**INTERNATIONAL MONETARY FUND**

# TAX POLICY AND ADMINISTRATION TRUST FUND

## FINAL REPORT
## 2012-2017

## DECEMBER 12, 2017
## WASHINGTON, DC

The TPA-TF was financed by:

**European Union**

**Germany**

Federal Ministry
for Economic Cooperation
and Development

**Switzerland**

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
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MINISTRY OF
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## ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| ATAF | African Tax Administration Forum |
| BEPS | Base Erosion and Profit Shifting |
| CFA | EAC's Committee on Fiscal Affairs |
| CIAT | Inter-American Center of Tax Administrations |
| CIT | Corporate Income Tax |
| CPIA | World Bank's Country Policy and Institutional Assessment |
| CTA | Consolidated Tax Amendments (Liberia) |
| DRM | Domestic Revenue Mobilization |
| DTD | Domestic Taxes Department |
| EAC | East African Community |
| EFD | Electronic Fiscal Device |
| EU | European Union |
| FATCA | Foreign Account Tax Compliance Act |
| FAD | IMF's Fiscal Affairs Department |
| FTE | Full Time Equivalent |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| GRS | Georgia Revenue Service |
| HDI | Human Development Index |
| HQ | Headquarters |
| HR | Human Resource |
| IMF | International Monetary Fund |
| IOTA | Intra-European Organization of Tax Administrations |
| ISORA | International Survey on Revenue Administration |
| IT | Information Technology |
| IVR | Interactive Voice Recognition |
| LIC | Low Income Country |
| LLMICs | Low and Lower Middle Income Countries |
| LMIC | Lower Middle Income Country |
| LOT | Lapse of Time |
| LTO | Large Taxpayer Office |
| LTX | Long-Term Expert |
| MNE | Multinational Enterprise |
| MTO | Medium Taxpayer Office |
| MTRS | Medium-Term Revenue Strategy |
| OECD | Organization for Economic Cooperation and Development |
| PIT | Personal Income Tax |
| POA | Performance Outcome Area |
| RA-GAP | Revenue Administration Gap Analysis Program |

| | |
|---|---|
| RA-FIT | Revenue Administration Fiscal Information Tool |
| RBM | Results-Based Management |
| RM-TF | Revenue Mobilization Trust (Thematic) Fund |
| RTAC | Regional TA Center |
| SC | Steering Committee |
| SCFEA | EAC's Sectoral Council on Fiscal and Economic Affairs |
| SDGs | Sustainable Development Goals |
| SLF | Strategic Logical Framework |
| SMEs | Small and Micro Enterprises |
| SSA | Sub-Saharan Africa |
| STO | Small Taxpayer Office |
| STX | Short-Term Expert |
| TA | Technical Assistance |
| TADAT | Tax Administration Diagnostic Assessment Tool |
| TPC | Tax Procedures Code |
| TPA-TF | Tax Policy and Administration Trust (Thematic) Fund |
| TWG | Technical Working Group |
| UMIC | Upper Middle Income Country |
| VAT | Value Added Tax |
| WAEMU | West African Economic and Monetary Union |

## EXECUTIVE SUMMARY

**The global financial crisis in 2008 and increased prospects for a decline of traditional international aid brought to the fore the need to strengthen domestic revenue mobilization (DRM).** Since then, growing recognition that fulfilment of the sustainable development goals (SDGs) will not be possible for many countries without a sustained revenue increase has kept DRM at the top of the international development agenda, culminating in the 2015 "Addis Tax Initiative".

**The Tax Policy and Administration Trust Fund[1] (TPA-TF) was launched in April 2011 by the International Monetary Fund (IMF) in partnership with nine donor agencies—the governments of Belgium, Germany, Republic of Korea, Kuwait, Luxembourg, Netherlands, Norway, Switzerland, and the European Union (EU).** The US$27.47 million thematic fund (which was fully utilized) sought to meet the increased demand of low-income and lower middle-income countries (LLMICs) for technical assistance (TA) to strengthen their tax policy and administration. This was in recognition of the fact that inadequate revenue mobilization is a potential risk to long-term macroeconomic stability, and it constrains spending (e.g., on education, health, infrastructure) needed to sustain economic development and reduce poverty.

**The TPA-TF has been highly successful in achieving its objectives.** TA in tax policy and administration was scaled up considerably, delivered via 21 country, and three regional, TA projects. The beneficiary countries were typically LLMICs with large macroeconomic imbalances. The TPA-TF's delivery modalities gave FAD staff flexibility to implement its modules in a way that best served country authorities' needs and generated maximum impact on the ground.[2] Key results in several countries include: adoption of comprehensive strategic plans for reform; reform of the tax policy regime; reform of tax administration organizational structures; introduction of formal approaches for CRM, and strengthening of core processing and support functions. Overall, the tax-to-GDP ratio improved in 14 out of the 19 active countries. See *The TPA-TF At a Glance* below for more detail on key achievements of the TPA-TF and lessons learned, which have been incorporated into the design of the successor of the TPA-TF, the Revenue Mobilization Thematic Fund (RM-TF).

**The participative governance model of the TPA-TF worked very well, with the Steering Committee (SC) giving valuable high level guidance and providing important coordination.[3]** Indeed, the rotating co-chairing arrangements, and hosting of key events by

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[1] In the past, thematic funds were mostly referred to as trust funds. This report will use the term thematic funds.

[2] See details of the various modules in Appendix 1.

[3] SC meetings were held twice a year but several issues were presented, and approved on a lapse of time (LOT) basis throughout the year. At the project level, SC members remained very actively engaged in overseeing delivery of support, partly to have more efficient coordination in areas where they had bilateral cooperation.

donors (e.g., the SC meeting in Bern, Switzerland, and the Results-Based Management (RBM)[4] workshop in Brussels, Belgium) were a true reflection of donor ownership and engagement with the program. The TPA-TF also played a key role in modernizing the IMF's TA delivery. It provided an excellent model for expansion of TA, taking a structured, prioritized, and programmatic approach in which the IMF developed medium-term cooperation with LLMICs. And it provided much needed flexibility to allow the IMF to respond to new and changing country TA demands as they arose throughout the duration of the program.

