

**PROGRAM
DOCUMENT**

August 2016



**Revenue Mobilization Trust Fund
(RM-TF)**



**GLOBAL
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I n t e r n a t i o n a l M o n e t a r y F u n d



A Multipartner Trust Fund for IMF Capacity Development

in

Revenue Mobilization



PROGRAM DOCUMENT

(August 2016)

List of Selected Acronyms

ATI	Addis Tax Initiative
CCB	Committee on Capacity Building
CD	Capacity Development
DRM	Domestic Revenue Mobilization
FAD	IMF's Fiscal Affairs Department
HR	Human Resources
HQ	Headquarters
ICD	IMF's Institute for Capacity Development
IMF	International Monetary Fund
LDCs	Least Developed Countries
LEG	IMF's Legal Department
LICs	Low-Income Countries
LMICs	Lower-Middle-Income Countries
LLMICs	Low- and Lower-Middle-Income Countries
LTX	Long-Term Expert
MOP	Memorandum of Partnership
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
RA-FIT	Revenue Administration Fiscal Information Tool
RA-GAP	Revenue Administration Gap Analysis Program
RBM	Results-Based Management
RM-TF	Revenue Mobilization Trust Fund
RTAC	Regional Technical Assistance Center
SC	Steering Committee
SDGs	Sustainable Development Goals
STA	IMF's Statistics Department
STX	Short-Term Expert
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TPA TTF	Tax Policy and Administration Topical Trust Fund
UMICs	Upper-Middle Income Countries
VAT	Value Added Tax

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Overview

The Revenue Mobilization Trust Fund (RM-TF) is an important response by the International Monetary Fund (IMF) and its partners to the “Addis Challenge” in the area of Domestic Revenue Mobilization (DRM). This challenge reflects the recognition—embodied within the 2030 Agenda for Sustainable Development—that developing countries have a critical need for assistance in improving their tax capacities. The RM-TF provides a unique opportunity for a broad range of development partners to take a collective approach in supporting a holistic, medium-term Capacity Development (CD) initiative to strengthen tax policies and administrations in a select group of countries.

The RM-TF’s core focus for assisting developing countries will have two main delivery approaches:

- *Intensive engagement in support of transformational reform.* This will involve supporting the comprehensive reforms beneficiary countries make to their tax systems, including redesigning tax policy frameworks and strengthening revenue administrations. This engagement would involve country authorities’ sustained commitment, along with well-sequenced support from the RM-TF and other technical assistance (TA) providers. This approach would be anchored by the assignment of long-term experts (LTXs) to ensure the needed on-the-ground assistance.
- *Targeted support for reforms.* This work will focus on specific areas of the tax system where improvements are most needed. This more targeted support would also be framed in the context of a multiyear engagement, and would provide scope for assisting in cases where more comprehensive reform programs are not needed, or where a country has lower absorption capacity.

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

- *Synergies between IMF TA and training* would be reaped in order to maximize the capacity for tax reform. A specific training module will focus on face-to-face and online courses to support and complement TA delivery on selected tax policy and administration topics, particularly for low-capacity countries.
- *Diagnostic tools* will play a key role in defining reform priorities and subsequent capacity building. In particular, the Tax Administration Diagnostic Assessment Tool (TADAT), the Revenue Administration-Fiscal Information Tool (RA-FIT), and the Revenue Administration-Gap Analysis Program (RA-GAP) would be used to assess where the impact of TA is likely to be highest, as well as to monitor the progress of reforms.¹
- *Applied analytical work* that examines developments associated with revenue reform in developing countries will support both the TA and training streams. The research will aim at assessing emerging issues, trends, and practices in tax policy and administration.

¹ These fiscal tools are described in Chapter 2, “Diagnostic Tools and Analysis: Design and Dissemination.”

The RM-TF—which will operate fully during 2017–2022—will build on the IMF’s extensive experience in CD and the successful results of its predecessor, the 2011–2017 Tax Policy and Administration Topical Trust Fund (TPA TTF). The lessons learned have shown the significance of achieving sustainable engagement in the following ways:

- *Strong country ownership and commitment to reform is an essential element for sustainable engagement and effective implementation.* To help achieve these objectives, trust fund assistance will be based on an initial, broad-based diagnostic assessment and the establishment of a formal mutual understanding with country authorities, to ensure that the focus of their reform objectives is coherent, achievable, and consistent with the RM-TF’s capacity to assist.
- *A programmatic and sequenced reform approach is underpinned by a coherent modular design.* Six modules on core DRM focus areas will comprise a module on the overall reform strategy and management; a module on tax policy design; and four modules on tax administration (organizational arrangements, corporate and compliance risk management, core functions, and support functions). These core areas will be complemented by modules on training and analytical work.
- *Results-based management (RBM) principles will be integrated into the design and implementation of the RM-TF to foster accountability and effectiveness.* Inputs, outputs, and outcomes will be clearly defined and monitored. The above-described modular design is aligned with the IMF’s new RBM framework to ensure integration and promote result orientation.
- *Partnerships are at the core of the RM-TF.* The trust fund acts as a platform to facilitate effective coordination between partners, including through its Steering Committee (SC), and to ensure consistency with the work of other TA providers, government agencies, and other regional and international organizations.

1. Boosting Revenue Mobilization: Background and Achievements

A. The International Context

Mobilizing public revenue has become a centerpiece of the international development agenda.

Strengthening domestic revenue performance is a key objective of the 2030 Agenda for Sustainable Development and is included as one of the Sustainable Development Goals (SDGs).² The 2015 United Nations' Financing for Development conference in Addis Ababa, Ethiopia, put the spotlight on the key role of domestic revenue for financing development, called for substantial additional development cooperation in this area, and highlighted the importance of tackling tax evasion and avoidance.³ Those attending the conference agreed that:

- “Domestic resource mobilization and effective use is the crux of our common pursuit of sustainable development and achieving the SDGs.”
- “Globally, we commit to support countries that need assistance, including through substantially increasing [official development assistance] ODA and technical assistance for tax and fiscal management capacity, particularly to [least developed countries] LDCs.”
- “We [. . .] agree to cooperate to combat tax evasion as well as tax avoidance.”

These commitments reflect a global consensus that sound tax systems represent an essential basis for sustainable development.

The revenues they generate are critically important for enabling the funding of vital public services such as health, education, infrastructure, and national security, all of which play fundamental roles in a country's long-term growth performance. In addition, there is solid evidence that healthy tax systems can support sustainable development by ensuring proper incentives for investment, employment, and savings, including by:

- Strengthening the social contract between the government and its citizenry, thus promoting political and social cohesion.
- Discouraging the “informal sector” and its attendant economic distortions.
- Facilitating the growth of small- and medium-sized businesses, which are important sources of employment growth in developing countries.
- Helping ensure a high, consistent level of corporate tax compliance across countries to avoid distorting international investment decisions.
- Contributing to better fiscal outcomes, thereby reducing the economy's vulnerability to external and other shocks.
- And over the longer term, reducing aid dependency.

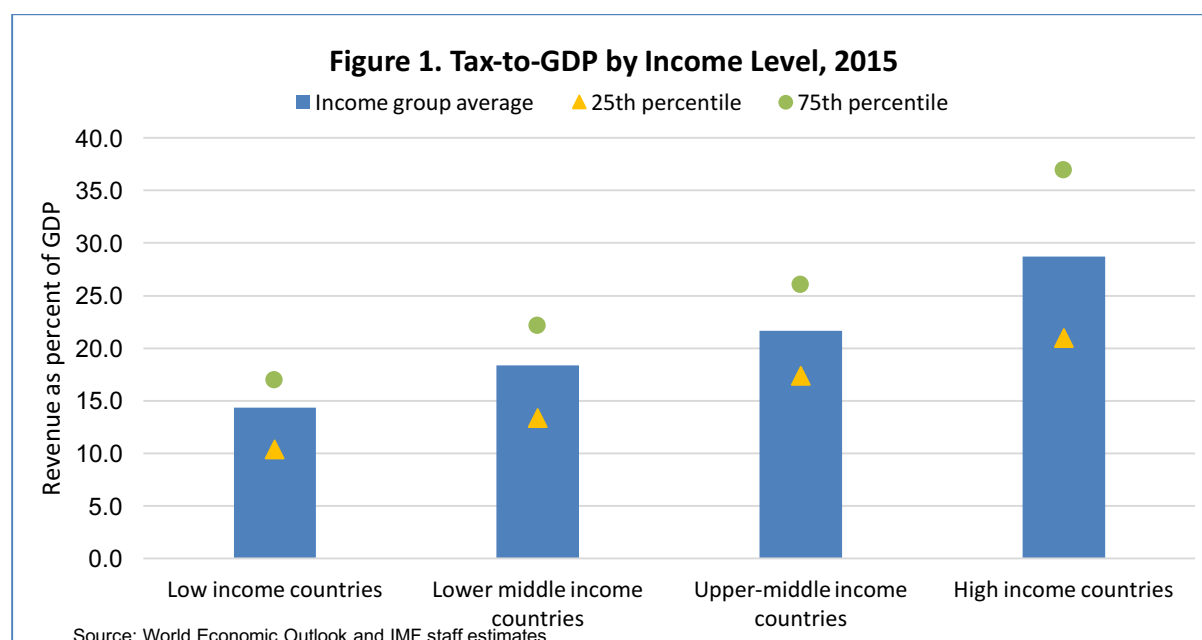
² Goal 17 is to “Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development Finance”; 17.1 calls for “Strengthen[ing] domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.”

³ The Addis Tax Initiative (ATI) Declaration, Finance for Development Conference, Addis Ababa, Ethiopia, July 2015. The Addis “development partners” include Germany, the United Kingdom, the United States, Ethiopia, the European Commission, the OECD, and 30 other countries and international organizations. For an updated list on ATI signatories, please see www.addistaxinitiative.net.

B. Challenges of Raising Revenue in Developing Countries

Many developing countries face significant hurdles in raising tax revenues. In particular, weak legal frameworks and tax policies in some low- and lower-middle-income countries (LLMICs) are flawed and inconsistent in their development objectives. This often reflects tax incentives for specific sectors that distort investment decisions, result in significant revenue loss, and weaken confidence in tax fairness. Poor fiscal transparency and accountability are also concerns. These problems are often compounded by inadequate tax administration, which leads to poor compliance and deficiencies in integrity.

These weaknesses often result in rampant evasion, illicit financial flows, significant informal sector activity, and very low tax yields. Recent IMF estimates of value-added tax (VAT) compliance gaps in selected sub-Saharan African countries show that these are quite large, in several cases over 40 percent of potential revenue.⁴ As a result, tax-to-GDP ratios for LLMICs averaged 17 percent in 2015 (World Economic Outlook estimates), while the ratio for advanced economies was, on average, around 28 percent (Figure 1).



The importance of boosting tax yields in developing countries has intensified as the outlook for ODA has become more challenging. Recent estimates suggest that the majority of the countries in sub-Saharan Africa will likely receive less aid in 2017 than they did in 2014.⁵ ODA providers are increasingly focused on reducing aid dependency, possibly reflecting the concern that aid may diminish the incentives for countries to develop their own domestic sources of revenue.⁶

⁴ Uganda: *Revenue Administration Gap Analysis Program—The Value-Added Tax Gap*, IMF, (2014), at www.finance.go.ug.

⁵ African Economic Outlook 2015, "External Financial Flows and Tax Revenues for Africa," Chapter 2, at www.africaneconomicoutlook.org/en/outlook.

⁶ D. Benedek, E. Crivelli, S. Gupta, and P. Muthoora have provided empirical evidence for this hypothesis in "Foreign Aid and Revenue: Still a Crowding-Out Effect?" *FinanzArchiv: Public Finance Analysis*, vol. 70(1), pages 67–96, March 2014. These authors have confirmed their results using ICTD data, which will be detailed in a forthcoming paper.

