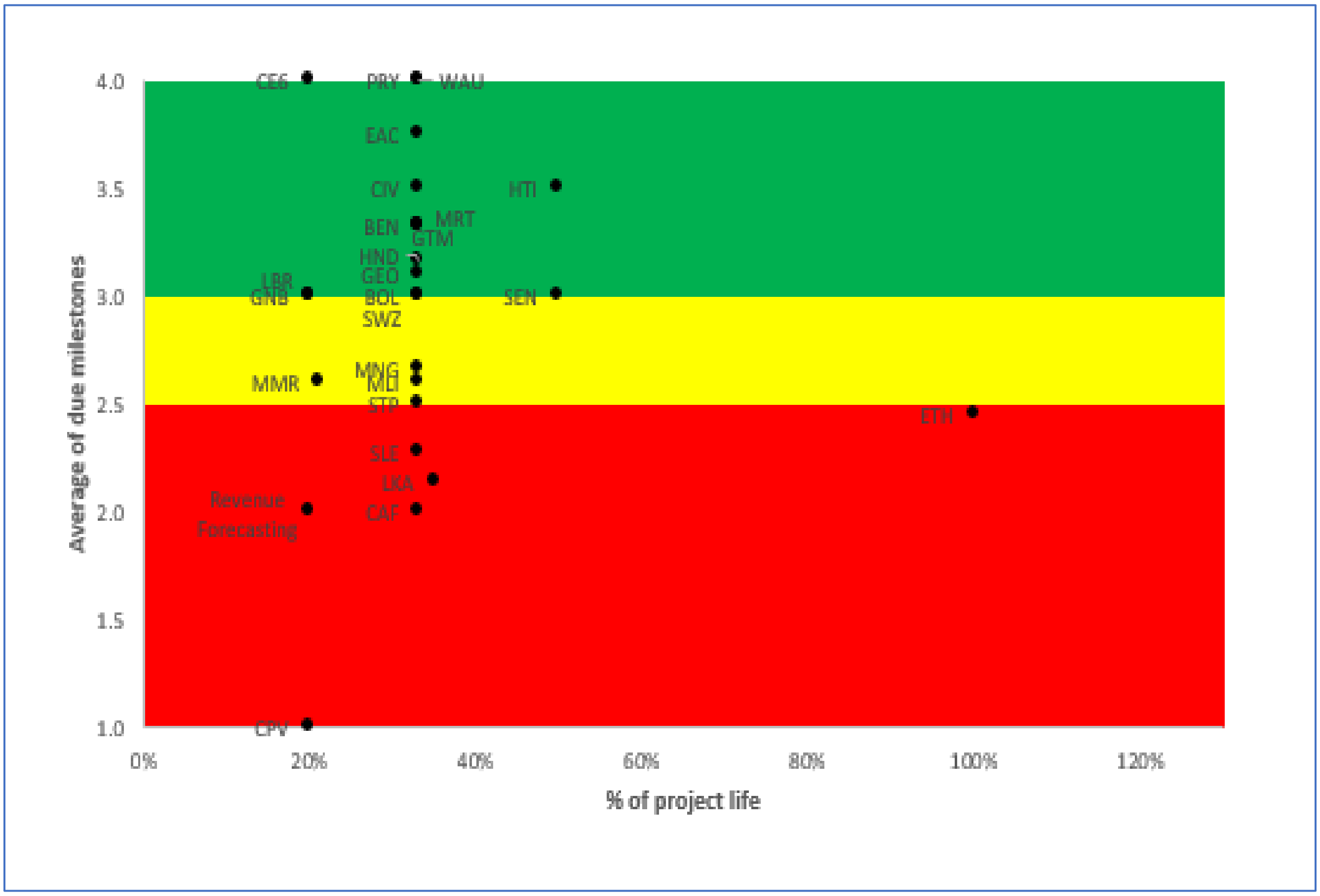
Box 1. Result Based Management (RBM) Framework Explained

All CD projects are designed and implemented in accordance with the IMF's RBM framework. The framework is based on medium-term results chains using a common terminology, a standardized catalog of results and a harmonized rating system, and the use of standardized risk assessments for all projects. Ratings for milestones and outcomes range from 1 – not achieved, 2 – partly achieved, 3 – largely achieved to 4 – fully achieved. Project managers update their logframes and risk matrices on a six-monthly basis. Modifications to the logframe in the original project proposal are highlighted in the respective project progress reports.

The RMTF reports on two indicators for each project: 1) RBM score, a top down assessment of progress towards expected outcomes, and 2) milestone tracker, a bottom up assessment of progress against pre-defined time-bound milestones or interim steps towards the outcome. While the RBM score is an indicator for overall progress and effectiveness, the milestone tracker is a tool to monitor progress during project implementation.

program.[7] Work on developing an on-line course on revenue forecasting had a somewhat slow start, but the project ramped up in early-2019; substantive work has begun on each of the four modules and filming of the first module is expected to start in July 2018. Regarding Central Africa Republic, very weak capacity remains a constraint to reform implementation. The situation in Ethiopia is discussed elsewhere in the document.

Figure 7. Average Milestone Rating[8]



18. **Overall, progress toward achieving project outcomes was satisfactory.** Most projects achieved a score between 1.5 and 2, which is in-line with expectations considering that the program is in its first year of implementation (most projects are expected to last at least three years). Figures 8 and 9 provide outcome ratings by country and by module.

[7] Technical assistance has been programmed for early FY19 to bring reform efforts back on track.

[8] The acronyms used Figures 7 and 8 are the following: BEN – Benin; BOL – Bolivia; CPV – Cabo Verde; CAF – Central African Republic; CEC – CEMAC: CIV - Côte d’Ivoire; ETH – Ethiopia; GEO - Georgia; GIN – Guinea; GNB – Guinea Bissau; HTI – Haiti; HND – Honduras; LBR – Liberia; MLI – Mali; MTR – Mauritania; MMR – Myanmar; MNG – Mongolia; PRY – Paraguay; STP – São Tomé and Príncipe; SEN – Senegal; SLE – Sierra Leone; LKA – Sri Lanka; SWZ – Swaziland; WAU - WAEMU.