## THE TAX POLICY AND ADMINISTRATION THEMATIC FUND AT-A-GLANCE

<table>
<tr><td colspan="2">Key objectives: meet increased demand for LLIMC tax policy and administration TA; anchor the TA in the broader DRM objective; and strengthen revenue administration to reduce longer-term aid dependency.</td></tr>
<tr><td>Tax policy and administration TA was scaled up significantly in TPA TTF countries.</td><td>Key achievements…</td></tr>
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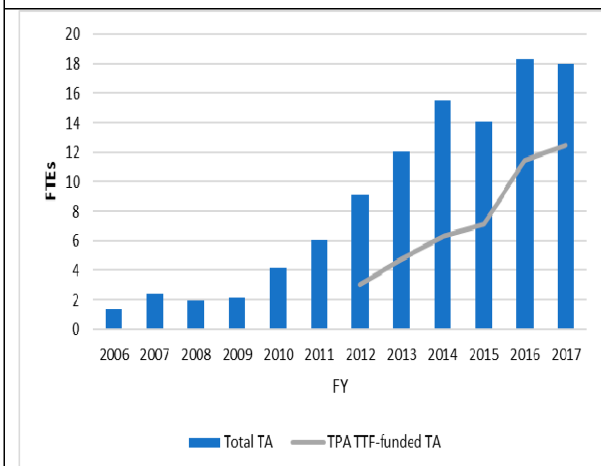

</td><td>
✓ Five (out of ten) countries implemented key reforms to their tax policy systems.<br>
✓ Capacity in tax policy analysis developed at country and regional level.<br>
✓ Comprehensive strategic plans prepared and implemented in all countries.<br>
✓ Function- and segment based-organizational models fully implemented in 10 countries.<br>
✓ New self-assessment principles implemented in two countries and formal compliance risk management (CRM) approaches introduced in 8 countries.<br>
✓ Audit capacity and results improved in 10 countries.<br>
✓ Take up of e-services improved in 4 countries.<br>
✓ Overall, the tax-to-GDP ratio improved in 14 out of the 19 active countries.
</td></tr>
<tr><td>Tax-to-GDP ratio increased in 14 of the 19 active countries.</td><td>Lessons learned…</td></tr>
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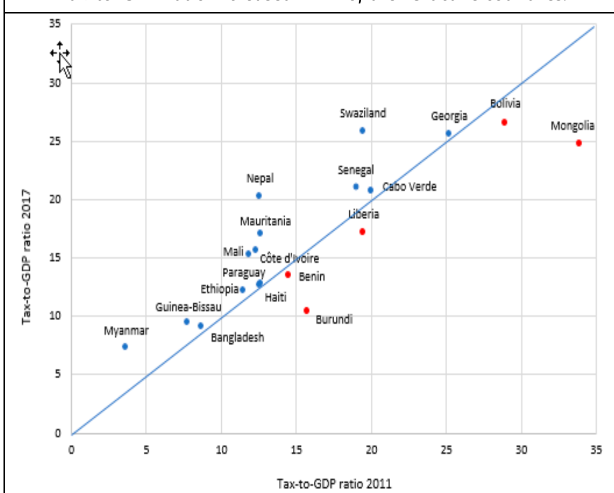

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✓ Country buy-in and ownership critical.<br>
✓ Value in rigorous diagnostics and investing in sound analysis and dissemination of good practice.<br>
✓ Importance of continued coordination with Regional Technical Assistance Centers (RTAC) and other TA providers.<br>
✓ Recognize explicitly international tax and climate change issues.<br>
✓ Identify and continuously monitor project risks to allow for prompt remedial action.<br>
✓ Innovative TA delivery approaches required for difficult country circumstances.<br>
✓ Implementing the enhanced RBM system can improve assessment of TA impact.
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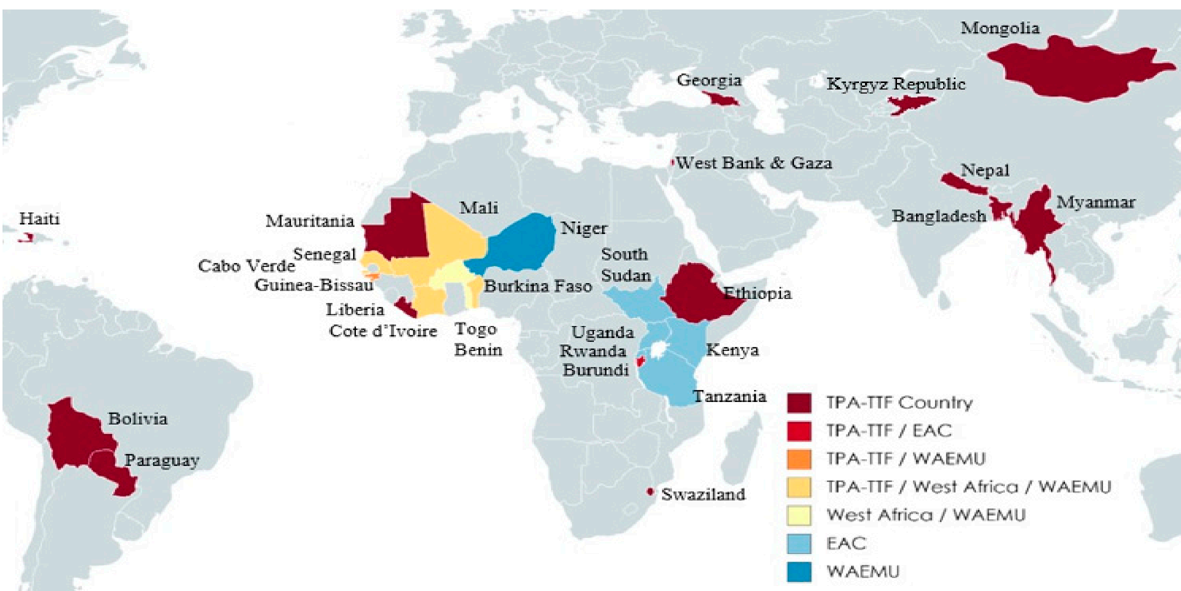
[4] The TPA-TF was the most advanced vehicle in the IMF in implementing improved RBM approaches; many of the ideas developed under the TPA-TF have been integrated into the new Fund-wide RBM system.

# I. SUMMARY OF COVERAGE AND DELIVERY

## A. Coverage and Characteristics of TPA-TF Countries

1. **During the six-year period 2012-17, the TPA-TF achieved broad geographical coverage and exposure in accordance with its program document.**[5] A total of 21 country TA projects were launched worldwide;[6] distributed across four IMF regions: Africa (10), Asia Pacific (3), Middle East and Central Asia (5), and Western Hemisphere (3). Additionally, the TPA-TF covered three regional TA projects in Sub Saharan Africa (SSA): one for members of the East Africa Community (EAC) addressing tax policy issues, one for members of the West African Economic and Monetary Union (WAEMU) also addressing tax policy issues, and the third for six countries in West Africa,[7] addressing human resource (HR) management issues. Geographical coverage of the various TA projects is depicted in Figure 1.