For developing countries, new challenges for revenue mobilization have also emerged:

- **International corporate taxation:** The past years have seen increased recognition of the importance of strengthening the international corporate tax regime. The OECD (Organization for Economic Cooperation and Development)/G20 Base Erosion and Profit Shifting Project has established a new framework for reducing the extent to which multinationals can use tax arbitrage and erode the tax base in countries where they operate. In addition, recent IMF research has illustrated that this act is an important drain on developing countries' tax revenues.⁷ The IMF has had extensive experience in providing TA in this area, and the demand for its assistance has already increased as a result of the new Base Erosion and Profit Shifting agenda. Addressing this challenge in LDCs will require the establishment of coherent designs for both policy and procedural frameworks, to be supported by robust legal reforms, as well as a sustainable, sequenced implementation approach that is supportive of ongoing foundational tax administration reforms.⁸
- **Carbon taxation:** Interest by developing countries in carbon taxes is also likely to grow as a result of the 2015 Paris United Nations Agreement on climate change. The Paris Agreement includes 195 countries' commitments to limit their greenhouse gas emissions, which, in turn, will likely promote developing countries' interest in receiving TA for mitigation strategies, including carbon taxes. It also includes commitments advanced economies have made to support developing countries in this area. While the demand for help in this field is still nascent, it is likely to increase.

C. The TPA TTF: A Strong Foundation for the RM-TF

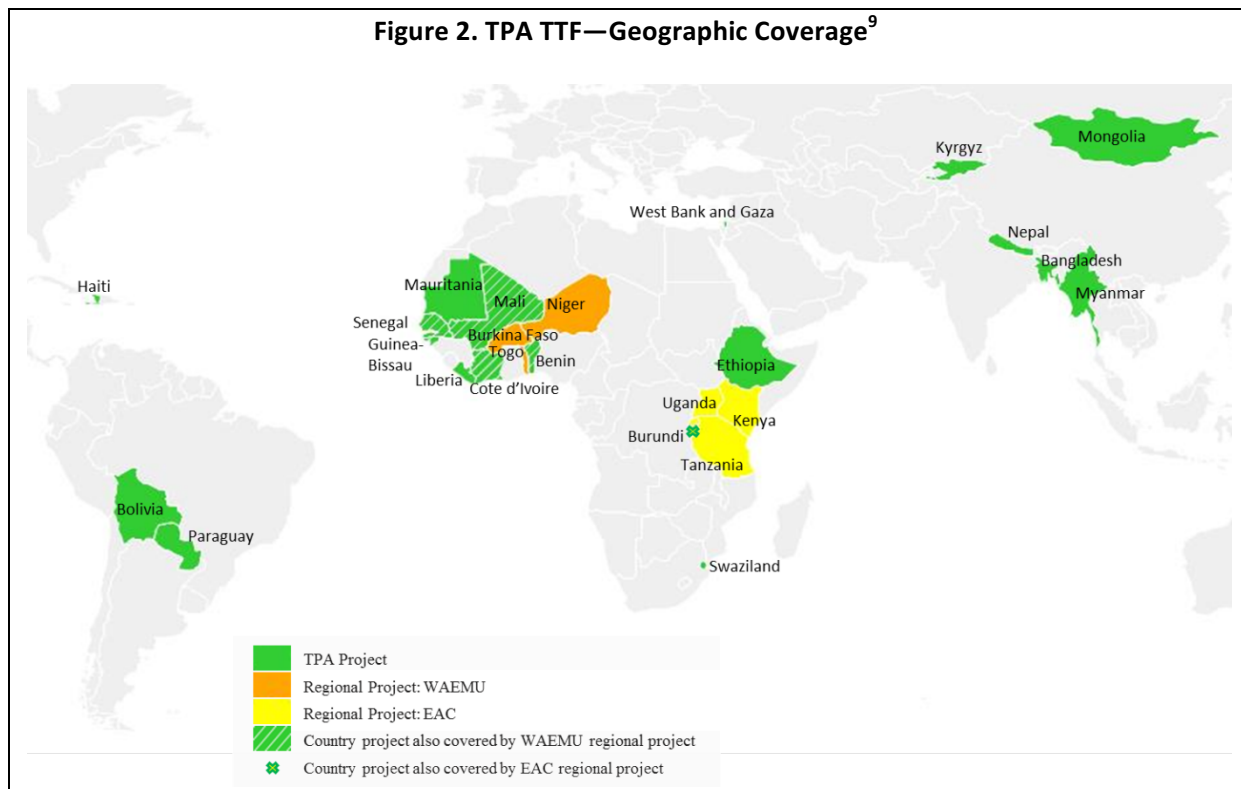
The experience gained under the TPA TTF provides an important springboard for a renewed effort to promote revenue mobilization in developing countries. The TPA TTF was launched in April 2011, and is a partnership between the IMF and the governments of Belgium, the European Union, Germany, the Republic of Korea, Kuwait, Luxembourg, the Netherlands, Norway, and Switzerland. With a budget of about US\$28 million, the TPA TTF has already worked for five years to help meet LLMICs' increasing demand for TA in revenue policy and administration. The trust fund has been able to achieve broad geographical coverage and exposure, with about 20 active country and regional programs, the majority in Sub-Saharan Africa (Figure 2). Its operations are expected to conclude in April 2017, and to be succeeded by the new RM-TF.

The TPA TTF was built on the IMF's long history of successful technical assistance to countries seeking to reform their tax systems. The IMF's TA has involved work in both developing and advanced economies for over 50 years and has included multiple delivery modalities that are tailored to country-specific circumstances (e.g., the provision of direct advice to country and regional authorities, training, and applied research). More recently, the Fund has developed and applied

⁷ IMF, 2014, "Spillovers in International Corporate Taxation," at www.imf.org/external/np/pp/eng/2014/050914.pdf.

⁸ Lemgruber (2015), "The Control of Multinational Enterprises: A Challenge for Developing Tax Administrations", CIAT Technical Conference, Italy, October 2015.

diagnostic tools that enable an objective assessment of the strengths and weaknesses of a tax administration, which can then be used to define a prioritized reform strategy.



The TPA TTF has provided TA through nine modules that address critical areas in building sustainable tax systems. This approach has provided the flexibility to respond to country-specific needs; modules can be delivered individually or as an integrated package, sequenced over several years. In addition, an innovative feature of the TPA TTF has been its ability to provide TA via medium-term programs (three to five years), supporting greater ownership by country authorities, as well as reform sustainability.

The TPA TTF's delivery modalities have allowed for the flexibility to adapt to countries' needs. These delivery channels include (i) *headquarters (HQ) staff*, who design and deliver TA, in the context of diagnostic and review missions, and work with country authorities to provide advice that is tailored to their needs and implementation capacities; (ii) *short-term experts (STXs)*, who, under the oversight of HQ staff, provide specialized skills in specific areas to support the implementation of HQ technical advice; (iii) *LTXs*, who provide on-the-ground CD as resident advisors to the government, and support the implementation of reforms; and (iv) *workshops and seminars*, which provide targeted training and the dissemination of lessons learned.

The TPA TTF has been highly successful. Its participative governance and delivery model and medium-term TA focus have helped identify and mitigate reform implementation risks, and quickly address negative external shocks to TA delivery (e.g., the Ebola health crisis in Liberia and political instability in Guinea-Bissau). Poorly performing projects were detected at an early stage and, when remedial action was not possible, resources were shifted toward higher-return projects. An

⁹ The map shows all country and regional TPA projects, including active and terminated ones.

independent, external midterm evaluation of the TPA TTF was concluded in June 2015, revealing that the program was on track in achieving its objectives. The overall achievement of the portfolio was rated as a “strong good.” Box 1 summarizes the key lessons learned from the evaluation exercise.

Box 1. The Midterm Evaluation of the TPA TTF—Lessons for the Future

The results of the TPA TTF’s independent midterm evaluation, which was completed in June 2015, were favorable, ranging from “excellent” for relevance and efficiency to “substantially achieved” for effectiveness. The report viewed the trust fund as being “on track” in meeting its objectives, and noted that both the SC and beneficiary countries provided “high praise” for the quality of the trust fund’s advice, the modular approach, and benefits of its advice.

The evaluation provided a number of recommendations that have helped shape the RM-TF’s design:

1. **Deeper and more focused engagement:** The experience under the TPA TTF showed the importance of the continuity of advice and hands-on assistance in implementation. Especially in cases where significant reform is being undertaken, this can usefully be achieved by the installation of resident advisors and early identification of training needs.
2. **Improving risk management:** This would involve a clearer definition of risks at the outset of projects, and the mitigating actions embodied in project design. Scoping missions would be utilized more frequently to ensure the early definition of risks, and to build a beneficiary country’s “buy-in”.
3. **Exit strategies.** It is important that criteria (which, given the nature of the trust fund’s work, would need to be largely qualitative) be established at the outset of a project to improve accountability and help ensure timely responses to poor project performance.
4. **Coordination:** Although coordination between donors is the principle responsibility of the beneficiary country, there is room for the trust fund to facilitate this process, especially in countries where the trust fund is supporting major reforms. This could involve and/or make use of IMF resident representatives, the IMF’s Regional Technical Assistance Centers (RTACs), and liaising with the trust fund SC, both to avoid duplication and overlap, but also to identify unmet needs.
5. **Integrated results chain:** In light of the fact that the Fund provides technical assistance through multiple channels, beyond the work of the trust fund, there is merit in utilizing the Fund’s new RBM system to facilitate better internal monitoring and coordination.
6. **Integrated approaches to training:** There is room to reinforce knowledge management and leverage the work done elsewhere in the Fund more effectively on the training front, including that which is executed by the RTACs and IMF training institutes, by integrating their expertise and delivery into trust fund projects.
7. **Trust fund management:** In order to facilitate the more effective monitoring and reporting of results, the trust fund could invest more heavily in the oversight of individual projects and their reports.

Key achievements under the TPA TTF include the following:¹⁰

- Most projects show strong progress in terms of implementing specific tax policy and administration reforms. As of end-October 2015, around 40 percent of the active TPA outcomes scored as fully or largely achieved. Some key indicators in the TPA TTF’s strategic log frame have improved over the program’s implementation. For example, average tax-to-GDP for TPA TTF countries increased from 14.5 percent in 2011 to 16.2 percent in 2015. Performance

¹⁰ IMF, 2015, “Revenue Mobilization and Reform in Action,” describes some of the success of the TPA TTF, at: <http://www.imf.org/external/np/otm/2013/tpattf/pdf/stories.pdf>.

measurement has improved significantly, as 83 percent of TPA countries participated in the second round of the RA-FIT survey, as opposed to less than 30 percent in the first round.

- In tax administration, there has been visible impact, especially in the areas of organization of tax agencies, processing functions, enforcement, and taxpayer services. For example, stronger organizational structures have been established with the launch of new revenue authorities in Cabo Verde and Liberia. In Côte d'Ivoire, the large taxpayer office has been reinforced by increasing its threshold and extending its jurisdiction nationwide. In Paraguay, the first annual tax audit plan of the tax administration has been adopted. Self-assessment has been introduced in Cabo Verde and Swaziland. Support functions, such as human resources and information technology, have also been strengthened under the TPA TTF. For example, in Guinea-Bissau, a public entrance exam has been concluded to hire new tax officials (around 20 percent of the workforce) competitively, and induction training is being provided to build capacity.
- In designing tax policy, successes have been achieved, especially in the areas of value-added taxation, international taxation, and small taxpayer regimes. For example, new personal and corporate income tax codes have been adopted in Cabo Verde, and new transfer pricing regulations have been approved in Bolivia. Senegal has simplified the personal tax income code and eliminated tax incentives outside the tax code. A series of workshops has focused on strengthening capacity in tax treaty negotiations, including through the establishment of a tax treaty policy framework in the East African Community. The capacity to deal with tax policy issues has also been reinforced, for example, through the proposed establishment of a tax policy unit in Mali.
- In Myanmar, where there has been an especially intensive engagement with the deployment of a LTX, a high-level revenue modernization strategy has been agreed upon and is providing the basis for follow-up assistance. This involves a comprehensive approach to legal, policy, and administrative support. Achievements include the reorganization of headquarters to support the establishment of a large taxpayer office, the development of a tax procedures code, and the design of a new tax policy framework.

The program responded in an agile and flexible manner to the Ebola outbreak in West Africa, with the successful use of remote TA delivery, which helped ensure continuation of the reform momentum in Liberia. Work on the audits of the telecommunication sector, registration, and taxpayer services continued to be delivered through online means and off-site meetings. The Liberian authorities have greatly appreciated the continuation of assistance during the crisis.¹¹

An enhanced RBM methodology has helped measure and monitor progress in implementing reforms under the TPA TTF. This methodology has been crucial in providing information to identify successes and failures in implementing reform, and to support the TPA TTF SC's decision-making process. Based on the RBM framework, Appendix 1 presents information about the overall performance of the TPA TTF, and draws some lessons from relatively positive and negative achievements.