Figure 8. Classification of Projects by Performance and Age

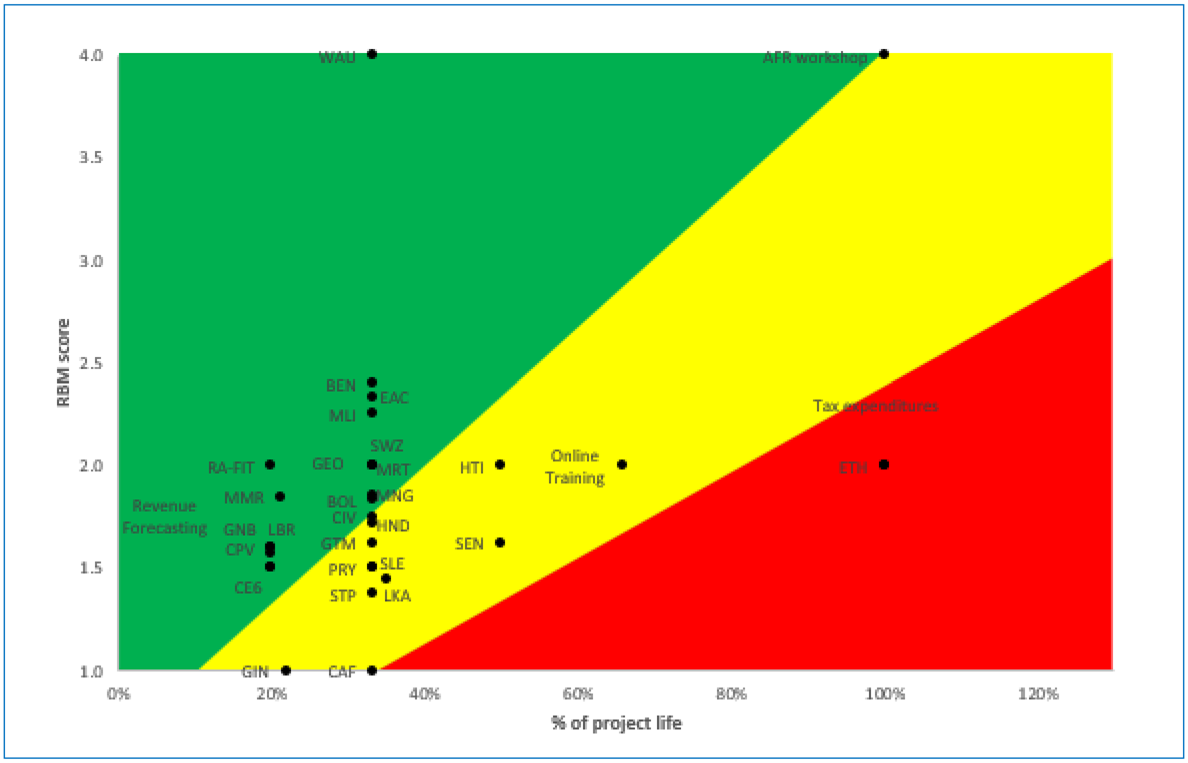
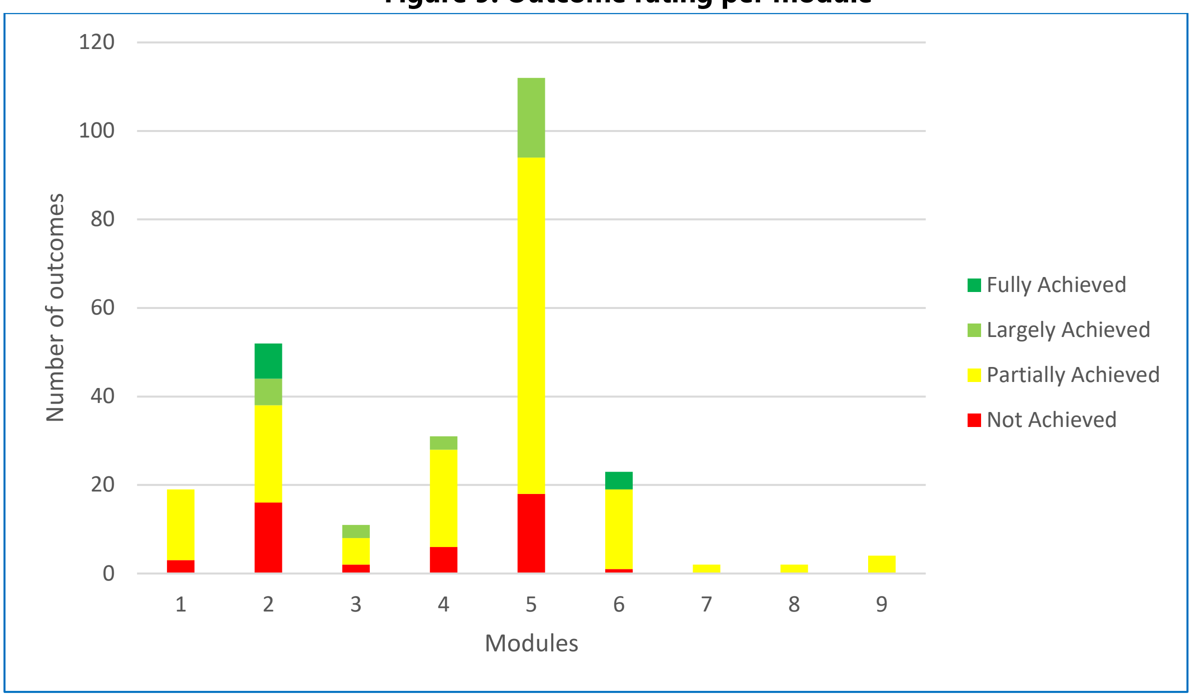