**Figure 1. TPA-TF–Geographical Coverage**




2. **TPA-TF beneficiary countries are heterogeneous in their economic structure and macroeconomic performance—see selected indicators in Appendix 2.** They were, typically,

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[5] For details, see the TPA-TF program document at: https://www.imf.org/external/np/otm/2011/100110.pdf

[6] The countries are: Bangladesh; Benin; Bolivia; Burundi (suspended during FY2017 due to security concerns); Cabo Verde; Côte d'Ivoire; Ethiopia; Georgia; Guinea Bissau; Haiti; Kyrgyz Republic; Liberia; Mauritania; Mali; Mongolia; Myanmar; Nepal; Paraguay; Senegal; Swaziland; and West Bank and Gaza. Two country programs (Kyrgyz Republic and West Bank and Gaza) were terminated for lack of reform traction while one (Burundi) was suspended due to political instability in the country.

[7] i.e., Benin, Burkina Faso, Côte d'Ivoire, Mali, Senegal, and Togo. Officials from Cameroon, Niger, and Morocco also participated.

LLMICs[8] with an average gross domestic product (GDP) per capita of US$ 3,864.6 (2011 PPP) over the period of the TPA-TF, which is far below the average for low- and middle-income countries (US$ 8,943.3). The average Human Development Index (HDI)—a composite statistic of life expectancy, education, and income per capita indicators—for TPA-TF countries was 0.6 in 2015, placing most countries in the low to medium human development group.[9] Living standards, as measured by GDP per capita growth, improved for many of the TPA-TF countries[10] but their economies are still characterized by large macroeconomic imbalances. A number of the countries are particularly vulnerable to natural disasters. This is the case for Haiti and Nepal.

3. **TPA-TF countries faced significant challenges over the period, making them well-justified candidates for international support.** In eight of them, the tax-to-GDP ratio remained below the 15 percent tipping point required to provide adequate and sustainable resources for growth and development.[11] Additionally, some countries such as Bolivia, Mongolia, and Swaziland derive a significant proportion of tax revenue from volatile sources (natural resources and regional transfers) thus reinforcing the criticality of diversifying tax revenue sources. Also, about half are "fragile states"[12] with very weak fiscal instituions, emphasizing the need for differentiation of tax policy and revenue administration reforms and TA support across countries depending on the starting conditions, the weaknesses in each area, and the country's absorptive capacity. Five countries are heavily dependent on grants (an average of more than 5 percentage points of GDP per year) to finance public expenditure.[13] More than half of the countries had an IMF lending program during the period 2012 to 2017, in part reflecting their weak macroeconomic performance.[14] The majority of these programs contain structural reforms to

[8] Georgia and Paraguay graduated to upper middle income country (UMIC) status in 2017 and 2016 respectively. Mongolia graduated to UMIC in 2016 but fell back to lower middle income country (LMIC) status in 2017.

[9] The average for high and very high human development groups was 0.7 and 0.9 respectively.

[10] Except Burundi, Mali, Guinea Bissau, Cabo Verde, and Swaziland, where living standards either remained at the same level or declined.

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

[12] As defined by the IMF; i.e., countries having weak institutional capacity as measured by the World Bank's Country Policy and Institutional Assessment (CPIA) score (average of 3.2 or lower on average in the most recent three year period) and/or experience conflict (signaled by precence of a peace-keeping operation in the most recent three year period.

[13] Burundi, Guinea Bissau, Haiti, Liberia and West Bank and Gaza. The period average for another five is above 2 percent of GDP per year; i.e., Cabo Verde, Kyrgyz Republic, Mali, Nepal, and Senegal.

[14] While there were no lending arrangements, during the period, in Bolivia, Cabo Verde, Ethiopia, Myanmar, Mongolia (it entered one on May 2017) Nepal, Paraguay, Senegal, Swaziland, and West Bank and Gaza, there were staff monitored programs as part of the Article IV Consultations in several of these countries. Revenue mobilization is a key feature in all.

improve DRM. The TPA-TF was in many instances invaluable for supporting these structural reforms.

## B. TA Delivery under the TPA-TF

4. **The creation of the TPA-TF made possible a significant scaling up in resources invested in TA delivery in tax policy and administration in beneficiary countries.** The amount of tax policy and administration TA provided by FAD to the 21 beneficiary countries increased three-fold during the six-year period; from about 6.1 full-time equivalents (FTEs) in 2011 to about 19.0 FTEs in 2017. TPA-TF accounted for about 49 percent and 70 percent of total TA in tax policy and revenue administration in the beneficiary countries in 2012 and 2017 respectively—see Tables 2a and 2b for details.[15] The increase is even more striking for the beneficiary countries when compared against the six-year period before the creation of the TPA-TF. Appendix 3 shows that in tax policy and administration, TA increased from 18.2 FTEs during the six-year period 2006 to 2011, to 85.6 FTEs during the period 2012 to 2017.

**Figure 2a. Total Tax Policy and Revenue Administration TA to TPA-TF Countries (FTEs)**

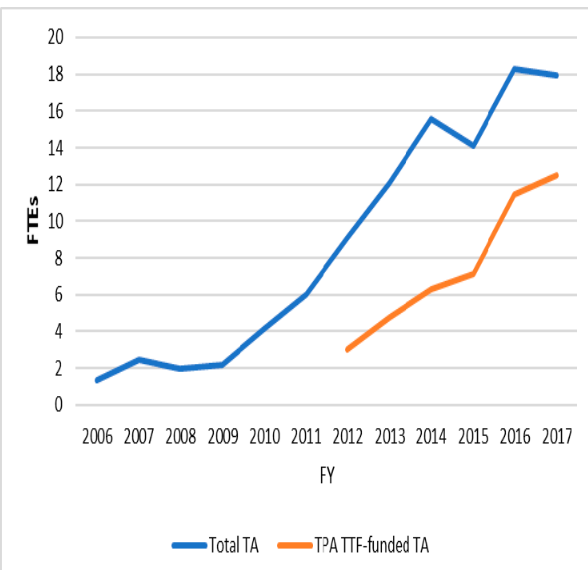
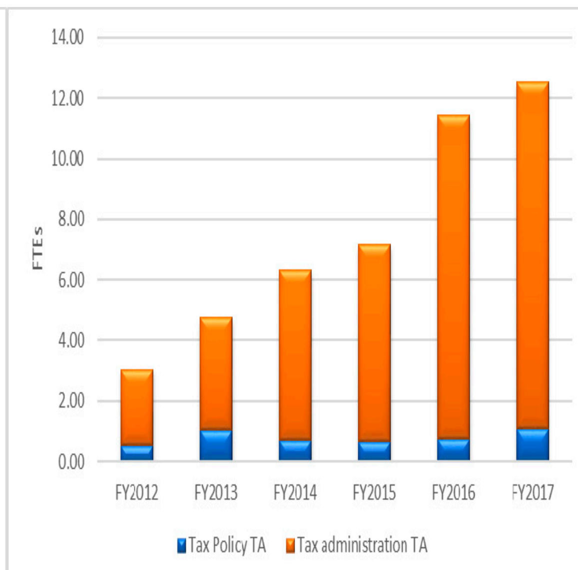