¹¹ In the words of the Commissioner General of the Liberian Revenue Authority, "You have really been there for Liberia and in helping us to move forward, notwithstanding the challenges and lingering effects of Ebola."

2. The Revenue Mobilization Trust Fund: Meeting Development Challenges

A. Objective and Beneficial Outcomes

The vision for the RM-TF is to promote revenue mobilization in support of sustainable development. The RM-TF will have an enhanced focus on intensified engagements in selected countries, and support a larger number of more targeted reform programs. It will further integrate new fiscal tools into TA, allow for the provision of advice in newly emerging areas of global priority (international taxation and carbon taxes), and support the development of training activities that are closely linked to technical assistance.

The RM-TF is well placed to achieve this vision. The IMF and its partners have the opportunity to leverage the experience gained over many years in delivering TA to a broad range of member countries, especially the LLMIC constituency. In particular, the TPA TTF has demonstrated the effectiveness of its modular design and approach, as well as the advantages of basing revenue mobilization programs in an integrated package of policy, legal, and administrative reforms.

Against this background, the specific beneficial outcomes of the RM-TF are expected to reach beyond the beneficiary countries and include the global community, partners, and the IMF (Box 2).

Box 2. Expected Beneficial Outcomes of the RM-TF

For RM-TF beneficiary countries

- Enhanced revenue performance, especially where the tax-to-GDP ratio is below the levels required for fiscal sustainability and longer-term growth.
- Improved tax policy design, and increased capacity within the ministries of finance to design and evaluate tax reform policy options that lead to efficient, simple, fair, and coherent tax systems.
- High-quality tax legislations and the regulations that govern their administration.
- More effective tax administration core processes (including taxpayer registration, filing, paying, auditing, and taxpayer services) that support higher tax compliance.
- More robust tax administration organizational structures, strategic management functions, and support functions, particularly human resources and information technology.
- Increased transparency, integrity, and accountability of the tax system, contributing to better public sector governance.
- Enhanced multicountry and multidonor platforms for peer learning and knowledge sharing to support revenue mobilization reform agendas.

For the Global Community

- Fostering economic and social development in developing countries by increasing own revenue mobilization and reducing aid dependency.
- Improved climates for investment, trade, and production through more efficient, effective, and transparent tax systems.

For the RM-TF Partners

- A mechanism for coordinating partner assistance and sharing experiences in the area of revenue mobilization.
- The opportunity to participate in IMF-led discussions of tax policy and administration issues and reforms with beneficiary countries.
- Enhanced visibility and greater impact on the ground from leveraging a multidonor trust fund.

For the IMF

- Improved coordination and knowledge exchange with other TA providers in order to identify gaps in CD areas and increase impact effectiveness.
- A structured governance model—through the RM-TF’s SC—to provide additional knowledge and emphasize results orientation and accountability.

These objectives and outcomes are embodied in a strategic log frame that will be used to measure and monitor results. The log frame (Appendix 2) builds on the successful application of this approach in the TPA TTF, and is fully consistent with the IMF’s enhanced RBM framework. This system involves defining the standardized catalog of TA project “objectives” and “outcomes,” requires the definition of project “milestones”, and establishes a framework for the periodic scoring of, and reporting against, all three. The log frame for the RM-TF (as distinct from the log frames at the project level) aims at reporting results at a strategic level, complementing and aggregating the project-specific RBM indicators. Its design reflects the programmatic structure of the RM-TF (see Table 1 below) to provide full accountability for each of its modules. Project managers will continuously monitor and evaluate projects, but will be overseen in the context of reports made to the SC, and reviewed in the context of an independent midterm evaluation (in FY2020). Project-specific RBM progress reports will be included in both the annual and midyear reports, while the strategic log frame results will be included in the annual reports only. Further refinements to the log frame will be made in consultation with the SC.

B. A Modular Approach that Leverages the Fund's Core Competencies and Country Needs

The RM-TF will provide advice that builds on the IMF's core principles in reforming tax policies and administrations (Appendix 3). In the area of tax policy, it is important that taxes have broad bases, maintain relatively low rates, remain unbiased with regard to gender, and encourage environmentally sound economic activity. In addition, good tax policy needs to be supported by a tax administration that is fair, efficient, and effective in collection.

The RM-TF will be structured around a modular approach with a topical focus closely aligned to the IMF's new RBM framework (Table 1). The modules will be organized around three building blocks:

- *Intensive and targeted TA delivery (Modules 1-6):*¹² Covering the core DRM focus areas, this foundational TA work will be delivered either through an intensive (transformational), or a more targeted approach.
- *Human capital development through learning (Modules 7-8):* Using training and conferences to enhance human capacities to support the absorption of technical assistance.
- *Diagnostic tools and analyses (Modules 9-10):* Enhancing and disseminating assessment tools to enable a better understanding of the strengths and weakness of tax systems, and using applied research to support CD.

¹² The RMTF core modular structure will be more streamlined than it was under the TPA TTF, with a reduction from nine to six modules. This reflects the fact that some modules were not actively used under the TPA TTF, such as those for integrity and reform management. It does not lead, however, to any loss of content, as all thematic issues covered under the TPA TTF modules will still be included in the RMTF modules. For example, issues of integrity will be dealt with through the new Module 4 (tax administration corporate and compliance risk management) in accordance with the TADAT methodology, which treats corruption as an institutional risk. Given that integrity is a cross-cutting issue, it also could be dealt with through the new Module 6 (support functions), which covers human resources (HR) policies (e.g., the adoption of a code of conduct).

Table 1. The RM-TF Modular Approach

	CD modalities	Module	TA support for:	Major objectives
Core focus areas	Intensive and targeted TA	I	Reform strategy and management	Advise on reform planning and establish sound reform implementation and governance arrangements.
		II	Tax policy design	Advise on country-specific tax policy frameworks, including in international taxation.
		III	Tax administration organization	Advise on improvements to tax administration organizational structure.
		IV	Tax administration corporate and compliance risk management	Provide assistance with developing country-specific capacity to identify, assess, and mitigate institutional and compliance risks.
		V	Tax administration core business functions and procedures	Provide assistance with implementing efficient and effective core tax administration functions (registration, filing, payment, taxpayer services, tax audit, and dispute resolution). Develop supporting tax procedure legislation.
		VI	Tax administration support functions	Advise on measures to strengthen human resources, information technology, and budget/financial policies.
Complementary focus areas	Human capital through learning	VII	Training	Develop and deliver tax policy and administration training to raise human capacities.
		VIII	Conferences	Host international and regional conferences to promote dialogue across countries.
	Diagnostic tools and analysis	IX	Fiscal tools development and dissemination	Assist countries in establishing 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.

The core DRM focus areas will be structured around six modules:

- I. **Reform strategy and management** covers advice on the overall tax policy and administration reform planning and management that will support work on all other modules. This module focuses on the strategic view of the reform and the need to set the proper vision and objectives of the reform program. Work under this module aims at the preparation and approval of a reform strategy to guide medium-term implementation efforts. This reform plan, which will be supported by RM-TF TA and training activities, should be informed by sound diagnostic assessments, in particular those during TADAT missions. It will also advise on the setting up of reform management units to enhance local capacity and ownership in order to supervise and follow up on the key milestones of the strategy plan. Given its strategic nature, overall diagnostic and assessment missions (e.g., TADAT and RA-GAP missions), as well as staff visits to evaluate the overall progress of the reform project, will be delivered under this module.

- II. **Tax policy design** covers diagnostics and recommendations on tax policy frameworks, evaluating the status of the tax system regarding its revenue mobilization capacity, efficiency, fairness, neutrality, simplicity, and transparency. Work under this module will provide guidance on the designing of good tax laws, including their drafting, covering core taxes (e.g., personal and corporate income taxes, value added tax, excise taxation, social security contributions, and property taxation). As appropriate, the work would also encompass international tax issues, such as transfer pricing, thin capitalization, and regional harmonization. It could also include work on environmental taxation, such as carbon taxes, to support climate change objectives by combating the externalities caused by underpricing of energy.
- III. **Tax administration organization** involves providing guidance on the designing of effective organizational structures that are conducive to streamlined hierarchical levels; transparent and clear reporting lines; separation between strategic (supervisory) headquarters functions and operational (executive) local functions; the inclusion of, and articulation across, the core and support business functions; and alignment to key taxpayer (risks) segments. Since several organizational models have proven effective, the work and advice given under this module will therefore take into account these needs and constraints, as well as those that are country-specific.
- IV. **Tax administration corporate and compliance risk management** involves advising on the implementation of corporate and compliance risk management techniques to support higher levels of voluntary compliance and community confidence in the tax administration. The work under this module would acknowledge that the efficient use of scarce administrative resources requires a risk management approach to taxpayer compliance, and would support comprehensive tax compliance improvement programs. In addition, work under this module would include the designing of strategies to identify and mitigate institutional risks, such as the failure of information technology systems, loss of taxpayer data, and loss of credibility due to integrity issues, such as corruption.
- V. **Administrative procedures and core business functions** cover the assessments of, and recommendations on, the core areas of a tax administration. These core areas are multidimensional and include registration (registering the taxpayers and maintaining a complete and accurate registration database); filing and payment (ensuring timely filing and payment according to the law, and encouraging electronic means to facilitate the taxpayers' obligations); audit (verifying the accuracy of the information reported by the taxpayers in order to detect discrepancies and penalize the offenders, based on risk management techniques); dispute resolution (ensuring the existence of an independent, fair, and accessible review mechanism to safeguard a taxpayer's right to challenge a tax administration's decision); and taxpayer services (providing the necessary information and channels to enable taxpayers to comply voluntarily).
- VI. **Tax administration support functions** involve assessments of, and recommendations on, the support areas of a tax administration. These would include human resources (ensuring that the tax administration has qualified, stable, and technical staff under transparent recruitment, retention, and training policies), information technology (ensuring that integrated, secure, and modern systems support the tax administration core and support functions), and budgeting (ensuring that the management of material resources, including procurement, follows clear and transparent standards, and that the budget is aligned with the strategic and operational plans).

The aforementioned cross-cutting modules will include work on international taxation, climate change, and selective assistance on customs administration. Therefore, the proposed programmatic structure will allow the RM-TF to meet new demands in these relevant areas.

- **There will be a continued focus on international taxation.** This reflects the recognition that the tax regimes in all countries need to take better account of the cross-border activities of multinational corporations, as well as the scope these provide for profit shifting and base erosion. These challenges arise in each of the topical areas described above, spanning from the reform agenda, tax policy regime, and the specifics of tax administration. The RM-TF’s modular design, therefore, provides a strong platform for responding to beneficiary countries’ needs in this area.
- **The RM-TF will be prepared to respond to beneficiary countries’ requests for assistance in developing and administering carbon taxes.** Although a number of advanced economies have already begun to introduce these types of taxes, as have a small number of middle-income countries, demand for assistance in this area is still nascent. Nevertheless, the RM-TF can play an important role in developing and disseminating good practices in international and environmental tax matters.
- **The RM-TF will selectively provide assistance to countries in the area of customs administration.** While the trust fund’s principle focus will be on tax policy and administration, the experience of the TPA TTF has shown that, in cases where tax and customs administrations are integrated, assisting country reform requires coverage of both aspects of the system. This is especially true in the areas of strategic planning and management, risk-based selection, joint audits, and exchange of information. However, reflecting the fact that other TA providers are already active in the customs field, the trust fund’s work in this area will be limited to these specific circumstances.

C. Delivery Modalities Designed to Maximize Impact

As was the case under the TPA TTF, the bulk of the RM-TF’s work will be in the form of targeted engagements in support of specific revenue reforms. This will involve assistance to roughly 10–15 countries in a subset of the modules described above. These TA projects will continue to be based upon a clear understanding of a country’s priority needs, and close engagement with country authorities. Delivery of this assistance will be in the form of HQ and short-term expert missions, as well as in-country seminars and workshops.