Figure 9. Outcome rating per module



19. **A few projects, however, require attention or modification.** The CD project in Ethiopia was scoped and approved for one year, originally, primarily to help with preparation of a MTRS while providing assistance in targeted areas. With changes in government leadership, the authorities remain engaged but discussions regarding the need for an MTRS have taken longer than planned.[9] Also, while progress was made in implementing reforms in targeted areas, more still needs to be done to fully embed the reform.[10] The project in the Central African Republic made some progress but more intensive engagement is required to achieve meaningful results. The project in Guinea did not have any due milestones but is being rescoped to take into account proactive reforms that were implemented by the authorities before the start of the project. Delivery of the project in Cabo Verde was affected as the authority reprioritized the sequencing of reforms, impacting the achievement of the milestones. For the project in WAEMU, progress has been good but project scope is being discussed with the authorities to address uncertainty regarding the future results to be achieved. The project to develop a "How-to-Note" on tax expenditures has completed a first draft and is expected to be finalized by December 2018.

B. Intensive and Targeted CD – Key Reforms and Results[11]

20. **Delivery of the work program was coordinated closely with the IMF's regional technical assistance centers and work funded internally or via other bilateral and multilateral programs, and with other development partners and agencies.** Such coordination includes sharing of work plans, meeting with partners in-country to discuss details of work, issues arising, and follow up activities, joint meetings with the officials when possible, etc. Examples of close collaboration with partners include: Benin - Belgium and Canada; Bolivia - CIAT; Ethiopia - DFID; Guinea Bissau - OTA; Guatemala - USAID, WB, OTA, GIZ; Liberia - USAID; Honduras - IaDB and CIAT; Mauritania - France and WB; Mongolia – WB and Asia Development Bank; Myanmar – WB, OTA, DFID and JICA; São Tomé and Príncipe - WB and AfDB; Senegal - EU and WB; and Sierra Leone – DFID.[12]

---

[9] A state of emergency was declared following the resignation of the former prime minister. A new prime minister was appointed in February 2018 and cabinet changes were made, including a new director general for the Ethiopia Revenues and Customs Authority. The authorities formally expressed interested in preparing an MTRS during the Spring Meetings in April 2018 and requested CD support in this area, starting with a sensitization workshops for officials in Addis Ababa.

[10] This project therefore needs to be extended by one more year to allow for its completion and scoping for medium term engagement under the RMTF.

[11] Future reports will report against the program log frame, using ISORA 2018 which will capture data for 2016 (baseline) and 2017 (first year). In this report, we provide a narrative of the key reforms implemented in the respective countries and the results as reported by the project managers.

[12] Acronyms used are: AfDB – African Development Bank; CIAT – Inter-American Centre of Tax Administrations; DFID – United Kingdom's Department for International Development; EU – European Union; GIZ - German development agency, Deutsche Gesellschaft für Internationale Zusammenarbeit; IADB – Inter-American Development Bank; JICA - Japan International Cooperation Agency; OTA – US Treasury Office of Technical Assistance; USAID – United States Agency for international Development; and WB – World Bank. This is not meant to be the full list of partners providing assistance in these countries.

Table 5 summarizes the key development and results under the program, by country. Country case studies for Honduras and Sri Lanka are also presented in Boxes 2 and 3 below.

Table 5. Key Reforms and Results, by Country

Country	Key reforms implemented and results.
Benin	Implementation of enhanced mechanisms for crosschecking of third party data led to detection of 187 large taxpayers operating under the presumptive regime. Roll out of electronic messaging systems improved on-time filing while full roll out of the tax payment system through commercial banks reduced revenue leakages.
Bolivia	A workshop on risk management reinforced capacity in this area with good results including implementation of a new risk model and case selection procedures. Overall, productivity of the audit program improved in 2017 both in terms of assessments issued and revenue collected.
Cabo Verde	Improved data gathering and cross matching practices helped improve assessment results; 618 taxpayers were reassessed, and USD 2.2 million in additional revenue was levied. Progress was also made in cleansing of the taxpayer register and introducing an electronic income tax return/financial statement information system.
Central African Republic	Signing and implementing agreements between the government and the commercial banks for collection of tax revenue improved revenue reporting and reconciliation. Implementation of risk-based audit programs and the use of a wider range of audit types improved audit coverage; from 16 percent in 2016 to 30 percent in 2017.
Côte d'Ivoire	A CRM strategy was designed to better focus compliance activities and work on cleansing of the taxpayer register progressed. A hackathon also proposed innovative solutions to improve the tax administration's capacity to manage compliance risks and respond to rising service expectations.
Ethiopia	The authorities have expressed interest in preparing an MTRS, but are keen to obtain more details regarding the approach. The first data-matching exercise was completed that revealed likely revenue risk across a wide range of areas by major importers. Other reforms include redesigning of the business registration process, and setting up a new office to monitor exemptions and tax holidays.
Georgia	The organizational structure was revised to separate operations from headquarters, strengthen headquarters functions, and establish a reform office and a VAT filing compliance unit. Operational plans, key performance indicators (KPIs), and a debt management strategy were developed. VAT refund processes were improved. Key results include improved VAT on-time filing rate from 62 percent to 92 percent, and a significantly improved flow of VAT refunds.
Guinea Bissau	The registration process was further strengthened through automation; cross-matching of third party data was used to improve audit planning; and new procedures for monitoring tax arrears were implemented.
Guatemala	In tax policy, advice was provided on addressing the large informal sector, rationalization of tax incentives, and carbon taxation. Successful completion of a TADAT assessment, with the support of multiple partners, provided reform baselines and clarified reform priorities. Taxpayer segmentation arrangements were refined to reinforce the large taxpayer office (LTO) and a CRM office was set up and has begun to work with key operational units to better focus resources.
Haiti	Working with a local working group, a review of excise and nuisance taxes was completed and a road map for reform covering all previously completed reviews was prepared.
Liberia	The 2018 – 2021 strategic plan was refined to include KPIs, business plans were aligned with the strategic plan, and a portfolio of priority reform initiatives was established. A framework for rulings and technical interpretations was prepared; and the first public ruling was issued. A short-term contingency plan to stabilize the domestic tax IT system was also developed.
Mali	Key reforms include simplification of the small taxpayer regime, strengthening of the audit program; establishing an intelligence function, and further development of a new information technology (IT) system.
Mauritania	CRM principles were introduced, including basic risk profiling tools. A new taxpayer registration process was adopted, deactivating inactive large and medium-size taxpayers and issuing taxpayer identification numbers to all large taxpayers and 96 percent of medium taxpayers. Details of tax audits and additional assessments are captured in the IT system, and the tax audit program now includes registration checks and single-issue audits.
Mongolia	Comprehensive compliance improvement strategies for all segments have been designed and incorporated in the 2018 operational plan. A range of compliance activities were undertaken, including text message reminders, training covering 80,000 participants, and a VAT e-voucher system to improve registration/reporting. Assistance