**Figure 2b. Composition of TPA-TF TA (FTEs)**




5. **The TA was tied to economic and institution-building objectives generally agreed with governments.** In Myanmar, for example, institution building requirements in the context of ongoing political and economic reforms formed the basis for conceptualizing TA requirements under the TPA-TF in 2012. In Liberia, TA plans were informed by post-civil war reconstruction and the economic plans of a reform-minded government. In both countries, tax policy and administration TA was scaled up significantly during the six years of the TPA-TF. The TPA-TF

[15] Tax policy and administration TA was also provided via the regional TA centers (RTACs) or other programs such as the Managing Natural Resource Wealth Thematic Fund or other bilateral funding.

enabled the IMF to be responsive to emerging shocks. In this regard, support to Haiti was designed in the aftermath of the devastating 2010 earthquake which had severe consequences for the tax administration, as its building collapsed, killing several of its staff.

6. **The bulk of the TA work was concentrated in four TPA-TF modules.** Figure 3 shows that close to 80 percent of the TPA-TF's activities during the period covered four modules: tax policy; tax administration organization; core tax administration processing functions; and enforcement. The latter three areas reflect the continuing need for countries to strengthen the management and delivery of their core tax administration functions, namely registration, service, filing, payment and verification. Figure 4 shows TA delivered via various channels;[16] increased "hands-on" TA, provided via STX assignments and training, helped countries implement reforms.

**Figure 3. Number of Active TA Projects by Module**

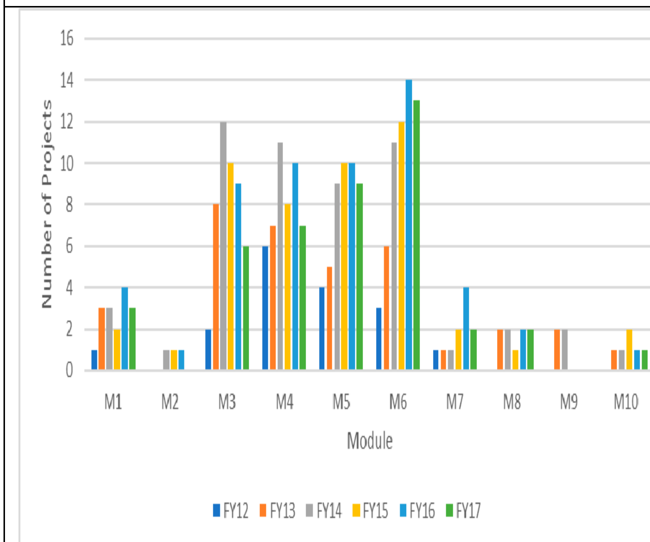
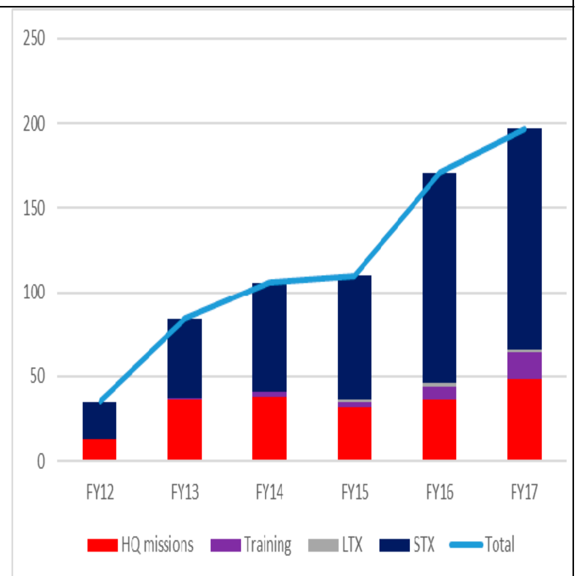



**Figure 4. TA Type and Number of Assignments**




[16] These included: (i) *Headquarters (HQ) staff* to help 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 capacity; (ii) *Short-term experts (STX) to* provide specialized skills in specific areas to support the implementation of HQ technical advice; (iii) *Long-term experts (STX):* provide on-the-ground capacity development as resident advisors to the government and support implementation of reforms (used in Myanmar and Liberia); and (iv) *Workshops and seminars*: provide targeted training and disseminate lessons learned.

# II. KEY ACHIEVEMENTS AND CHALLENGES

7. **The TPA-TF delivered important successes over the life of the fund.**[17] These are described below, first grouped by the impact indicators and outcome objectives in the strategic logical framework (SLF)[18] and then with more country-specific detail.

## A. Performance against the Impact-Level Indicator

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

8. **TPA-TF countries were subject to various shocks (over the period 2012 to 2017) that increased macroeconomic and fiscal volatility.** For example, in 2012 and 2013, Mali experienced a coup, a civil war in some areas and a foreign military intervention and in 2015, it was affected by terrorist attacks and insecurity. Liberia was affected by, and recovered from, the Ebola epidemic in 2014 and 2015 while Nepal was affected by an earthquake in 2015. Large swings in commodity prices were observed during the entire period, affecting both GDP and tax revenue in some TPA-TF countries such as Bolivia and Mongolia. These factors should be kept in mind when assessing performance of the tax-to-GDP ratio, which is the main impact-level indicator in the TPA-TF's SLF. Tax revenues respond to many factors, including macroeconomic performance and stability, and the assessment in this section is not meant to imply causality.

9. **With all due caveats, therefore, the average tax-to-GDP for the 19 active TPA-TF countries increased from 14.9 percent of GDP in 2011 to 16.2 percent of GDP in 2017 (Figure 5b).** This increase also outperforms the averages for LICs, for LMICs, and for all countries. Figures 5a shows that majority of TPA-TF countries (14 out of the 19 active TPA-TF countries increased their tax revenues between 2011 and 2017 (see additional charts in Appendix 5). Eight TPA-TF countries[19] recorded increases in the tax-to-GDP ratio of between one to seven percentage points of GDP.

[17] A main reason for the effectiveness of the TPA-TF was that it detected poorly performing projects early, implemented remedial action, and when remedial action was not possible, shifted resources to projects with higher potential. In some cases, TA projects were terminated (e.g., Kyrgyz Republic). This agility was made possible by the modular delivery model of the TPA-TF and its medium-term TA focus—which facilitated the identification and mitigation of reform implementation risks, and enabled negative shocks to TA delivery to be quickly addressed—such as the public health crisis in Liberia, political instability and insecurity in Guinea-Bissau, Burundi, and Mali.