In addition, the RM-TF will also offer the option of more intensified technical assistance engagements in support of broad-based and transformational reforms. This innovative feature of the RM-TF builds on one of the key recommendations of the TPA TTF’s midterm evaluation report (Box 1), which stresses that “more project extensions are likely, more mission follow-up is needed, and more efforts are needed by the trust fund to close some of the technical assistance gaps.” It recognizes that a country that is willing to commit to a major overhaul of its revenue system needs a longer, more continuous, and more intensified TA partnership to succeed. Given the resources that would be necessary, and the corresponding commitment levels that would be expected from beneficiary countries, this approach would likely involve a relatively small group of nations (around

five). The modalities of TA delivery in support of these transformational reform engagements will be tailored to reflect the more substantive support that is needed (Box 3).

Box 3. Transformational Reform Programs

A transformational reform program will involve a **comprehensive approach to institutional change**, based on a set of coherent legal, policy, and administrative reforms that are expected to transform the tax system and its administration in a fundamental way. This work will include the following apparatuses:

- A robust preassessment of reform conditions through **scoping missions**. These missions may include the use of **diagnostic tools**, such as the TADAT and RA-GAP, to assess the baseline for the reforms, allowing for thorough discussion with authorities regarding the key components and objectives of a reform plan.
- Sequenced and well-structured use of the **modular approach**. Transformational reforms will have mandatory (unless this has been completed during phase 1) use of the module on reform strategy and management to design a holistic tax policy and administration vision over the medium term, and will support the authorities in managing reforms. These reforms are expected to encompass several modules over the five years, including tax policy and legal drafting, organization, and core business and support functions.
- Intensive **technical assistance support** based on multiple channels of delivery. An illustrative model would be as follows: HQ missions, a series of missions by STXs, and a resident LTX to provide full-time hands-on support.
- **Resident advisors** will be closely supervised by the HQ-based project manager. The resident expert will provide regular guidance for the agreed-upon reforms. The role involves supporting the execution of the work plan on the ground, coordinating other partners' work (to complement the authorities' capacity, if needed), liaising with RTACs, participating in TA missions from HQ, and supporting IMF area department missions. Advisors will be subject to terms of reference that emphasize their roles in building institutional capacity, in a way that does not undermine country ownership and can be sustained after their assignment.
- The technical assistance work will be complemented by **training** in the form of in-country workshops and seminars on topics that are directly related to the TA being provided.

In order to ensure **strong ownership** and encourage **quality in the reform process**, the IMF will regularly engage with country authorities to take stock of reforms and discuss future prospects. This will happen in country through short visits, during special events (e.g., IMF-sponsored workshops or regional events), or at the IMF's headquarters (specific visits by the authorities, or during the Annual/Spring Meetings).

D. Human Capital Development Through Learning

The main objective of the IMF's CD is to support member countries in building strong institutions and boosting skills to formulate and implement sound macroeconomic policies. Capacity building is achieved through TA and training: "Training helps strengthen the skills of officials to analyze economic developments and formulate and manage effective macroeconomic and financial policies. It also enhances the Fund's dialogue with authorities on policy issues and facilitates sharing policy experiences of member countries through peer-to-peer learning" (IMF, 2014).

In order to boost officials' skills and implement a more effective CD package, the RM-TF will intensify its focus on learning to further exploit synergies with technical assistance. Through the

use of Module VII, training will be provided in the same areas that the TA includes, namely, tax policy and administration issues, with a focus on low-capacity countries. Face-to-face training in country, based on the application of good practices to country-specific contexts, will be complemented by online courses to increase the efficiency and effectiveness of training activities, and to reach wider audiences. In addition, through the use of Module VIII, opportunities for peer-to-peer learning will be explored by organizing multicountry seminars and workshops that will focus on lessons learned and the steps needed to ensure successful reform programs.

The development of training packages will benefit from the IMF’s specialization and experience, and leverage materials already developed by the IMF, other partners, and tax administrations.

Such courses will not only cover technical tax policy and administration issues, but also help officials better understand critical project implementation issues in advance of TA missions. Follow-up training will also be provided to ensure that the knowledge delivered through TA is absorbed and retained by officials. Examples of areas where training can fully support the RM-TF’s objectives are institutional reform change and project management in tax administrations, which may help minimize the risk of reform failure. Training in core tax administration functions or policy issues will be considered for tax officials in low-capacity environments. The RM-TF learning modules will also benefit from the IMF’s network of Regional Training Centers, which can provide organizational and logistical support. Training topics and schedules under the RM-TF will be discussed with the SC for its endorsement.

E. Diagnostic Tools and Analysis: Design and Dissemination

A core strength of the RM-TF is the strong foundation provided by the utilization of fiscal diagnostic tools, which are the focus of Module IX. These tools enable a more robust identification of gaps in tax policy and administration, better prioritization of reform and TA efforts, and the enhanced capacity to measure results.

A key element in the toolkit is the TADAT. This has been developed by the IMF in concert with a separate multipartner trust fund, and TADAT assessments are expected to be pivotal for any initial project under the RM-TF.¹³ It is envisaged that TADAT assessments will be used, where appropriate, as precursors to defining the priorities for an RM-TF medium-term engagement. Such assessments could be funded by, and performed under, the auspices of the RM-TF. Alternately, the RM-TF could rely on assessments that had been funded and provided by partner agencies.

Additional tools include the RA-FIT and RA-GAP.¹⁴ These tools will help the trust fund, other technical assistance providers, and country authorities to benchmark a tax administration against peer groups, identify compliance gaps resulting from ineffective tax policy and administration, and identify reform priorities. Specifically, RA-FIT work would also benefit from the expertise of the IMF’s Statistics Department (STA), which would assist in the use of technology for the RA-FIT platform, disseminating RA-FIT data, and performing statistical analyses of these data. Box 4 summarizes the key characteristics of these tools and their application for RM-TF work.

¹³ TADAT assessments may be funded through the RMTF when applied to its beneficiary countries.

¹⁴ The FAD is also collaborating with the World Bank on improved tax policy diagnostics.

Box 4. The Diagnostic Toolkit

TADAT

The aim of TADAT is to provide objective assessments of the health of key components of a tax administration. The assessments identify the relative strengths and weaknesses in tax administration systems, processes, and institutions. The work is implemented by evaluating 47 measurement dimensions, scoring outcomes against international good practice (scale of “A” to “D”). In this context, TADAT assessments offer robust tools to support the enhanced implementation of RM-TF projects by helping prioritize efforts in the most needed areas and provide a baseline against which progress can be measured. TADAT assessments will be strongly encouraged in RM-TF beneficiary countries where intensive TA engagements are taking place.¹⁵

RA-FIT

RA-FIT has already received significant support under the TPA TTF.¹⁶ The RA-FIT aims at gathering, analyzing, and benchmarking each revenue administration’s performance as a basis for understanding their particular challenges and trends. Modern revenue administrations use strategic management as systematic processes to (i) set their long-term goals, (ii) design and implement business plans to achieve these goals, and (iii) monitor performance against targets. However, while performance measurement lies at the core of the strategic management process, experience shows that expertise and capacity is lacking among developing countries. RA-FIT helps close this gap, providing a standard platform that allows revenue administrations to measure performance and benchmark themselves against other countries. Aside from providing a basis for a revenue administration to understand where it stands in relation to the benchmarks, RA-FIT also enables better prioritization of reform strategies and TA, making it easier for TA recipients to respond to data requests from providers.

The RM-TF will support the full roll-out of RA-FIT to about 80 LLMICs (i.e., the broad trust fund constituency).

The goals will be to gather, analyze, and disseminate data for this subset of countries; carry out outreach efforts to country officials; and consolidate the RA-FIT team to manage the program. The RA-FIT team will help LLMIC countries (i.e., the IMF membership within the partnership) to produce reliable data across a core set of comparative RA-FIT performance input and output indicators.¹⁷ RM-TF financing will complement the IMF’s firm commitment to the development, wide dissemination, and use of the RA-FIT tool (with US\$1.2 million having already been spent in building the RA-FIT IT platform, that was launched in May 2016).

(Continued on page 22)

¹⁵ For more information, please see www.tadat.org.

¹⁶ At its November 2010 Seoul Meeting, the G20 called upon international organizations to (1) develop a knowledge management platform to support the capacity of developing countries in tax policy and administration systems, and (2) set up objective measures to track progress in the capacity improvements of LICs’ tax administration systems. In response, RA-FIT has been developed as a single international platform for tax administration institutional and performance data. Consultations have been completed with the OECD, IOTA, and CIAT to build a common set of input and output indicators of revenue performance (the standard International Survey on Revenue Administration, or ISORA), which will be hosted by the RA-FIT platform. Each agency will be responsible for gathering RA-FIT data from their particular client countries. Data gathered from RMTF-supported countries via ISORA—hosted on the RA-FIT Data Collection Platform—will be shared with the RMTF partners by the IMF, provided the beneficiary countries have expressly consented to sharing these data with the RMTF donors. This agreement can be included in the Memorandum of Partnership (see Box 5).

¹⁷ The TPA TTF midterm evaluation also discussed and made recommendations on the need for TA to support the completion of RA-FIT reports.

RA-GAP

RA-GAP directly addresses the increased demand for assistance in closing the tax gap—the difference between potential and actual revenues—and boosting revenue mobilization. Recent estimates illustrate that these gaps are particularly severe in low-income countries (LICs), pointing to untapped opportunities to significantly improve revenues by cutting tax expenditures (policy gaps) and improving tax administration (compliance gaps). This tool was already applied under the TPA TTF in three beneficiary countries: Cabo Verde, Senegal, and Nepal. It has proven its worth by enabling improvements in both policy and compliance, which in the latter case also helps to ensure a perception of tax fairness and trust in the system. The RM-TF will support continued delivery of RA-GAP assessments to beneficiary countries, as well as efforts to extend RA-GAP beyond the VAT (e.g., excise taxation).

The RM-TF will also support research and analysis to assess emerging issues, trends, and practices in tax policy and administration, all to be addressed by Module X. Under the TPA TTF, important and impactful analysis was conducted, including cross-country tax and customs administration data for 85 IMF member countries; the management of tax reforms in LLMICs; the use of taxpayer services to drive voluntary compliance; and the effectiveness of electronic fiscal devices in supporting tax compliance. Going forward, under the RM-TF, this type of work will continue with a view to strengthening the advice provided by the trust fund and contributing to the broader understanding of priorities and policy options in support of revenue mobilization among developing countries. The focus of the research module will be to develop applied research that can impact the provision of capacity-building activities (TA and training). In order to ensure this link between analytical work and CD, research proposals should include discussions on how the results of research components will be taken into account in the designing of CD interventions. Dissemination of this analytical work through conferences and workshops will also support the RM-TF’s training component.

F. Eligible Countries and the Selection Process

The RM-TF’s potential beneficiary countries include 30 LICs and 51 LMICs (with a combined population of 3.5 billion people [Table 2]). For the purposes of the RM-TF, the specific countries included in the list of LICs and LMICs are as defined by the World Bank’s listing of country lending groups, which is replicated in Appendix 4. The experience of the TPA TTF has illustrated that the beneficiary countries chosen from this pool should be ones that exhibit high levels of political and managerial commitment on the part of authorities, and evidence that programmatic approaches can be sustained over time. This experience, in turn, underscores the importance of the robust selection criteria and careful screening of TA requests in order to maximize the chance of reform success.

Table 2. Characteristics of LICs and LMICs in 2015

Region ¹⁸	Total	AFR	APD	EUR	MCD	WHD
Total						
Number of LICs- and LMICs	81	37	18	5	14	7
Total population (millions)	3,445	829	2,036	55	465	60
Average population (millions)	44	22	113	11	39	9
<i>Breakdown:</i>						
LICs						
Number of countries	30	25	2	N/A	2	1
Total population (millions)	580.3	493.7	44.0	N/A	32.0	10.6
Average population (millions)	20.0	19.7	22.0	N/A	32.0	10.6
Average GNI per capita		\$628	\$945	N/A	\$615	\$830
LMICs						
Number of countries	51	12	16	5	12	6
Total population (millions)	2,865	335	1,992	55	433	50
Average population (millions)	57	28	125	11	39	8
Average GNI per capita		\$1,861	\$2,539	\$3,021	\$1,967	\$3,191

Source: World Bank and IMF.