Country	Key reforms implemented and results.
	has been provided to design a simplified tax regime for small/micro businesses and amend the tax procedures law (due to enter into effect on January 1, 2019).
Myanmar	Self-assessment processes were extended to the new medium taxpayer office (MTO), and new centralized functions for data processing and taxpayer services were designed. The LTO and MTO are maintaining on-time filing rates above 95 percent. Headquarters support functions are now formally established, with a full-time deputy director general reform in place. The Tax Administration Procedures Law was signed off by the Minister of Finance and is due in Parliament.
Paraguay	Recommendations of a successful regional workshop on e-invoicing were adopted in redesigning the model and implementation strategy of the e-invoicing project; e.g., early engagement of the private sector in design and participation of the pilot phase of the project, appointing a full-time project leader with technological and managerial skills, and defining a separate and scalable IT infrastructure for the project pilot phase.
São Tome and Principe	Plans toward implementing the VAT are on track. The authorities have drafted and tabled a VAT law, which is now before Parliament for discussion. The authorities have also recruited and trained 25 new officials, sensitized and trained its staff and taxpayers, and set up four service centers to provide guidance and information.
Senegal	The design of one of the Senegal Hackathon prototypes (Mon Espace Perso)[13] was completed and a pilot with 100 taxpayers has been launched. Progress made with updating the taxpayer register (100 and 30 percent of the work has been completed in the LTO and MTOs respectively); improving effectiveness of the tax audit program with tax reassessments increasing from $US 43,4 million in 2016 to $US 84,3 million in 2017; and extensive coverage of e-filing from 5 percent in 2016 to 90 percent in 2017 for large taxpayers.
Sierra Leone	The 2018-2020 Strategic Plan for the National Revenue Authority was finalized; a new Modernization and Reform Office was set up; new procedures for improving the filing/assessment/payment processes and tax debt management were drafted and a pilot on streamlined processes launched.
Swaziland	CRM CD improved understanding, and ownership of CRM amongst the project team members significantly and they are well placed to champion this work, both in their role as members of the domestic tax department and customs leadership teams, and as advocates for CRM more widely across revenue authority.
CEMAC	A regional workshop resulted in the drafting of a revised regional directive on excise taxes and a revised multilateral tax treaty. The two directives are expected to be reviewed in a subsequent regional meeting and later presented to Finance Ministers for their approval. The regional workshop and CD under the RMTF were well publicized by the Commission, see Box 3.
EAC	The EAC model tax treaty and EAC tax treaty policy, drafted with the IMF's Fiscal Affairs Department (FAD) help, was approved by the full Council of Ministers in February 2018 and advanced training was provided through simulated treaty negotiations. A Policy Note on domestic tax harmonization in the EAC was approved by all states except Uganda which will provide comments later.
WAEMU	The WAEMU Commission issued a new directive on tobacco excises in December 2017.

Box 2. Country Case Study – Honduras: RMTF Assisting to Overcome Challenges

Revenue administration reform has been a challenging process for the Honduran authorities. A comprehensive tax policy package (covering VAT, fuel taxes, and minimum income tax) was introduced at the beginning of 2014. Additionally, in early 2016, the government overhauled the tax and customs administration (DEI) by creating a new revenue authority (SAR). As part of this process, it implemented a comprehensive transformation process entailing full replacement of staff, implementation of new management and governance arrangements, and improvements of tax control programs. These reform

[13] "Mon Espace Perso" is the French abbreviation of a personalized tax space; which provides individuals and businesses an easy way to file, pay and access their tax data, information, and services. This was one of the three solutions proposed by a Hackathon, that was supported under phase 1, in November 2016.

measures, in part, have contributed to tax revenue growth in recent years; the tax-to-GDP ratio increased from 15.7 in 2013 to 19.4 in 2017.

However, sustainability of these results is uncertain as the government has backpedaled in key areas during the last year. The authorities removed customs operations from the SAR, to create a new customs administration under the office of the president, which created institutional and procedural uncertainty. Additionally, they approved a generous tax amnesty program and implemented a new Tax Procedures Code that diminished the SAR's enforcement powers.

The reorganization of the tax administration also remains an on-going process. It will take time for the new personnel to build knowledge and skills in the various operational areas, and make material contributions to the new tax administration. IT-related problems remain unsolved and continue to affect operational performance. There is need to build a change management framework towards CRM. Audit planning and implementation remain weak, particularly for large taxpayers.

Since August 2017, the RMTF project has been assisting the SAR to overcome some of these challenges. Key reform initiatives in the short period of time include preparation of a single and updated tax law draft and of the first estimates of the tax expenditures. In tax administration, plans for data debugging and cleansing of the taxpayer register and the taxpayers accounting system were completed and are being implemented. The SAR has started to use data from the National Identity Registry following a cooperation agreement between both institutions. Unposted (suspense) payments recorded in the taxpayer accounting system have been reduced significantly since the implementation of the RMTF-funded recommendations. As regards the development of a new CRM framework, the SAR has started to strengthen information management policies for more effective data exploitation. Going forward, focus is on helping the SAR to speed up the implementation of key reforms under the RMTF project such as identification, assessment and prioritization of compliance risks and audit planning and implementation.