[18] The performance of the TPA-TF is assessed with reference to the SLF revised in 2014 (see Appendix 4) and more recent developments.

[19] Côte d'Ivoire, Guinea Bissau, Mali, Mauritania, Myanmar, Nepal and Senegal.

**Figure 5a. Tax-to-GDP ratios, % change between 2011 and 2017**

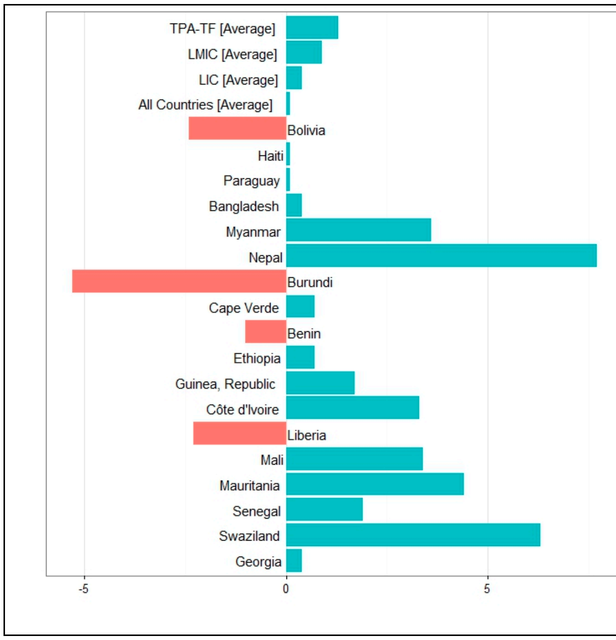
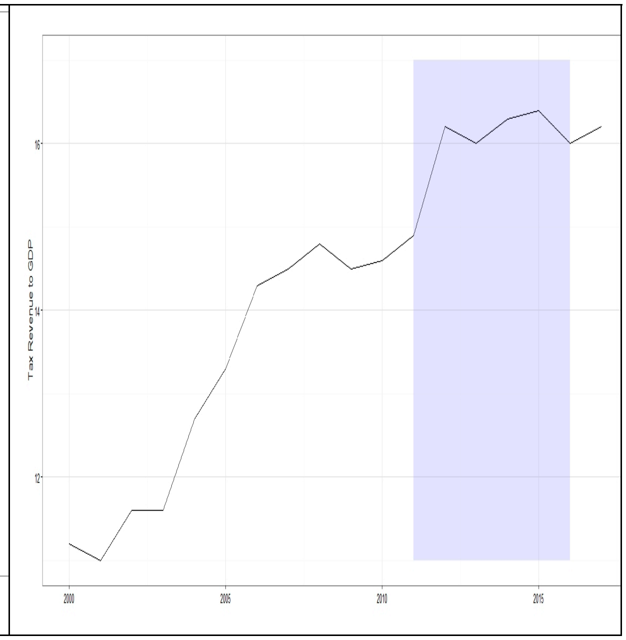
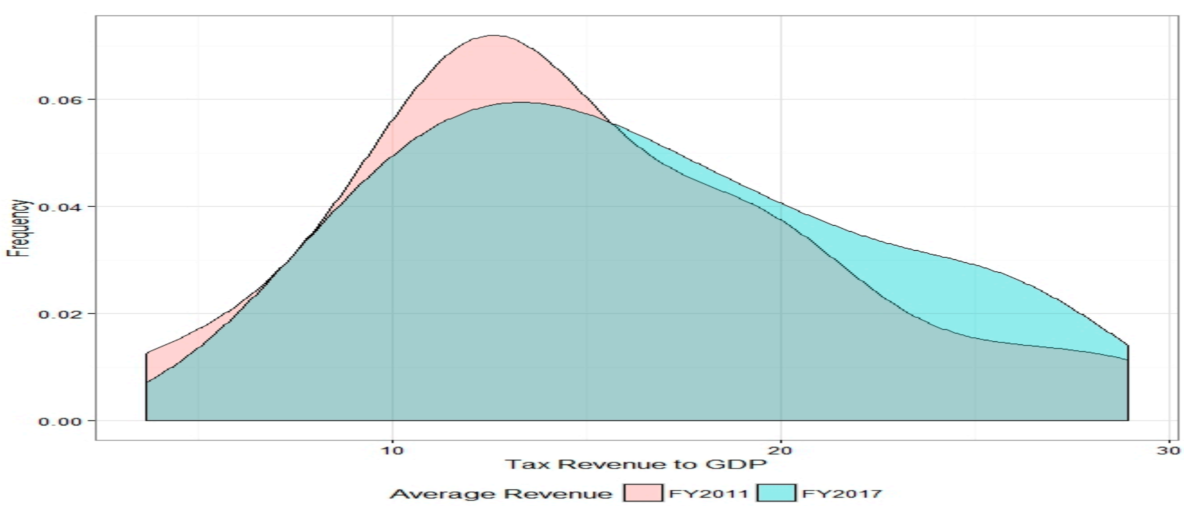



**Figure 5b. Time Series Average Tax-to-GDP ratio Data for all TPA-TF Beneficiary Countries**



10. **The group of TPA-TF countries also moved to higher tax-to-GDP brackets during the period.** Figure 6 shows the distribution of the tax-to-GDP ratio between countries. It shows a movement toward the right (blue chart) indicating a general improvement toward higher tax-to-GDP ratios. Only one country (Burundi) moved to a lower bracket (from the 15-20 bracket to the 10-15 bracket). Six countries (Côte d'Ivoire, Mali, Mauritania, Myanmar, Nepal, and Senegal) moved up one bracket compared to 2011, while one (Swaziland) jumped two brackets. The remaining 10 countries stayed in the same brackets as 2011.

**Figure 6. Movement of Tax-to-GDP Ratios, 2011 vs. 2017**



## B. Performance against the Outcome Level Objectives

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|---|
| ***Objective 1:*** *Increased effectiveness of tax systems in participating countries.* ***Indicator:*** *Number of countries that have adopted and resourced a clear reform strategy.* |

11. **Regarding objective 1, twelve countries[20] prepared and endorsed their own strategy for reform based on their vision of the future tax system.**[21] Assistance in this specific area was provided via the TPA-TF in all twelve countries. For example, Module 1 (reform strategy) was launched at the beginning of the TA project in four countries (Myanmar, Guinea Bissau, Georgia, and Benin) that required comprehensive and updated diagnosis. In the case of Myanmar, for example, FAD had not provided any advice to this country for more than 20 years and needed a diagnosis to fully understand the issues and help design a reform program. Through the TPA-TF and working with the authorities and other development partners, FAD helped diagnose the state of tax policy and administration, identify the key challenges, and define the reform priorities and options.[22] This culminated in preparation of a reform program document that was endorsed by the Cabinet and is being implemented. In Georgia, two diagnostic assessments (Tax Administration Diagnostic and Assessment Tool (TADAT) and Revenue Administration Gap Analysis Program (RA-GAP)) provided a sound, evidence-based rationale for transforming the tax administration system in Georgia and a solid baseline for a structured reform process culminating in preparation of its 2017-2010 Strategic Plan, which is being implemented with support from the RM-TF. In the case of Guinea Bissau and Benin, a specific module on reform strategy enabled FAD staff to assess, in detail, the main features of the tax system and helped inform recommendations for tax policy and administration reform to correct persistent fiscal imbalances.