Against this background, the criteria for selecting RM-TF beneficiaries will be defined as follows:

- A major partner-funded reform program does not already exist in a prospective beneficiary country, or the country can benefit from the RM-TF's playing a key role in supporting and leading other specific partner-funded reform programs.
- An urgent need to mobilize revenue and increase a country's own-financing capacity, as suggested by low tax-to-GDP ratios and an IMF area department assessment.
- Well-defined commitment to, and priorities for, revenue reforms that are documented in a country's own development strategies.
- A capacity to implement reform and good prospects that can be sustained to enable a successful completion of a TA program. A country's track record in implementing reform is a useful indicator of such a capacity.

The RM-TF may also provide some limited technical assistance to upper-middle-income countries (UMICs). This widening of scope manifests the recognition of the relatively arbitrary nature of the dividing line between LMICs and UMICs, which can reflect significant natural resource earnings or relatively large regional transfers, as well as potential TA needs that UMICs may still have. This would be in cases where UMICs have recently graduated from the LMIC status, but still display policy and institutional weaknesses, and are dependent on TA support to sustain reforms. A sudden interruption in the TA flow could be detrimental to the sustainability of past efforts and implemented reforms. Also, work in these countries could provide models for successful reform efforts for LLMICs, and could facilitate the dissemination of good practices among regional peers via

¹⁸ By IMF area categorization: AFR – Africa; APD – Asia Pacific; EUR – Europe; MCD – Middle East and Central Asia; and WHD – Western Hemisphere.

workshops and (possibly) the participation of their experts in other RM-TF projects. However, a UMIC will be provided with TA on a selective basis, given that the focus of the RM-TF will remain LLICs. Decisions to extend RM-TF support to a particular UMIC would be taken only after consultation with, and approval by, the SC, as is the case when selecting any new beneficiary.

Especially in the case of transformational reform programs, scoping missions will be used to assess the levels of commitment to the reform programs. These will provide the needed information regarding authorities' ownership, enthusiasm, strategic commitments, and absorption capacity. Scoping missions may also include diagnostic assessments, such as through a TADAT mission or a tax policy diagnostic evaluation, to gauge reform priorities. These missions would also be used to help cement a "buy-in" for a reform program at both the political and administrative levels of government, and also to engage with other TA providers.

The RM-TF will seek to develop broader, more balanced geographical coverage. The TPA TTF has had a clear focus on Sub-Saharan Africa, given the concentration of LLMICs (Table 2) in that region, and the clear need to improve revenue mobilization there. These factors are likely to imply that the preponderance of RM-TF projects will remain in this region, but efforts will be made to diversify the portfolio, including with regard to the Asia-Pacific region. On the basis of detailed project proposals, the SC will discuss and determine the final selection of beneficiary countries.

Regarding potential beneficiary countries, the RM-TF is expected to continue supporting good TPA TTF performers. Given the large amount of time needed to implement and sustain public sector reforms in LDCs, some of the TPA TTF countries will continue to need TA and training support for many years. Based on the RBM methodology and the evaluation of relative success and failure cases in the TPA TTF, good performers can be naturally selected to continue benefiting from RM-TF support. This will also help minimize overall risks in the new program and allow for the early materialization of outcomes. New candidates outside the TPA TTF pool will also be considered to replace poor performers. Selection will be based on countries' track records regarding the implementation of past reforms, the authorities' commitment levels, and diagnostic assessments.

G. Ensuring Sustained Traction and Results

Implementing institutional reforms in low-capacity countries is inherently risky, offering important lessons for the future. Despite initial commitment to reform, one-quarter of the first TPA TTF projects have suffered setbacks due to political instability (Burundi and Guinea-Bissau), natural disaster (Nepal), the Ebola pandemic (Liberia), and security and terrorism issues (Mali). In some circumstances, projects were resumed successfully (Guinea-Bissau, after political stabilization), or continued to be delivered through remote and off-site engagement (Liberia, during the health crisis). These experiences reflect the intrinsic uncertainty associated with these types of engagements, but have also offered lessons about the need to remain engaged and maintain momentum even in difficult circumstances, including through innovative ways of delivering TA. They have also underscored the value of flexible and responsive SC that can act quickly in the face of shocks.

The RM-TF will build on these lessons and seek to minimize risk. The TPA TTF midterm evaluation also highlighted the need for rigorous and ex ante risk assessments. So, building on the TPA TTF's RBM approach, five different risks will be identified for each project: political support, management

commitment, technical absorption capacity, timeliness, and sustainability. The pre-project assessments of risks, as well as the consistent monitoring of risks during the implementation phase, are key to minimizing risks to the trust fund, increasing the chances of the reform's success and value-for-money.

As noted above, risk management will be buttressed by initial scoping visits, formal commitments by country authorities, and well-defined exit strategies. The Memorandum of Partnership (MOP) will be agreed upon between the RM-TF and country authorities, specifying project timelines and milestones, resource commitments, and counterpart staffing, facilities, and other project resources, to be provided by the country. The MOP will also spell out the specific circumstances and conditions that would trigger the suspension and/or termination of projects, including in cases where resident LTXs have been assigned. The MOP will thus reinforce the transparency of, and accountability for, meeting agreed project milestones, outputs, and outcomes. Box 5 summarizes the key elements of the MOP.

Box 5. The Key Elements of the Memorandum of Partnership

The MOP will reflect an understanding of cooperation between the IMF and country authorities. The MOP should be agreed upon before the project commences, and should be discussed during the scoping mission, if undertaken. We envision its inclusion of the following elements:

Project Description: This will include the project's scope, objectives, outcomes, indicators, and timelines. It should be the basis for the project's RBM.

IMF Project Participation: This will explain the IMF's proposed TA. It should include the nature and scope of proposed missions (e.g., HQ missions, STX visits, and LTX visits), the number and possible timing of the missions, and the expected outputs (TA reports, training, etc.). It should also refer to the amount of funds allocated by the RM-TF for the project.

Other Partners' Inputs and Participation: Any complementary inputs made by bilateral donors to specific country projects will be included in the MOP, reflecting their operations on the ground, or any additional assistance (e.g., complementary TA or training, lending, or infrastructure investments, such as IT networks). This will help to enhance partner coordination and avoid work duplication.

Country Commitment: The MOP should also detail the country authorities' commitment to the project. This would include identifying a senior official (e.g., the minister, deputy minister, or permanent secretary) to serve as the main government's counterpart for the project, as well as a liaison for dealing with organizational and administrative arrangements for the project. To ensure that the recommendations of the project are properly considered by the government, the authorities may need to establish a steering group to oversee the project. The authorities would be expected to assist in facilitating the necessary entry permits for LTXs, as well as to provide them with work facilities. Regular reporting by the government on reform progress could also be included in the MOP.

Termination and Suspension of the Project: The MOP will also specify the circumstances under which a project would be suspended or terminated. This may happen when the authorities have made insufficient reform progress (e.g., no substantial action on recommendations in the previous 12 months), or where external factors, such as security issues, make it difficult for the project to continue.

3. Ensuring Success Through Integration and Close Coordination

The experience of the TPA TTF offers a number of lessons regarding how RM-TF design will help ensure its effectiveness. These include mechanisms for improving coordination with other TA

partners, strengthening the integration of the trust fund’s work with other elements of the IMF’s activities, and enhancing the monitoring of results. These are discussed in more detail below.

A. Integration Between Capacity Development and IMF Surveillance and Lending

The CD (TA and training) provided under the RM-TF will be integrated with the IMF’s other two core activities, surveillance and lending (Figure 3).¹⁹ The IMF’s CD is demand-driven and strives to attain the full involvement and buy-in of recipient countries to ensure effectiveness and impact. It also draws on extensive experiences and achievements over several decades, around the world, and in countries at various stages of development. These experiences have shown that CD contributes to good policymaking, builds institutional capacity, and reinforces the Fund’s other core functions. For example, RM-TF CD engagement can provide useful input for the design of structural benchmarks (lending programs) or policy recommendations (under Article IV’s consultations). In turn, the work done by the IMF’s area department teams, which are in charge of surveillance and lending activities, helps identify and prioritize CD (e.g., when CD activities may help reduce macrofiscal risks), as well as monitor and encourage implementation. These benefits will be reflected in the project proposals and regular monitoring reports that are presented to the SC.

The IMF has experience in providing comprehensive CD to LLMICs. The Fund’s support encompasses policy diagnostics and evaluation, policy design, legal drafting, support for implementation (which is increasingly linked to the RTACs’ operations, as discussed below), and follow-up through regular surveillance or program consultations. This comprehensive approach facilitates the appropriate sequencing of reforms and reduces the risk of delays in policy implementation. In a country that is supported by an IMF lending program, TA advice also often informs the design of the fiscal component of the program, to ensure that it is technically sound and appropriately mirrors the country’s institutional context.

IMF CD focuses on its core areas of expertise and is provided by functional departments staffed by large groups of leading specialists in various fields. These specialists draw upon their collective international experience to (1) advise country authorities on reform agendas and support implementation; (2) advise the IMF’s area departments on technical issues to support surveillance and lending; and (3) contribute to building and maintaining the IMF’s institutional knowledge in its areas of core expertise.

The Fiscal Affairs Department (FAD) manages the IMF’s revenue policy and administration TA, while the Legal Department (LEG) handles the drafting of tax-related legislation.²⁰ The FAD provides its advice in the revenue area in the context of the strategic design of tax systems. This advice is informed by a country’s (or, in some cases, a region’s) macrofiscal, sociopolitical, and institutional context. Legal TA support would typically be delivered through RM-TF Modules II and V (in the latter case, when it concerns procedural issues). However, in the context of transformational

¹⁹ For further details, see IMF, “IMF Policies and Practices on Capacity Development,” IMF, August 2014.

²⁰ The LEG provides legal design and drafting advice in all main areas of income, consumption, and trade taxation, including international tax and tax procedural aspects, while taking into account countries’ legal systems and traditions, as well as their international and regional commitments.

tax reform projects, a tax law reform agenda over the medium term could be included in the diagnostic, planning, and evaluation work envisioned under Module I.

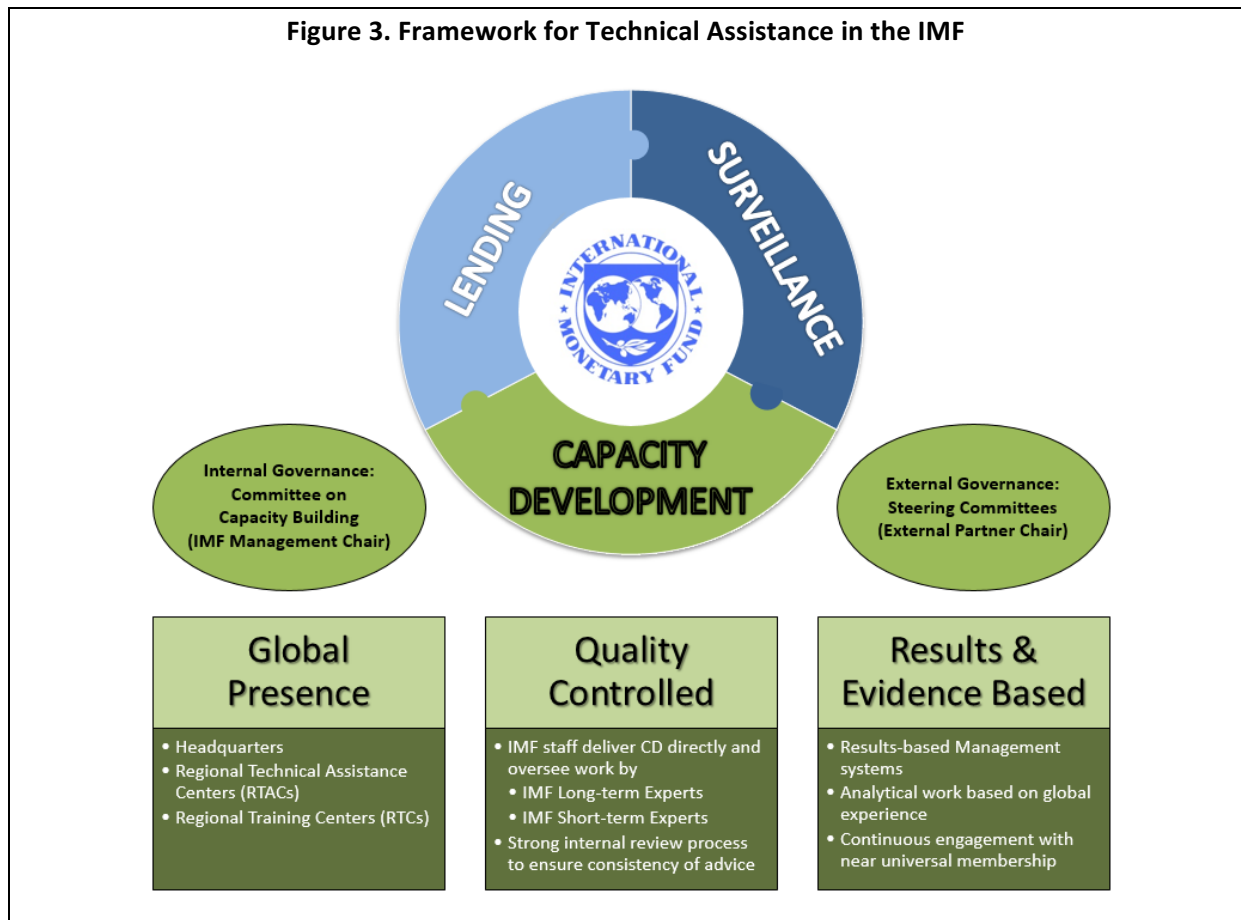
The IMF's STA would also provide support for the RM-TF. Aside from assisting in the use of the RA-FIT platform's technology, and in the dissemination and statistical analysis of RA-FIT data, the STA would also stand ready to provide expertise in cases where a country's revenue statistics were significantly impaired and would constrain the effective delivery of the FAD's advice on tax policy and administration.