Box 3. Country Case Study – Sri Lanka: The Challenge of Managing Multiple Reform Efforts

The Plan: With support from the IMF's Extended Fund Facility (EFF), Sri Lanka aims to increase the tax to GDP ratio by 3.5 percent by 2020, through income tax and VAT reforms. The VAT law was amended in 2016, increasing VAT rates and narrowing exemptions, while the Inland Revenue Act (IRA) would undergo significant reforms in 2017. The RMTF project is supporting the VAT reforms and envisioned implementing VAT compliance strategies for large, medium, and small businesses, improving staff capacity, and strengthening core processes for registration, filing, and payment. The plan was to develop a large taxpayer VAT compliance strategy, differentiating taxpayers into categories of risk, and applying different treatments based on the level of risk.

The Reality: While good progress is being made across both VAT and income tax reforms and the EFF-supported program remains broadly on track, the culmination of the extensive reforms presented capacity challenges for officials during late FY18.

- Early RMTF success included the implementation of a compliance strategy for large taxpayers through a pilot project applying a risk differentiation framework to the construction industry. Due to operational demands, staff were responsible for both their regular work in addition to the pilot project. This made it difficult to progress the pilot as quickly as planned. With the pilot introducing new risk-based audit methodologies, auditors needed substantial support, and further CD was provided in late 2017 to address issues arising in the pilot and build staff capacity. Despite these intensive efforts, the VAT reform work slowed.

- The significant parallel reform to rewrite the IRA took place during 2017. The draft law was the subject of much public criticism and a lengthy Parliamentary process, but the new IRA was legislated in October 2017, with entry into force in April 2018. Significant staff effort was then dedicated to preparing the administrative changes for the new law, with help from the IMF's South Asian Regional Training and Technical Assistance Center (SARTTAC). The authorities were preoccupied with this time-bound process, causing VAT reform efforts to slow, and requested the deferral of the planned evaluation of the VAT pilot and follow-up short-term expert visits.

The Results: The VAT CD program is now back on track with the pilot evaluation and short-term expert visits confirmed for early FY19; these will assist officials to expand the VAT strategy and improve core tax functions. While the formal pilot evaluation has not yet been completed, interim findings are that: (i) the Key Client Manager program has been well received by taxpayers, with questions focused on technical interpretation issues; and (ii) while audits have not yet been finalized, anecdotally, staff report better audit results from using the new risk-based approaches.

Managing Risks	Lessons Learned
Political environment	Lots of lead time and education before implementation and repetition of messaging to taxpayers will ease the transition.
Leadership time is finite	Competing demands on senior officials' time can stall reform efforts. Good reform governance with delegation of decision-making to keep reform efforts moving is essential. Regular check-ins with senior management for guidance will keep momentum and allow management to address priority risks.
Prioritization	Long-term success requires prioritization of efforts and resources, despite the urgent demands that may arise from other sources. Reform ambitions should match capability, and adopt reasonable targets.
Coordination and sequencing	Coordination of reform efforts is needed, together with a deliberate sequencing of reforms. Sustained and close partnership between country officials and IMF staff (area department, RMTF project manager, SARTTAC) is necessary, including planning and managing the competing demands of multiple reform workstreams, some of which are tied to Parliamentary timelines.
Resources	Dedicated reform staff are needed, including the allocation of additional resources to ensure both existing work and reform work can be completed.
Staff capacity	Reinforcement of concepts through ongoing CD. Building relationships so officials feel comfortable to correspond with FAD between expert visits.
External factors delay progress	Be adaptable. If an emerging risk threatens progress, adjust the plan or try a different approach. Close monitoring of progress is required.

Box 4. RMTF Support – Excerpt from CEMAC Information Note

"As part of the implementation of the tax policy assistance program concluded between the CEMAC Commission and the Fiscal Affairs Department of the IMF in 2016, called the "Revenue Mobilization [Trust] Fund" (FAD [1] _CE6_2018-02) covering the period from 01 May 2017 to 30 April 2022, the CEMAC Commission and the IMF (Fiscal Affairs Department) jointly organized a regional workshop on excise taxes in Libreville (Gabon) from March 19 to 23, 2018.

Consistent with the preliminary meetings held in Libreville from 17 to 21 October 2016, and in Douala from 17 to 22 July 2017, the purpose of this workshop was to allow CEMAC member states to share their views on excise tax policies and, if possible, reach a consensus on a draft directive specific to excise taxes to be submitted to the next Council of Ministers of UEAC for adoption, after validation by the Permanent Commission on Tax Harmonization and Accountant (CPHFC).

Funding for this workshop was secured by an envelope dedicated to this technical assistance program, which has a twofold objective:

(i) support the efforts of the CEMAC to strengthen the coordination and harmonization of the fiscal policies of its member countries, and

(ii) mobilize domestic tax revenues, a priority for the CEMAC member states, in order to offset the losses in oil revenues and tariffs resulting from the implementation of EPAs with the European Union

…

The regional workshop led to a very strong awareness of the possibility of significantly increasing the yield of excise duties in the six (6) member countries of the CEMAC…The draft directive produced during the workshop is simple, clear, and precise which undoubtedly would facilitate its ease of implementation…"

Note: Original Information Note posted on the CEMAC website can be accessed here: https://www.cemac.int/node/290. The text presented in this box is from free translation.