12. **In countries where FAD was already extensively engaged, reform programs were designed or finetuned based on previous advice, follow up missions, or results of assessment missions such as TADAT assessments and RA-GAP studies.** This was the case in Bolivia, Cabo Verde, Côte d'Ivoire, Ethiopia, Mali, Liberia, Senegal, and Swaziland. In a number of countries, the respective reform strategies and action plans were formally endorsed at the highest levels. For example, in Liberia and Myanmar, their high-level tax administration reform strategies were endorsed by the Cabinet, and in Senegal, and Cabo Verde, by the Minister of Finance.

13. **Implementation of the reform strategies had a visible impact especially in the areas of strengthened organization of tax administrations, processing functions, enforcement, and taxpayer services.** The TPA-TF has provided essential resources to strengthen institutions

[20] Benin, Bolivia, Cabo Verde, Côte d'Ivoire, Ethiopia, Georgia, Liberia, Mali, Myanmar, Senegal, and Swaziland.

[21] This was deemed necessary to ensure country commitment and ownership, and therefore the chances of success. The reform strategies and action plans typically set out the vision for the future state, broad objectives, the specific initiatives, resource requirements (funding and staffing), timing, and financing.

[22] On the basis of this diagnosis, FAD helped design a tax administration reform strategy and TA program, which is currently the largest and most intensive of all TPA TF projects.

and help develop effective and sustainable tax administrations. For example, in Myanmar, FAD staff helped design a high-level revenue modernization strategy which is the basis for follow-up assistance which involves a comprehensive approach of legal, policy, and administrative support. A long-term advisor has helped the authorities guide and impellent these reforms, and coordinate these efforts with other TA providers. Key reforms include the reorganization of headquarters, the establishment of a large taxpayer office (LTO), the development of a tax procedures code, and the design of a new tax policy framework. As a result, the tax-to-GDP ratio more than doubled to eight percent in 2017. Improved organizational structures were implemented following the launch of revenue authorities in Cabo Verde and Liberia, and with the establishment of function-and segment-based structures in Benin, Burundi, Cabo Verde, Côte d'Ivoire, Guinea Bissau, Liberia, Mali, Myanmar, Senegal, and Swaziland. As a result, control over the respective taxpayer segments was strengthened and taxpayer compliance improved in several countries. In Côte d'Ivoire, for example, the LTO was reinforced by increasing the threshold for taxpayers to be considered "large" and extending its jurisdiction nationwide. Medium taxpayer offices (MTOs) were set up to improve control of this taxpayer segment. Filing compliance improved and audit coverage was expanded. This was also the case in Mali, for example.

14. **Support functions, such as human resources and information technology (IT), have also been strengthened under the TPA-TF.** For example, in Guinea-Bissau, new tax officials (around 20 percent of the workforce) were hired competitively and induction training was provided to build capacity. The TA project allowed FAD staff to respond in an agile and flexible manner to the Ebola outbreak in West Africa, through the successful use of remote TA delivery, which helped ensure that reform efforts were not interrupted during the public health crisis in Liberia. FAD staff continued providing TA on organizational structure, audit, taxpayer registration, and taxpayer services during the crisis through on-line communications and training, and off-site meetings. The continuation of the assistance during the crisis was greatly appreciated by the Liberian authorities.[23]

| |
|---|
| ***Objective 2:*** *Simpler, more transparent, and productive regimes are in place.* ***Indicator 1:*** *Number of countries that have transparently reported tax expenditures.* ***Indicator 2:*** *Number of countries where VAT productivity trends up over time.* |

15. **Regarding objective 2, tax policy TA under TPA-TF was provided to ten active countries;[24] of these, five countries embarked on reform of their tax system.** For example, ten new tax legislative instruments were enacted in Cabo Verde, including new personal income tax (PIT) and corporate income tax (CIT) laws. In Bolivia, estimates of VAT evasion and tax expenditures are now prepared and reported publicly by the authorities. Also, the Bolivian

[23] 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."

[24] Bangladesh, Bolivia, Burundi, Cabo Verde, Liberia, Mali, Mauritania, Myanmar, Senegal, and Nepal. TA was also provided to two terminated programs for Kyrgyz Republic and West Bank and Gaza.

congress approved and enacted a new transfer pricing law and regulations. In Senegal, the PIT code was simplified and tax incentives outside the tax code were consolidated into the tax code, to provide more transparency. Other reforms included a simplification of the stamp duty and registration fees, and reform of the VAT credit refund system. Mali introduced a simplified taxation regime for small businesses. Capacity to deal with tax policy issues was also reinforced for example, through the establishment of a tax policy unit in Mali and Liberia. In Nepal, FAD advice informed the work of the government's High Level Tax System Review Committee, whose recommendations for a comprehensive tax system reform across income tax, VAT, and trade taxes are now being implemented.

16. **Capacity in regional institutions was also strengthened with good results.** For example, EAC's tax treaty policy and the revised model tax treaty was approved. A series of workshops also focused on strengthening capacity in tax treaty negotiations. In the WAEMU area, a draft directive harmonizing tobacco excises was proposed to member states.