B. Full Integration with Other IMF Capacity Development Activities, Including Through RTACs.

Work under the RM-TF will be an integral part of the IMF's CD work program, which is overseen by the interdepartmental Committee on Capacity Building (CCB), chaired by a Deputy Managing Director. Every fall, the CCB reviews CD priorities in light of members' demands and overall Fund priorities. The CCB's conclusions then feed into the Fund-wide planning and budget discussions conducted in the context of departments' accountability frameworks. This process helps align capacity objectives with broader institutional priorities. Guided by the priorities set by the CCB, work plans are developed to cover individual countries, part of which are delivered by the RM-TF after receiving the trust fund SC's endorsement. Most beneficiary countries have extensive assistance needs and, in many cases, also receive support from TA providers outside the trust fund, including RTACs.

The IMF exercises strong quality control over its advice to beneficiaries. HQ-based staff delivers TA directly and oversees the work of all IMF-hired STXs and LTXs, including those working under RTAC programs, to ensure that countries are provided with consistent high-quality advice. While HQ-led technical assistance focuses on strategic issues, the work of STXs and LTXs focuses on specific issues related to implementing reforms.

Figure 3. Framework for Technical Assistance in the IMF



Through an institution-wide work program and HQ-led and -supervised delivery, the RM-TF’s work will be fully coordinated with that of the RTACs. This will ensure the effective delivery of TA, from tax design and legal drafting to the implementation of reforms in specific aspects of tax administration. The RTAC’s primary focus is to help country authorities implement the strategic advice of an HQ mission, and work is carried out by resident advisors with a hands-on approach. At the beginning of the fiscal year, HQ and RTAC work plans are shared and aligned. At the HQ level, a specific staff person (backstopper) is assigned to supervise the RTAC’s resident advisor. To ensure there is close coordination, the RM-TF project manager and the HQ backstopper of an RTAC resident advisor will coordinate on a regular basis to decide the best allocation of resources for a particular country. For instance, while the TPA TTF financed all activities related to tax administration in Cabo Verde, the RTAC was responsible for providing technical assistance in the area of customs.

The new RBM framework will provide a common platform for reporting on both RM-TF- and RTAC-supported reforms, thereby improving the opportunities for enhanced coordination. The use of RBM catalog with standardized objectives, outcomes, and indicators will facilitate the integration of project information and monitoring.

C. Coordination with Other Capacity Development Partners

Strong coordination across the partner community is essential. The TPA TTF’s experience has demonstrated that this can be achieved via several modalities. For instance, regular face-to-face and

telephone/online discussions between IMF staff/experts and country authorities; briefings to local partner communities during TA missions (coordinated by the IMF's resident representative offices); and regular meetings and exchanges of information across partner agencies (e.g., SC meetings, monthly reporting of past and upcoming activities). The RM-TF will build on this experience and intensify the coordination of CD initiatives. In particular, the strengthening of the trust fund's management capacity, with the assistance of a dedicated program manager, will help allocate more time to partner coordination issues.

The RM-TF is expected to play an important role in coordinating technical assistance at the country level in those countries undergoing transformational reforms. TA coordination should principally be the responsibility of the beneficiary country. However, in cases where the RM-TF has assigned a resident advisor, the day-to-day coordination of technical assistance deliverables will be an important responsibility of the advisor, in cooperation with country authorities. An example of how a resident advisor can promote the complementarity of different partners' TA programs is found in Myanmar. There, the resident advisor worked with the authorities, the World Bank, and the U.S. Treasury to identify areas of technical assistance (each organization now has a resident advisor) that complement the TPA TTF program, namely, large taxpayer audit and the establishment of an information technology system for tax administration.

Cooperation with the World Bank and other international organizations will also be an important component of the RM-TF's work. Staff in the FAD already liaise closely with their counterparts in other international organizations, especially the Bank, on policy issues and the day-to-day implementation of TA. Such collaborations will be especially important for the RM-TF in light of the broader commitment to scale up technical assistance in support of the Addis Tax Initiative (ATI). Accordingly, and with the concurrence of the SC, Bank staff will be invited to participate in the SC meetings to brief the SC on issues of common interest.

Where significant TA needs are identified (beyond the implementation that the IMF can support), HQ will help country authorities identify other TA providers. Since the IMF is not a project lending agency—for example, it cannot fund or develop the major IT systems needed in many countries to implement modern tax administration processes—it is critical that other organizations, such as the World Bank, donor agencies, and regional development banks, provide this type of assistance to LLMICs. An example of close cooperation between such organizations can be found in Guinea-Bissau, where the TPA TTF's strong TA delivery focuses on reform strategy and organization, the US Office of Technical Assistance is responsible for the audit component of the reform program, and the World Bank provides support with regard to IT equipment and office infrastructure.

Another important area for partner cooperation is the development and application of fiscal tools. For example, the fielding of TADAT or tax policy diagnostic missions to RM-TF beneficiary countries can provide a platform for a diverse set of partners to participate in an RM-TF project. Given the importance of RM-TF projects in these beneficiary countries, TADAT or tax policy diagnostic missions to RM-TF recipients would normally be led by the RM-TF project manager, in order to ensure good coordination and information sharing on the ground.

The RM-TF will help authorities to develop the capacity to ensure that the work program under this trust fund is coordinated with other providers' work. This will also help to enhance reform ownership. When country authorities have a clear understanding of their TA needs and priorities,

and have established a reform project management and coordination unit, they are more likely to assume ownership of the reform and effectively manage a range of technical assistance inputs from different sources. The RM-TF will help authorities develop such a capacity through the use of Module 1 (reform strategy and management; see Table 1). This opportunity will strengthen the likelihood of successful and sustained reforms.

D. Coordination at the Global Level

The RM-TF can be used as a catalyst to produce more effective partnership at the global level. As such, the RM-TF would help countries and relevant International Organizations to be better able to design, deliver, monitor, and evaluate their TA and CD programs in the field of revenue mobilization. In this regard, work is in progress to develop a “Platform for Collaboration on Tax” jointly by the IMF, OECD, UN, and World Bank. This platform is intended to help coordinate work between these institutions, and others, regarding the development of toolkits and guidance for developing countries in the international tax sphere. The RM-TF is expected to enrich the discussion in the tax platform by sharing experiences and lessons learned. The RM-TF may also provide an opportunity for countries and institutions to join the trust fund as a tangible illustration of their commitment to the tax platform, and the ATI more generally.

4. Governance

A. Governance Structure

A multipartner trust fund provides the scope for considerable synergies and efficiencies. It ensures the more effective and agile administration of TA funding, facilitates partner coordination, fosters a more uniform, global reach, and provides greater visibility. The governance and operational arrangements of the trust fund aim to reap these benefits fully.

Work under the RM-TF will be guided by a SC, composed of partner representatives and IMF staff. The RM-TF’s SC will operate under the same governance model established for the TPA TTF. The SC will be chaired by a partner representative, and will rotate each year. IMF staff members will serve as the Secretariat to the SC. SC meetings will be held twice a year (with additional meetings as necessary), and decisions will be made on a consensus basis. Meetings can take place in person or by video/teleconference. When appropriate, other stakeholder organizations may be invited to participate as observers.

The SC’s function is to provide strategic guidance and contribute to the setting of policies and priorities, including through the endorsement of an indicative annual work plan. The SC will review progress under the work plan as well as performance under the program. It will also be a forum for coordinating CD activities on tax policy and administration between all partners. To that end, the RM-TF will share information on mission planning and mission reports with SC members. Operational guidelines for the SC, as well as the clarification of the roles of SC members and the Secretariat, will be discussed and agreed upon at the first SC meeting.

B. Work Plan

Projects to be supported by the RM-TF will be initiated in the context of the annual work plan, which will be subject to the prior approval of the SC. Project selection and delivery will be demand driven, based on identified needs and country requests. Work plans will be determined early via consultations between HQ, country authorities, and partners to identify needs that would support the countries' reform agendas. It is anticipated that demand for assistance under the RM-TF will be based on new requests as well as follow-up work from TPA TTF beneficiaries. Projects will be prioritized based on country need and the authorities' commitment to reform, and will strive to ensure a relatively even distribution across regions and the modules described above.

The work plan will also cover the diagnostic, outreach, training, and analytical research described above (Table 1). Decisions on whether or not this work will receive trust fund support will be determined by the extent to which it serves the broader objectives of the trust fund, including providing strong bases for dissemination of lessons learned.

The work plan will be submitted to the SC for endorsement at its regular meetings. At each SC meeting, the IMF will deliver a report on the execution of activities under the previously endorsed work plan.

C. Dissemination Policies

The RM-TF's dissemination policies will be guided by the IMF's transparency rules. Accordingly, TA reports funded by the RM-TF may be shared with SC members, the consent of the TA recipient having been given on a no-objection basis, and with the understanding that such information shall be kept confidential. The sharing of TA reports with non-SC development partners will be determined case by case, based on whether the institution in question has a legitimate interest in the TA, for example, through its engagement in related activities in the beneficiary country.²¹

D. Accountability and Results-Based Management

To foster the accountability, effectiveness, and sustainability of the TA delivered, the planning, management, and use of RM-TF resources will be executed in accordance with the IMF's new RBM framework system (CD-PORT).

- At the program level, a strategic log frame (set out in appendix 2) will set goals at the outset and monitor progress for the portfolio of projects. It will establish strategic (top down) impact indicators for the RM-TF as a whole, but also modular (bottom up) indicators that will measure results of the portfolio of projects within each module. Two types of strategic indicators are defined: results that may only partially reflect the effects of TF work (e.g., tax revenue as a share of GDP); and results that can be directly attributed to the work of the RM-TF (e.g., implementation of reforms). At the modular level, the strategic outcomes will inform

²¹ See *Staff Operational Guidelines on Dissemination of TA Information*: <http://www.imf.org/external/pp/longres.aspx?id=4332>.

the objectives set at the project level, and the modular level indicators will be based on the aggregation of results at the project level.

- At the project level, the individual projects will have at the outset a comprehensive log frame established, in line with the program strategic log frame. These log frames will be designed in a manner that is consistent with the RM-TF modules, and they will define the inputs needed to deliver specific country-level objectives and outcomes and the baseline indicators and targets. Attainment of these outcomes will be measured using a set of verifiable indicators, as well as intermediate milestones.
- The IMF's TA departments will supervise, execute, and backstop the TA delivery under the RM-TF. This reflects the principal roles these departments have in maintaining the overall quality and consistency of all IMF TA and policy recommendations in their respective areas of expertise. Operationally, quality control will be provided through (a) the screening and selection of experts; (b) regular supervision and backstopping support from IMF headquarters; and (c) regular self-assessments, assessing progress achieved to date against the predefined project objectives and outcomes.
- The IMF's Area Departments will also, in the context of IMF-supported country programs and surveillance activities, monitor the progress of beneficiary countries in implementing the reforms that are supported by the RM-TF.
- Relevant information on a project's status will be accessible to partners via the IMF's partner portal. In addition to financial information, the portal is a central repository of information on partner arrangements, including their legal documentation, project documents, project progress reports, and self-assessments.