C. Building Human Capital through Training

21. **The RMTF hosted a regional seminar in Casablanca, Morocco on modernizing HR regimes and management in tax administrations of the WAEMU countries.** The seminar brought together senior managers and the directors from the revenue authorities and tax administrations of the seven countries covered by a HR study (completed under phase 1), i.e., Benin, Burkina Faso, Côte d'Ivoire, Mali, Senegal, Togo, and Morocco. Participants from Guinea, Guinea Bissau, Niger, and Cameroun also attended. The seminar discussed the main findings and conclusions of the HR study,

lessons drawn from bilateral CD on HR in Côte d’Ivoire, Mali and Senegal under the RMTF projects and a detailed questionnaire covering core HR areas that was completed by the six WAEMU countries and the Moroccan tax authorities. Three key observations emerged from the seminar: (1) Morocco and Togo have by far more modern, effective, and transparent HR regimes compared to the five other countries that have not undertaken major reforms in this area and continue to rely heavily on non-transparent bonus systems to ‘motivate’ tax administration staff; (2) while establishment of a semi-autonomous revenue agency in Togo has been accompanied by a significant modernization of the HR system, this is not the only alternative to modernizing HR rules in the region—as evidenced by Morocco’s experience; (3) more efforts and CD are needed to modernize tax administrations’ HR systems in the WAEMU countries. However, given the sensitive nature of the existing ‘salary incentive’ systems, support is needed at the highest levels of government to reform the structure of the administration’s salary systems as part of a broader HR system reform.

22. **A hackathon was organized by FAD in coordination with the Ivorian Ministry of Budget and tax administration**.[14] The two-day event brought together experts from different disciplines—the tech innovation sector, tax and customs administrators, officials of other government agencies, and representatives of the private sector and civil society—to prototype innovative solutions to improve the tax administration’s capacity to manage compliance risks and respond to rising service expectations. Approximately eighty participants from twelve countries attended the event—which had a lively, intense and creative atmosphere. The Hackathon was a resounding success both in terms of the authorities’ degree of engagement and the degree of sophistication and ambition of the prototypes that the various groups designed was also greater compared to the previous hackathons. The winning proposals cover all three main stakeholders of revenue administration: tax administrators and policy-makers; individual taxpayers; and enterprises. These were as follows: (1) a platform that provides a single window for tax officials to access tax-related data for compliance purposes, backed by a system that integrates internal and external data sources via blockchain technology; (2) a mobile, short message service (SMS), and Web-based application that facilitates taxpayer registration; (3) a personalized digital platform for

[14] This was the third hackathon FAD has organized, after similar events in Senegal (funded under phase 1 and the RMTF) and Uganda.

small enterprises allowing them to calculate, declare and pay their taxes on-line. The hackathon was covered in great depth by local press.

23. **Several training and peer learning workshops covering a range of RM topics were delivered as integral parts of CD delivery.** Examples include training on: risk management in Bolivia and Mali; e-invoicing in Paraguay; tax treaty negotiation in the EAC; tax gap methodology in Mongolia; design and management of HR systems in the WAEMU countries; etc. The respective activities were highly appreciated by the officials as evidenced in the below statement.

> *"I am delighted to express via these few lines, my appreciation for the support provided to Paraguay in the organization of the international seminar "Electronic documents and techniques for the operation, control and service to taxpayers" which recently took place, especially to the IMF's Fiscal Affairs Department, and to the multi-development partner RMT). Being able to count on the presence of experts and officials from various countries in the region who have considerable experience in the implementation of the VAT electronic invoice, has been without a doubt a unique experience and an essential one for the Under-Secretariat of Taxation—especially as the event coincided with the process of preparing for the introduction of electronic invoicing in Paraguay. This is also a strategic project for the Government of Paraguay, as evidenced by the recent issuance of Decree 7795, which establishes the SIFEN—the National Integrated Electronic Invoicing System."*
>
> Paraguay's Vice Minister of Taxation, Marta Gonzalez Ayala

On-line course on revenue forecasting

24. **Substantive work has begun on preparing an online course on tax policy analysis and revenue forecasting.** The course will cover four areas; trends, tax policy analysis and institutional elements of revenue forecasting (module 1); revenue forecasting basics (module 2); revenue forecasting and analysis of indirect taxes (module 3); revenue forecasting and analysis of direct taxes (module 4). Much progress was made with developing module 1 which is ready for filming. It provides stylized facts and trends in tax revenues, discusses tax policy principles and the characteristics of a good tax, reinforces the need for adequate institutional structures to support the revenue forecasting process, situates revenue forecasting within sound public financial management, and includes country case studies and interviews.

D. Developing and Disseminating Applied Diagnostic Tools and Analysis

ISORA 2018—The Next Data Collection Round

25. **A key development was the finalization of the review of ISORA 2016 data (fiscal years 2014 and 2015) which was made ready for dissemination.**[15] The data is available to registered

[15] The review process involved further interaction with most administrations to clarify input and data provided The IMF supported 55 administrations of the final 135 participating administrations. Partners in the ISORA initiative

users from participating administrations at http://data.rafit.org. Additionally, the IMF produced a series of three volumes entitled "Participant Review Tables for ISORA 2016" in print copy to showcase the data available on the Data Portal. These volumes contain 174 tables and use most of the data gathered by the survey. The IMF is also in the process of developing and drafting a third volume of "Understanding Revenue Administration" to be published as a Departmental Paper by end-September 2018. This paper will utilize aggregated ISORA 2016 data, primarily by income group, but may also make use of IMF regions where there are significant regional differences. This publication builds on the work carried out in earlier published volumes.

26. **Work also progressed toward revision to the survey to simplify questions, and to reduce the cost of compliance for administrations.** In so doing, many questions have been converted to require checkbox or "Yes/No" type answers. This type of data will in future be carried forward for each administrations' review rather than for re-input. Numeric data input for ISORA 2018 has been reduced by nearly 25 percent which should make survey completion much easier for even the lowest capacity administrations.