17. **Regarding the specific indicators for this objective, three countries (Bolivia, Haiti, and Senegal) received help with assessing tax expenditures; one (Bolivia) now prepares and publishes the estimates.** Regarding VAT productivity, performance trended up over the five years in six (Bolivia, Georgia, Guinea Bissau, Mali, Nepal, and Paraguay) out of nine countries that had complete data for the period 2010 to 2015, (See Appendix 6 for details).

| |
|---|
| ***Objective 3:*** *Increased efficiency of participating revenue administrations.* ***Indicator 1:*** *Number of countries where the cost of collections trends down over time.* ***Indicator 2:*** *Number of countries where taxpayer perceptions of service delivery trend up.* |

18. **Regarding objective 3, reforms generally sought to improve the efficiency of the tax system's administration by improving tax collection methods and reducing cost of compliance.** New and improved business process based on the principle of taxpayer self-assessment were introduced successfully in Cabo Verde and Swaziland. CRM approaches generally and risk based audits were introduced in Benin, Bolivia, Cote d'Ivoire, Ethiopia, Liberia, Mali, Mongolia, and Swaziland with good results. Improved collection enforcement procedures were introduced in Senegal and Bolivia and audit procedures. Other complementary measures included enactment of a tax procedures code in Cabo Verde and Ethiopia, enhancing provision of e-services for, among others, return filing and tax payment in Cabo Verde, Paraguay and Georgia, setting up of service or call centers in Liberia and Ethiopia and implementation of a fraud control plan in Ethiopia. Regarding the two indicators, cross country data on cost of collection or results of taxpayer perception surveys of service standards was not available; however anecdotal evidence from countries that had a TADAT assessment (Cote d'Ivoire, Ethiopia, Georgia, Liberia, and Paraguay) had relatively good scores across performance outcome area (POA) 3 (promoting voluntary compliance), suggesting that the tax administration is not visibly undermining compliance.

19. **Additional evidence of increased effectiveness and efficiency of beneficiary countries is shown in Box 1**, drawn from responses to the two most recently complete rounds of RA-FIT/ISORA (2011 to 2015).

## Box 1. Evidence of Increased Effectiveness, Transparency and Efficiency

***Improved management practices, efficiency and transparency:***

- Guinea Bissau, Bolivia, Liberia, Mali, Mongolia, and Paraguay introduced formal approaches for identifying, assessing and prioritizing compliance risk.
- Revenue authorities established in Liberia and Cabo Verde in 2015; Liberia produced an annual report for the first time in 2014, and introduced a performance management system for staff in 2015; Myanmar began producing a reform strategy and annual business plans in 2015.
- Senegal's cost-to-collections ratio declined by close to 40 percent from 2013 to 2015, despite a growth in staffing of around 10 percent from 2011 to 2013.

***Taxpayer service and segmentation:***

- Mali and Swaziland began undertaking taxpayer service surveys in 2013; Bolivia introduced a mechanism for managing taxpayer complaints in 2015; and targeted education and advisory initiatives commenced in Guinea Bissau, Liberia, Mauritania and Myanmar.
- Liberia began providing taxpayer rulings in 2015; Mauritania and Ethiopia set up call centers for taxpayers in 2013; Use of Interactive Voice Recognition (IVR) for servicing taxpayers increased six-fold in Bolivia between 2011 to 2013; and by 46-fold in Paraguay between 2012 and 2013.
- Cabo Verde established a dedicated program for large taxpayers and a simplified tax regime for small and micro taxpayers (SMEs) in 2013; LTO set up in Myanmar in 2015.
- The number of large corporate taxpayers almost doubled in a five-year period, from 501 registered in 2011, to 961 in 2015 in Liberia; Cote d'Ivoire broadened coverage of the LTO country-wide.

***Taxpayer registration and return filing:***

- Taxpayers registered for PIT and PAYE grew by 181 and 299 percent respectively between 2012 to 2015 in Liberia. VAT registrations increased in Bolivia, Ethiopia, and Mali by 28, 64, and 36 percent respectively between 2011 to 2013.
- Benin, Bolivia, Burundi, Guinea Bissau, Liberia, Mali, Cote d'Ivoire, Liberia and Swaziland saw an increase in the number of SMEs registered under their respective regimes between 2011 to 2015.
- On-time filing for the CIT improved in Cote d'Ivoire, Ethiopia, and Paraguay by an average of 10 percentage points in the five years; Electronic filing rates for CIT and VAT increased significantly in Paraguay between 2011 and 2013: from 27 percent to 84 percent (CIT) and 14 percent to 56 percent (VAT).
- Cote d'Ivoire introduced a formal program to improve the taxpayer register's quality in 2015.

***Taxpayer audits:***

- The number of comprehensive audits in Mali, Mauritania and Senegal grew between 2011 and 2013 and value of re-assessments increased by 31 percent, twenty-fold, and 158 per cent respectively. Between 2014 and 2015, Cote d'Ivoire scaled up tax audits conducted by 19 percent, resulting in growth of 49 percent in audit re-assessments.
- Bolivia and Mauritania scaled up the number of issue oriented audits by a factor of three between 2011 and 2013, resulting in growth in re-assessments of 29 percent, and by a factor of four respectively. From a more modest increase of 30 percent in the number of issue oriented audits conducted by Georgia in 2015, re-assessments raised also grew by a factor of four.

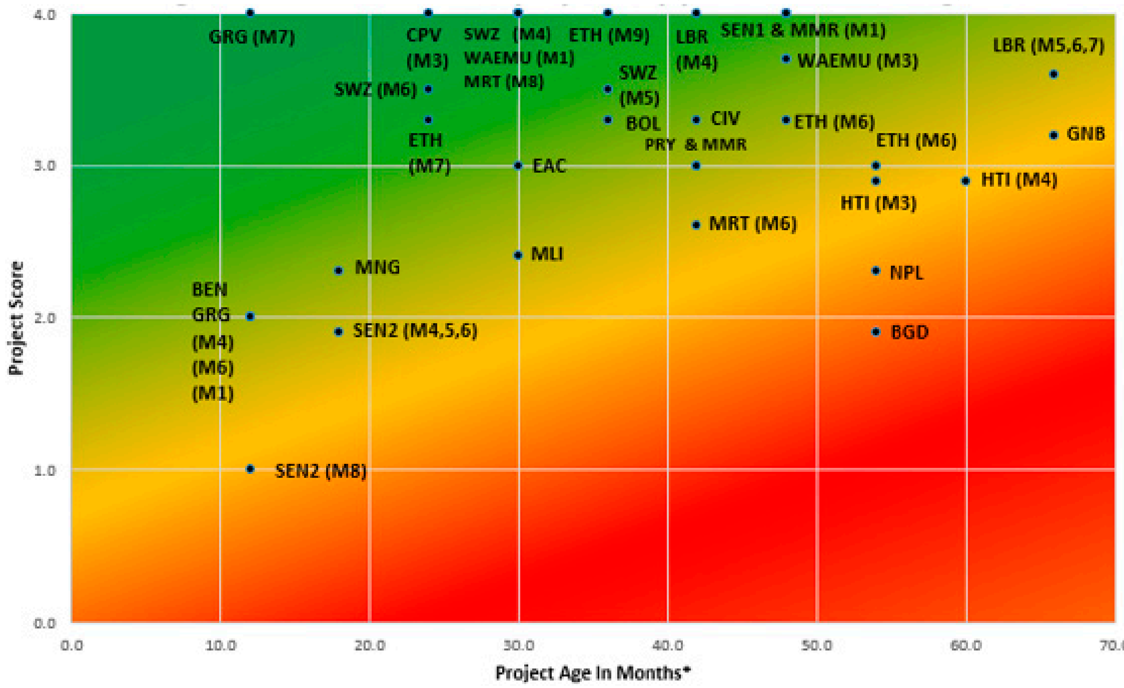
***Implementation of new tax policy:***

- Swaziland introduced a VAT in 2012. VAT collections constituted 31 percent of revenue collected in Swaziland in both 2014 and 2015.