E. Independent Evaluation

After no fewer than three years of operation, an independent evaluation of the work executed by the RM-TF will be conducted by a team of external experts. The evaluation will assess the effectiveness and sustainability of this work and will offer recommendations for improvement. The findings of the evaluation will inform discussions on operations for the remainder of the initial six-year phase and beyond. The evaluation is expected to take place in FY2020 (corresponding costs will be budgeted accordingly; see Table 3.).

F. Visibility

The RM-TF will intensify its outreach efforts, enhancing its public profile and partner visibility. The Institute for Capacity Development (ICD) is developing operational guidelines on partner visibility and communications for externally funded CD. It will provide a common framework for recognizing the source of external funding, thereby strengthening the visibility of partners. It will also foster communication between partners, beneficiary countries, and other TA providers. More specifically, the RM-TF's outreach will aim to expand beyond its current publications. Existing tools, which include a website, booklets, and partner debriefings, will be supplemented by other vehicles such as newsletters, conferences, and press releases. Partners will be systematically recognized in outreach activities, receiving acknowledgement in publications.

G. Program Management

The RM-TF will be supported by a small, dedicated team in order to manage the scaled-up operation. The team would include a full-time program manager who will have the overall responsibility of coordinating the RM-TF's work, one research assistant, and one administrative assistant. The team's functions will include monitoring the performance of country programs, ensuring high-quality reporting against the RBM framework, as well as to the SC; strengthening synergies and coordination with other TA providers; and enhancing visibility of the RM-TF partners. The same team will also oversee the performance of the Managing Natural Resources Wealth TTF. This would facilitate economies of scale in program management and help harmonize general practices between these two FAD trust funds.

5. Resource Needs and Financial Management

A. Resources Needs

The estimated total cost of the RM-TF for an initial six-year phase is US\$60 million. To provide stability and continuity for operations under the trust fund, financing is sought in advance for the entire six-year period. Table 3 provides an illustrative budget for the RM-TF's six-year implementation. It highlights estimated spending across three major categories of work: (1) core DRM institution building activities, including targeted TA, intensive transformational TA, and one-off TA missions for scoping purposes and engagements in areas like international taxation and with selected UMICs; (2) strengthening human capital through learning; and (3) diagnostic tools and analyses, including partial support of the RA-FIT program, new methodologies for the RA-GAP program, and applied research in tax administration. Also shown are the costs of program management, independent evaluation, and the associated trust fund's management fee.

Table 3. Illustrative Budget for RM-TF, US\$ '000

	FY17	FY18	FY19	FY20	FY21	FY22	Total
Intensive and targeted TA	780	8,600	8,670	8,750	8,540	8,740	44,080
<i>Intensive TA (up to 5 countries)</i>		4,196	4,297	4,400	4,505	4,614	22,012
<i>Targeted TA (10–15 countries)</i>		2,950	3,021	3,093	3,168	3,244	15,475
<i>Scoping and one-off missions</i>	780	1,450	1,352	1,248	859	880	6,568
Human capital through learning		800	820	840	860	880	4,200
<i>Training</i>		600	614	629	644	660	3,147
<i>Conferences</i>		195	200	204	209	214	1,023
Diagnostic tools and analysis	120	1,010	1,040	1,060	1,090	1,120	5,440
<i>Tools development and dissemination</i>	120	760	778	797	816	836	4,107
<i>Research and analytical work</i>		250	256	262	268	275	1,311
Program management	200	370	380	590	390	400	2,330
<i>FAD staff costs*</i>	195	323	331	339	347	355	1,889
<i>Steering Committee</i>		40	41	42	43	44	210
<i>Independent evaluation</i>				200			200
Sub-total	1,100	10,780	10,910	11,240	10,880	11,140	56,050
TF Management Fee (7%)	80	760	770	790	770	780	3,950
Total	1,180	11,540	11,680	12,030	11,650	11,920	60,000

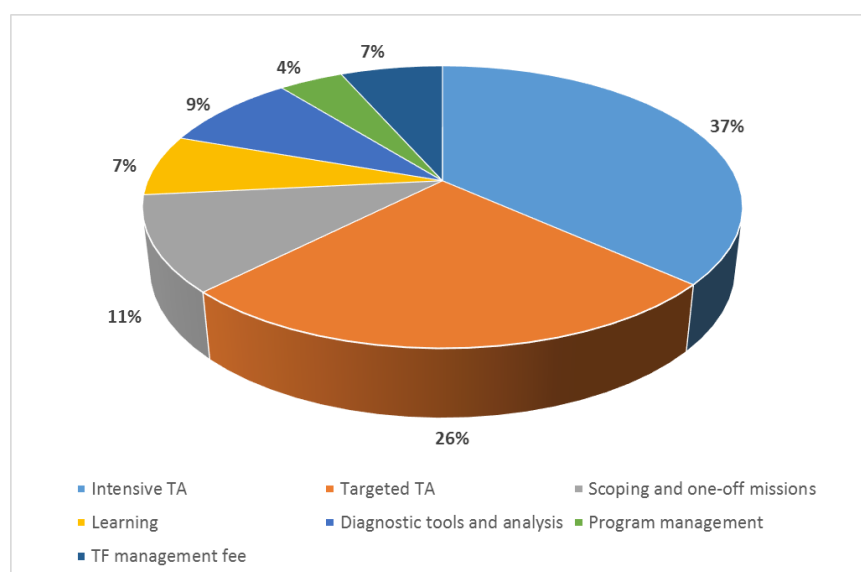
*This budget line refers to the staff time of the FAD's RM-TF coordinator, as well as FAD staff, who manage the RM-TF. This is separate from the trust fund management fee, which covers costs incurred by the IMF for managing trust fund finances, donor relations and legal issues.

Source: Fund staff estimates.

The budget estimate assumes standard unit costs for Fund TA delivery, and takes into account TA delivery experience under the TPA TTF's current phase. The assumptions are as follows:

- Intensive TA programs would include the placement of resident advisors, TADAT assessments, and multimodule TA delivery. The ongoing Myanmar program is a good model for this type of transformational TA. A one-year TA work plan in that country includes the appointment of one LTX, two HQ missions (in revenue administration and tax policy), three staff visits, and 21 STX visits.
- Targeted TA programs in 10–15 countries would be approximately in line with the current TA delivery under the TPA TTF. A program would normally include one or more active modules with TA delivered through HQ missions (typically at least one per year), and complementary STX visits (4–8 visits per year).
- Scoping missions would be front-loaded at the beginning of RM-TF implementation.
- There will be up to five one-off missions, on average, per year, in select areas, like international taxation and UMICs. The TA in UMICs can also be complemented with individual STX visits.
- Developing and implementing online learning modules, in collaboration with the ICD, around key aspects of tax administration TA, will improve the effectiveness of field TA delivery.
- Only a fraction of the overall RA-FIT costs will be covered by the RM-TF.
- The RM-TF will continue supporting the production of technical notes, manuals, and working papers on issues ranging from international taxation to climate change.

The proposed budget assigns the highest priority to the delivery of TA to the core focus areas. This is achieved by allocating nearly US\$22 million (37 percent) to intensive TA, and US\$15.5 million (26 percent) to targeted TA programs. With the allocation to scoping missions and one-off engagements on select topics, the total allocation to TA delivery in the core focus areas comes to over US\$44 million (73 percent). Complementary focus areas—such as the strengthening of human capital through learning, and work related to diagnostic tools and research—would account for over US\$9 million (16 percent). Figure 4 below illustrates the breakdown of the budget by category.

Figure 4. Illustrative Budget Breakdown by Category, Percent of Total

Source: Fund staff estimates.

B. Financial Management

All partner contributions will be deposited into a dedicated multipartner subaccount for the trust fund under the IMF’s Framework Administered Account for Selected Fund Activities (the “SFA Instrument”).²² An operating unit for Phase II will be established under the subaccount to receive contributions and finance activities under the RM-TF. All funds will be commingled.

The basis for the financial arrangements between partners and the IMF will be a *Letter of Understanding* and will be subject to the terms and conditions of the subaccount, as well as those of the SFA Instrument. The IMF will administer and account for all partner contributions in accordance with its financial regulations and other applicable IMF practices and procedures. If the IMF recruits outside consultants and experts, it will do so in accordance with its normal procedures. For any procurement of goods and services beyond a certain threshold amount (currently US\$50,000), IMF regulations require that a competitive bidding process, with at least three competitive bids, take place. The IMF will charge all project-related costs provided under the RM-TF on the basis of actual cost, including the cost of IMF staff time. In addition, the IMF will charge a trust fund management fee of 7 percent.

The IMF will provide partners with reports on the subaccount’s expenditures and commitments. The operations and transactions conducted through the subaccount will be subjected to annual audits. Separate reporting on RM-TF budget execution will also be provided at each SC meeting, and will be available on an ongoing basis via the IMF’s partner portal.

²² On November 11, 2010, the IMF established the TPA TTF subaccount, which is governed by the IMF’s New Framework Administered Account for Selected Fund Activities.

Appendix 1. Key High-Level Results and Lessons from the TPA TTF

This appendix provides a summarized view of the TPA TTF's performance over its life cycle. This has been reviewed in the TPA TTF's annual reports, and in the TPA TTF mid-term independent evaluation, which assessed the TPA TTF as effective in delivering its mandate (see Box 1 above for details). A forthcoming IMF Working Paper will also analyze the key lessons in managing and implementing tax administration reforms in TPA TTF countries. This appendix, therefore, presents only a brief summary of results and lessons learned.

The TPA TTF has activated a total of 23 projects over 2011–2016. Key characteristics of the projects include the following:

- ✓ **20 country projects:**
 - 17 are categorized as active projects:
 - 14 active projects assessed as satisfactory or good performers (Benin, Bolivia, Cabo Verde, Côte d'Ivoire, Ethiopia, Guinea-Bissau, Liberia, Mali, Mauritania, Myanmar, Mongolia, Paraguay, Senegal, and Swaziland).
 - The project in Guinea-Bissau was suspended for almost three years following a military coup; it was assessed as satisfactory as of April 2016 (despite remaining political instability risks).
 - LTXs were fielded in Liberia and Myanmar.
 - Three projects exhibited slow traction (Bangladesh, Haiti, and Nepal).
 - Two projects were terminated for lack of traction (Kyrgyz Republic, the West Bank and Gaza).
 - One project is currently suspended due to political reasons (Burundi).
- ✓ **3 regional projects:** One cross-African countries project on "Revenue Authorities" was concluded successfully. Two others, supporting East African Community and West African Economic and Monetary Union, are currently active and are progressing well.

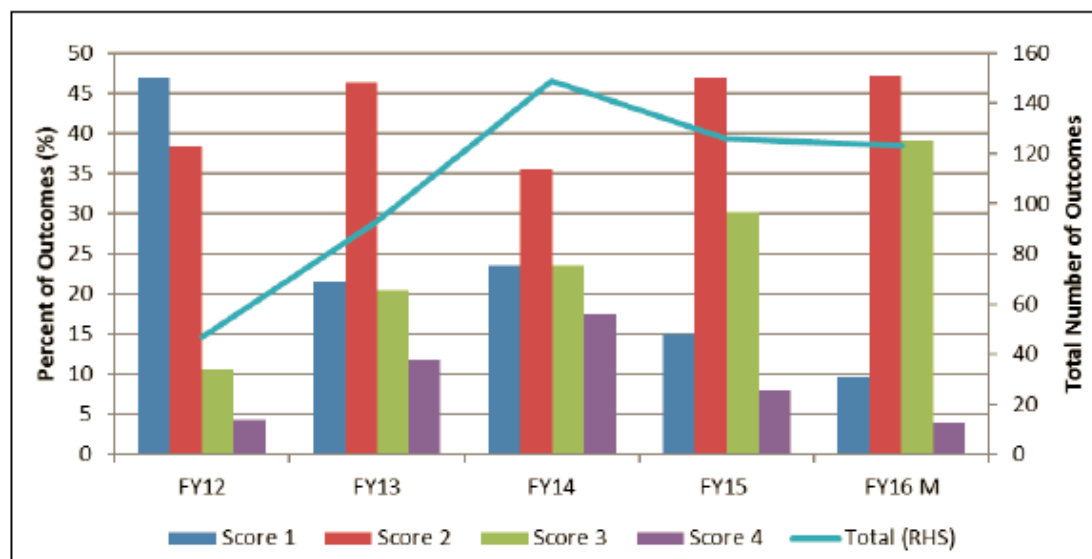
Overall outcome and project performance has been monitored by a RBM system and judged as satisfactory, overall. The results are summarized in Figure 5, but details include the following:

- ✓ About 120 active outcomes as of October 2015, of which 43 percent were assessed to be largely or fully achieved, 47 percent were found to be partially achieved, and 10 percent were not achieved.
- ✓ Performance over time indicates that projects were good performers for various reasons, such as solid political/management commitment (Cabo Verde, Mauritania, and Senegal), targeted project focus/commitment (Swaziland), and the implementation of strategies for building on previous project success (Mongolia).
- ✓ Some projects with early good traction have been hit by external shocks, but authorities' strong commitment and resilience have enabled performance to remain at satisfactory levels, despite,

for example, the Ebola crisis (Liberia) and the military coup and political instability (Guinea-Bissau).