27. **ISORA 2018 was launched at the CIAT General Assembly in Ottawa, Canada on May 17, 2018.** The Asian Development Bank (ADB) will be joining the ISORA initiative on a trial basis for ISORA 2018, potentially adding an additional 20 participating administrations in the Asian region, which has been underrepresented. Outreach preparation for ISORA 2018 is almost complete with workshops conducted in five locations covering member countries from most Regional Technical Assistance Centers (RTACs)—AFRITAC East, AFRITAC South, AFRITAC West 2, CAPTAC-DR (in Spanish), CARTAC, PFTAC and SARTTAC.[16] A final workshop is planned for members of AFRITAC Central and AFRITAC West (in French) shortly after ISORA 2018 has been launched. Ninety administrations will have participated in the workshops once complete. RMTF financing has subsidized participation at five of the six workshops, with the balance of the cost having been borne by the respective RTACs. A post-ISORA 2016 survey evaluation of the participants experience pointed to the value of the workshops in making the survey easier to complete because of improved understanding around the input required and the mechanics of the data collection platform, an online tool developed by the IMF.

28. **Some interesting staff metrics from ISORA 2016 are as follows (Figures 10):** High income countries (HICs) have a much higher proportion of their staff who are older than 55 years—around 25 percent of their total staff, while this same proportion for low income countries (LICs) and lower middle income countries (LMICs) is less than 10 percent. A similar trend is evident (as expected) when reviewing staff length of service. For HICs, 40 percent of their staff have 20 or more

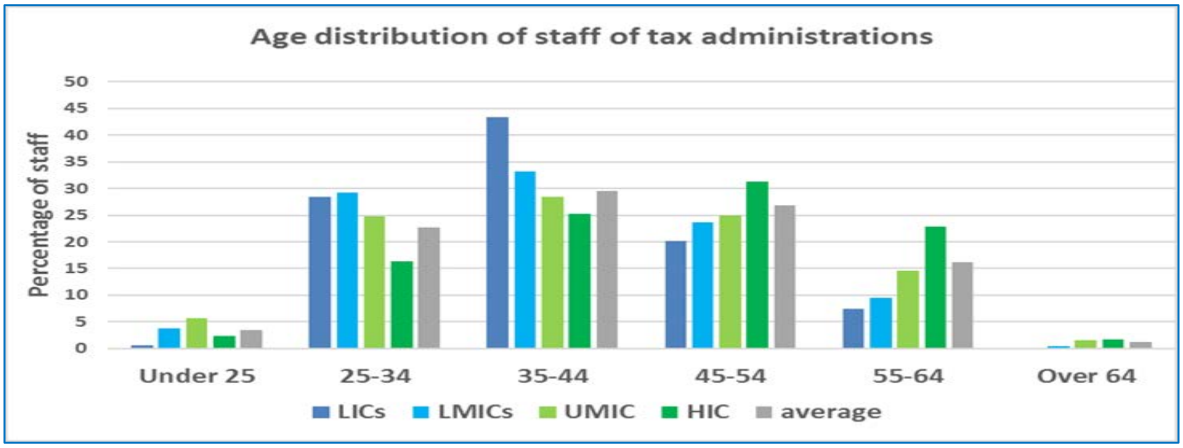
---

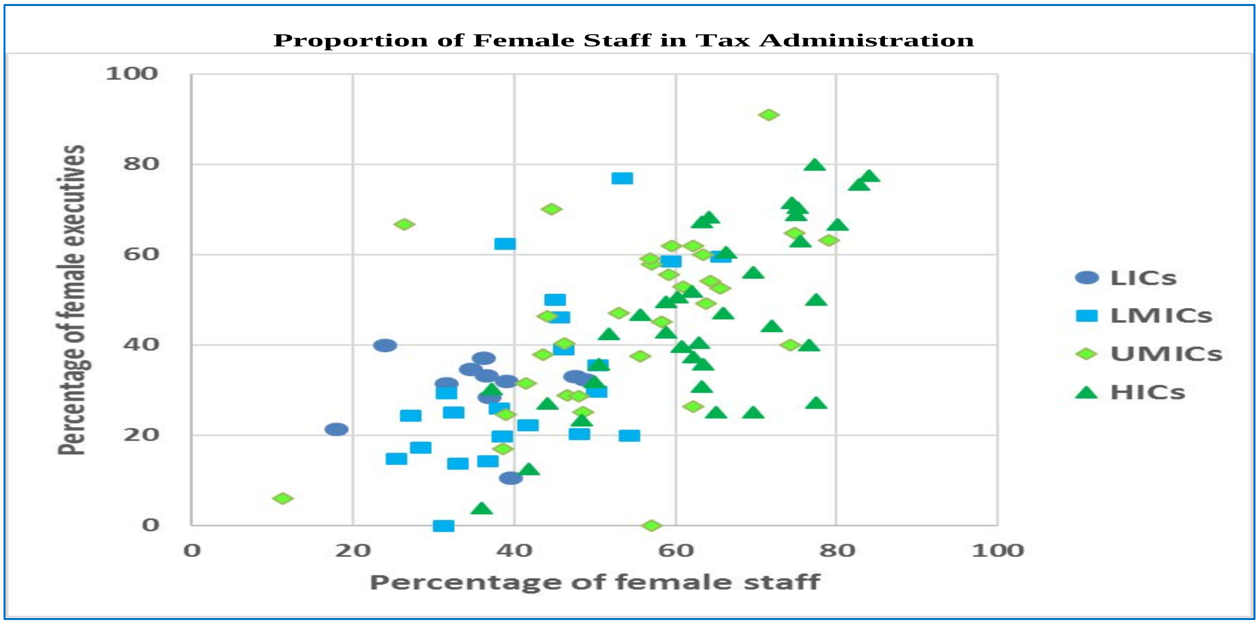
supported the balance of the participants, CIAT: 15 administrations; IOTA: 10 administrations; and the OECD: 55 administrations.