- ✓ Finally, slow traction or project termination could be linked to different causes, such as political instability (Burundi, Haiti, the West Bank, and Gaza); high managerial turnover and/or changed political priorities (Kyrgyz Republic and Nepal); and difficulties in approving public sector reforms (Bangladesh). Notably, the Burundi project was judged to be progressing in a solid manner, with concrete achievements, before the political crisis.

Figure 5. TPA TTF Performance over Its Life Cycle²³



Source: IMF staff estimates.

The TPA TTF's high level indicators have also been encouraging.

- ✓ Given the core strategic objective to mobilize revenues, the key indicator—the average tax-to-GDP ratio in TPA TTF countries—increased from 14.7 percent of GDP (2010) to 16.6 percent of GDP (2015). RA-FIT survey data for eight participating TPA TTF countries also show that on-time filing rates for the CIT, PIT, and VAT improved from 50.1 percent in 2011 to 57.7 percent in 2013.

²³ Scores as follows: 1 - not achieved; 2 - partially achieved; 3 - largely achieved; and 4 - fully achieved.

Appendix 2. RM-TF Strategic Logical Framework

Strategic objective: Supporting developing countries to mobilize tax revenue to promote sustainable and inclusive development					
Impact Level	Desired Outcome		Indicator	Source	
	S1	Domestic tax revenue performance improves in RMTF countries	Average tax-to-GDP ratio trends up in RMTF beneficiary countries	WEO	
	S2	Taxpayer compliance improves in RMTF countries	Average tax gaps reduce over time in RMTF countries (for the countries where this indicator is measured)	RA-GAP missions	
Delivering Technical Assistance: Modules I to VI					
Objective 1: Strengthen tax policies and tax administrations' managerial and operational capacity					
Outcome Level (Core Focus Areas)	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	Source	
	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	RA-FIT, project management information
				Number of countries that enact new laws/total countries	Project management information
	Tax Policy Design	M2.1	Tax policy reforms are designed and implemented	Number of countries that estimate and report tax expenditures transparently/total countries	RA-FIT, project management information
				Tax revenue categories (e.g., VAT, CIT, PIT, etc.) improve over time, as a share of GDP	TPD Databases
	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	RA-FIT, project management information
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	RA-FIT, project management information	

	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	RA-FIT
				Average on-time filing and payment ratio	RA-FIT
				Amount of tax arrears (VAT, PIT, CIT, and PAYE) stock at end-year/total annual collection	RA-FIT
	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	Project management information
Outcome Level (Complementary Focus Areas)	Building Human Capital through Learning: Modules VII and VIII				
	Objective 2: Enhance tax authorities' knowledge and skills to support better institutions				
	Module		Desired Outcome	Indicator	Source
	Training and peer learning	M7.1	Capacity is enhanced through high quality training and peer learning is delivered	Rate of participants who consider that the knowledge gained in RMTF training and events will help them do their jobs better	Training participant survey
				Number of women, and percentage of participants who are women participating in RMTF training and learning events	Training participant survey
	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	Source
	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	RA-FIT database
				Number of RMTF countries that participated in a TADAT assessment [with baselines successfully established]/number of total RMTF countries	Program management information
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	Program management information	

Notes:

1. The reporting on the “on-track” execution will be based on an aggregation of the results entered by project managers in CD-Port.
2. Baseline data will mostly be derived from the RA-FIT databases for the most recent year.

Strategic Log Frame: Risks and Mitigation Matrix

Level/Module	Indicator	Risks	Mitigation
Impact Level	S1	RM-TF countries have volatile and fragile economies subject to several shocks. Indicator influenced by macroeconomic variables outside RM-TF control.	Liaise with IMF country teams to analyze current and potential economic policies to boost GDP output and minimize fiscal risks. Work with country teams and authorities in monitoring revenue development.
	S2	RM-TF countries may not have accurate, available data to estimate VAT compliance gaps. This indicator will be sparse as it requires time and resources to estimate it.	Limited scope in many countries for mitigating in the short term. Liaise with STA to support better national accounting data and work with tax administrations to improve data capture.
Core Focus Areas (Modules I to VI)	All indicators	Implementation on the ground can present delays due to capacity constraints, weak managerial capacity, or external shocks (political instability, health crises, etc.)	Strong use of diagnostic assessments and a robust strategy to preempt capacity constraints. Invest in leadership and managerial training. Monitor milestone implementation regularly and carefully, reporting status implementation to authorities.
Complementary Focus Areas (Modules VII to X)	M7–8.1	Participants may not find training events particularly applicable to boosting their capacity to handle specific on-the-ground challenges.	Before beginning training activities, clarify authorities' expectations and shape courses to discuss specific elements that are relevant to support a country's TA project. Standardized contents could be complemented by a hands-on session, for example.
	M9.1	Tax administrations may face difficulties in filling the RA-FIT survey (given their weak performance information systems) and in understanding the survey's concepts. Some data may not be available.	Send experts in country to assist with concept clarification, data collection, and survey responses. Host training sessions for country authorities on RA-FIT concepts and survey.
	M9.2	Countries may resist undergoing TADAT assessments, fearing that poor scores or lack of data may lead to assessments that do not successfully establish useful baselines.	Discuss the importance of comparison against good practices, and the establishment of baselines, with head of tax administration and other authorities. Liaise with RA-FIT team to work on data improvement, quality, and access.
	M10.1	Difficulties preparing papers and analytical work that are effectively applied to inform CD work.	Plan research topics that can be effectively used and, in particular, use new research findings to update training courses. Disseminate paper findings across TA provider community.

Appendix 3. IMF's Core Principles in Reforming Tax Policies and Administrations

Over the years, the IMF has developed considerable experience in assisting both developing and advanced countries in reforming their tax policies. These lessons will be actively applied in the RM-TF and include the following priorities:

- TP1. **Efficiency/Neutrality.** Taxes should be raised, as much as possible, in a nondistorting fashion, minimizing their impact on economic choices. This involves, for example, limiting tax exemptions and special regimes whereby governments attempt/tend to favor specific economic sectors or economic activities.
- TP2. **Simplicity and transparency.** Simple taxes are good taxes, since they enhance transparency, limit the scope for evasion, and maximize revenues. These facts point to the desirability of fewer and lower rates, minimal exemptions, and a clear, wide, and measurable base. The tax system should avoid the proliferation of small inefficient taxes that represent heavy administrative burdens and provide opportunities for corruption.
- TP3. **Equity.** Although views can differ on the degree of progressivity of the tax system, there is a broad consensus on the desirability of the system's ensuring that individuals with similar incomes pay similar taxes (horizontal equity), and that individuals with higher incomes should pay more taxes (vertical equity).
- TP4. **Revenue-generating capacity.** The tax system should be able to supply the government with the resources it needs to meet its spending obligations on a sustainable basis. The system should rely on diverse taxes to lower the risk of wide fluctuations in overall revenue.
- TP5. **Harmonization/coordination with other systems.** Coordinating tax policies and administration with economic partners or geographical neighbors can reduce tax avoidance and/or evasion, and help reduce tax competition that could lead to revenue loss.
- TP6. **Greater reliance on domestic taxes.** Less reliance on distortionary trade taxes, and greater reliance on domestic taxes, such as VATs and excises, helps countries to obtain the benefits of free and open trade, and ensures WTO compliance.
- TP7. **Feasibility.** Tax design should be aligned with the capacity of the tax administration's actual implementation and collection of tax revenue.
- TP8. **Integration.** All main taxes should be consistent, in terms of thresholds, rates, and registration, in order to ensure the fair treatment of all taxpayers, and minimize administrative costs.
- TP9. **Diversity.** Tax systems should contain all the core building blocks—personal income tax, corporate income tax, value-added tax, and excise taxes—and avoid heavy reliance on nontax revenues.

Similarly, in the area of tax administration, the RM-TF's criteria for assistance include

- TA1. **A proper legal framework for tax administration** that provides a balance between the rights of taxpayers and the powers of the tax agency.

- TA2. ***Efficient organizational and staffing arrangements***, featuring strong headquarters, function-based organizational design, streamlined field operations, organizational alignment to key taxpayer segments, and sufficient numbers of staff assigned to each level of the organization and each function.
- TA3. ***A system of self-assessment*** directed at creating an environment of taxpayer voluntary compliance (thereby minimizing the intrusion of revenue officials in the affairs of voluntary taxpayers, while concentrating enforcement efforts on those representing higher risks).
- TA4. ***Streamlined collection systems and procedures*** aimed at securing timely revenues without imposing undue compliance costs and inconveniences to the business sector.
- TA5. ***Service-oriented approaches*** whereby the tax administration operates as a trusted advisor and educator, ensuring that taxpayers have the information and support they need to meet their obligations.
- TA6. ***Risk-based audits and other verification programs*** aimed at detecting taxpayers who present the greatest risks to the tax system, supported by effective dispute resolution.
- TA7. ***Extensive use of IT*** to gather and process taxpayer information, undertake selective checking based on risk analysis, automatically exchange information between government agencies, and provide timely information to support management decision making and tax policy formulation.
- TA8. ***Modern human resource management practices*** that provide incentives for high performance and noncorrupt behavior among tax officers, and develops staff skills and professionalism.
- TA9. ***Effective models for ongoing institutional changes***, including enhancing strategic planning capabilities, building coalitions with external stakeholders, and developing an internal culture that is receptive to change.
- TA10. ***An environment of integrity and good governance*** with transparency regarding taxpayer rights and required staff conduct; mechanisms that guarantee the integrity of systems, procedures, and staff practices; and regular dissemination of information to the public concerning organizational goals, plans, efforts, and outcomes.

Appendix 4. Low-Income and Lower-Middle-Income Economies²⁴

Low-income economies		
Afghanistan	Gambia, The	Niger
Benin	Guinea	Rwanda
Burkina Faso	Guinea-Bissau	Sierra Leone
Burundi	Haiti	Somalia
Cambodia	Korea, Dem Rep.	South Sudan
Central African Republic	Liberia	Tanzania
Chad	Madagascar	Togo
Comoros	Malawi	Uganda
Congo, Dem. Rep	Mali	Zimbabwe
Eritrea	Mozambique	
Ethiopia	Nepal	
Lower-middle-income economies		
Armenia	Indonesia	Samoa
Bangladesh	Kenya	São Tomé and Príncipe
Bhutan	Kiribati	Senegal
Bolivia	Kosovo	Solomon Islands
Cabo Verde	Kyrgyz Republic	Sri Lanka
Cameroon	Lao PDR	Sudan
Congo, Rep.	Lesotho	Swaziland
Côte d'Ivoire	Mauritania	Syrian Arab Republic
Djibouti	Micronesia, Fed. Sts.	Tajikistan
Egypt, Arab Rep.	Moldova	Timor-Leste
El Salvador	Morocco	Ukraine
Georgia	Myanmar	Uzbekistan
Ghana	Nicaragua	Vanuatu
Guatemala	Nigeria	Vietnam
Guyana	Pakistan	West Bank and Gaza
Honduras	Papua New Guinea	Yemen, Rep.
India	Philippines	Zambia

²⁴ The source country classification list is the World Bank. See http://data.worldbank.org/about/country-and-lending-groups#Low_income.

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