[16] Acronyms used are: AFRITAC - Africa Regional Technical Assistance Center; CAPTAC-DR - Central America, Panama, and the Dominican Republic Technical Assistance Center; CARTAC - Caribbean Regional Technical Assistance Centre; PFTAC - Pacific Financial Technical Assistance Centre; SARTTAC - South Asia Regional Training and Technical Assistance Center.

years of service while for LICs and LMICs for this same category it is half that, at around 20 percent. It is also interesting to note that for more than 50 percent of the administrations providing data, female staff accounted for more than half of the total staff complement while this reverses with respect to female staff in the executive cadre, where just less than one third of administrations have more than 50 percent of the executive cadre filled by female staff.

Figure 10. Staff Matrix from ISORA



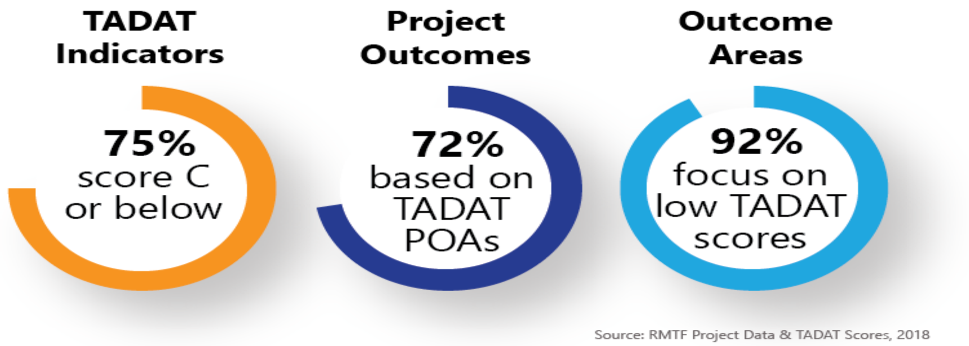


TADAT

29. **A multi-partner assessment using the TADAT assessment framework identified the strengths and weaknesses of the Guatemalan tax administration system.** The tax administration's main weaknesses are: lack of accurate and reliable information in the Taxpayer Register; no actions for identifying non-registered taxpayers; absence of an adequate methodology to manage compliance and institutional risks; lack of audit programs focused on large taxpayers and other key segments; ineffective management of the stock of tax arrears; an inadequate VAT refund process; lack of studies on accurate reporting in declarations. The assessment confirmed the key weaknesses as identified under the RMTF project and set the baselines for assessing progress in future. Requests were also received for TADAT assessments in Bolivia, Honduras and Swaziland. These will be undertaken in FY19.

30. **Analysis using the TADAT tool shows that country projects are well-focused in the critical areas that have typically been identified as weak in many tax administrations**. A TADAT assessment has been undertaken in seven RMTF beneficiary countries: Côte d'Ivoire, Ethiopia, Georgia, Guatemala, Liberia, Paraguay, and Sierra Leone, with more planned in FY2019. While TADAT does not score every aspect of needed reform, such as strategic and reform planning, the tool highlights fundamental areas in need of reform. The average TADAT scores of the seven RMTF countries reveal that 75 percent of the TADAT indicators were rated as weak—with scores of C or below, indicating that, at best, the tax administration "just meets the minimum performance standards in that TADAT dimension". Further analysis shows that 72 percent of all RMTF country project outcomes are focused on performance outcome areas included in the TADAT, of which 92 percent are focused on the weakest areas—those scoring a C or below in the seven benchmark countries. See Figure 11.

Figure 11. TADAT Indicator Scores (C or below) and Project Focus on Outcome Areas[17]



Revenue Administration Gap Analysis Program

31. **Revenue Administration Gap Analysis Program (RA-GAP) studies were prepared for Sri Lanka and Mongolia and capacity enhanced in this area.** The gap estimates are being used to inform and further develop the targeting of these two countries' VAT compliance improvement strategies. A RA-GAP study for Ethiopia is planned for FY19.

How-to-Note

32. **A "How-to-Note" on *How to Produce and Use Tax Expenditures in Fiscal Management* will be published before the end of calendar year 2018.** The note has two elements: (1) it describes current practice in this area in developed and developing economies, distilling good practice and pointing to pitfalls that developing countries should be aware of when building their tax expenditures accounts; (2) it suggests a step-by-step approach on how developing countries can build their tax expenditures gradually, taking into account their data and human resource constraints. This How-to-Note will be used as the basis for FAD's CD in this area, which has seen increasing demand in recent years; it will also feed into tax policy advice on how developing countries can design revenue mobilization options by reducing tax preferences they currently provide to individuals and companies.

[17] The average scores C or below are from the 30 percent of project countries who benefited from a TADAT. The project outcomes are compiled from all RMTF country projects.

Appendix 1. 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 training	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 RA-FIT management platforms and delivery of the annual RA-FIT 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.

Appendix 2. RMTF Strategic Logical Framework

Level	Module	Code	Desired Outcome	Indicator	FY17 results and comments
Impact Level	**Strategic objective: Supporting developing countries to mobilize tax revenue to promote sustainable and inclusive development**				
			Desired Outcome	**Indicator**	**FY17 results and comments**
		S1	Domestic tax revenue performance improves in RMTF countries	Average tax-to-GDP ratio trends up in RMTF beneficiary countries	15 countries in FY18
		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	**FY17 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 Senegal
	Tax Policy Design	M2.1	Tax policy reforms are designed and implemented	Number of countries that enact new laws/total countries	Draft laws prepared in 4; enacted in one (Myanmar)
				Number of countries that estimate and report tax expenditures transparently/total countries	Estimates prepared in 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, Guatemala, and Senegal
	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

Outcome Level (Complementary Focus Areas)

Module		Desired Outcome	Indicator	FY17 results and comments
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
			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

Building Human Capital through Training: Modules VII and VIII

Objective 2: Enhance tax authorities' knowledge and skills to support better institutions

Module		Desired Outcome	Indicator	FY17 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	FY17 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	N/A
			Number of RMTF countries that participated in a TADAT assessment [with baselines successfully established]/number of total RMTF countries	TADAT in Guatemala
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	None