## C. Country and Regional TA Projects

20. **Based on the revised SLF scoring methodology, project implementation proceeded at a good pace with good results.** Figure 7 shows the evolution of all TA projects as at April 2017. Out of the 19 active TA projects, only three countries, Bangladesh, Haiti, and Nepal, stand out as more mature TA projects that lagged in terms of reform traction and achievements. The challenges in these countries will be discussed in the respective country summaries below.

**Figure 7. Classification of TA projects by Performance and Age**




* Project age as of FY17M for active projects; age at completion for completed projects/ modules
SEN 1: 2012 - 2015; SEN2: 2015 - 2017

21. **Bangladesh:** The TA project ran from November 2011 through to April 2017 and covered tax policy (module 3) and enforcement (module 6). Its focus was on supporting the development of a new VAT law, a new direct tax code, and implementing new transfer pricing rules. The TA project supported drafting of the VAT legislation and associated regulations, which were adopted by parliament in 2012. Due to slow progress in preparing to implement the new VAT law and then political sensitivities associated with the 2018 elections, the authorities have postponed (for the third time) the launching of the new VAT law until 2019. The authorities declined assistance with the new direct tax code. On transfer pricing, support was provided with an internal order (February 2014) to establish a Transfer Pricing Cell, with staff appointed in April 2015. Transfer pricing rules were applied from July 2015 and transfer pricing audits started in July 2016. Given the lack of progress, active TA support ended in February 2016.

22. **Benin:** The TA project ran from January 2016 through to April 2017 and covered revenue strategy (module 1) and tax administration organization (module 4). Key reform achievements include: the preparation of a strategic plan focused on key priorities that was fully endorsed by

the government; the tax administration with a clear headquarters function, and organized along functional lines and by key taxpayer segments; and enhanced audit capacity through hands-on training sessions, focused on complex audits in the financial and oil sectors, and capacity to cross match data collected from third party sources. Key results from the various measures include: a 48 percent increase in the number of large taxpayers achieved though cross matching data; improved on-time filing compliance for large enterprises, from about 90 to 98 percent; and increased yield by 2,100 percent and 233 percent from the LTO and MTO audits respectively.[25] However, the tax-to-GDP ratio fell by 1 percent of GDP between 2015 and 2017 due to a slowdown in trade with recession-hit Nigeria, Benin's principal trade partner.

23. **Bolivia:** The TA project began in FY12 through to April 2017 and covered tax administration organization (module 4). The original intention was to support the authorities' wish to move towards integrating the tax and customs agencies into a single body. FAD staff provided initial advice addressing the main issues of customs-tax- administrations integration. However, after consultations, the authorities decided against integration, focusing instead on strengthening the tax policy framework (module 3) and the tax administration's core processing functions (module 4). There were achievements in many areas. In tax policy, estimates of tax gaps and tax expenditures and a PIT draft law were prepared (estimates of tax expenditures and VAT evasion are now reported transparently). The Congress also approved the transfer pricing law and executive power regulations. Regarding tax administration, risk-based strategies were introduced and joint tax and customs enforcement programs were implemented. The various reforms translated into improvements in several indicators: during the 2012 to 2016 period, the number of audits increased by 90 percent (from 14,405 to 27,438), and the audit effectiveness ratio (audits with tax adjustments) increased from 48.4 to 81.7 percent. The tax-to-GDP increased from about 28.9 percent to a peak of 33.7 percent in 2015 but subsequently declined to 26.6 percent in 2017 due to due to a precipitous drop in hydrocarbon taxes and royalties.

24. **Burundi:** The TA project ran from May 2013 and was envisaged to run through to April 2017. It covered tax policy (module 3), tax organization (module 4), core processing functions (module 5), and enforcement (module 6). Before suspension of the program in 2015,[26] reform implementation was on track and good reform progress was being made in many areas: the draft law on excise, which reflected FAD advice, was under consideration by the government and was to be voted on by the end of 2015. The review of the mining code was expected to be done in FY16. In tax administration, reforms included: reorganizing the tax administration along functional lines; implementing segmentation principles, with an appropriate LTO threshold and an effective separation between the MTO and STOs; and simplifying collection procedures. However, additional efforts were still needed to extend the audit coverage and to reduce the

[25] Tax administration staff audited the largest 10 taxpayers and raised additional tax assessments of approximately US$22 million in 2016 compared to less than US$1 million in 2015. Additional revenues collected from MTO tax audits accounted for up to 10 percent of MTO revenue, up from 3 percent.

[26] Due to the May 2015 coup attempt, large-scale civil strife, strong political uncertainty, and persistent security issues after the President re-election (unconstitutional third mandate).

volume of tax arrears. The lack of an integrated IT system in the tax administration was also a serious issue. The impact of this program is difficult to assess, as it was active for only two years before political instability set in; further reforms were still needed. The tax-to-GDP ratio has continued a declining trend from 13.1 percent in 2013 to 10.4 percent in 2017 due to political and social unrest.

25. **Cabo Verde:** The TA project was launched in February 2013 through to April 2017, and covered tax policy (module 3), tax administration organization (module 4), and tax administration support functions (module 8). Cabo Verde has undertaken impressive reforms. A strong tax policy modernization program was adopted, and ten legal instruments, including the Tax Code, the Tax Procedures Code, the Revenue Code, the VAT Code, and the Small Taxpayers Code were enacted. Regarding tax administration, the tax administration was initially reorganized and a LTO was established. A revenue administration was subsequently set up (Direção Nacional de Receitas do Estado), merging the former tax and customs administrations, and was organized along functional lines. A strategic plan, followed by business and operational plans, was developed, approved and disseminated throughout the institution; strategic projects were defined, and are under development. Strategic and operational functions were segregated, and a LTO was established. New officials were selected, and the Direção Nacional de Receitas do Estado's facilities were remodeled to offer taxpayers and employees a professional and appropriate environment to operate. Self-assessment and electronic filing were adopted; taxpayer service (through walk-in service, institutional web page, educative videos, etc.) improved significantly. The various reforms reversed declining tax-to-GDP trends—from its lowest level of 17.5 percent in 2014 to 20.7 percent in 2017.

26. **Côte d'Ivoire:** The TA project was launched in October 2013 through April 2017 and covered tax administration organization (module 4) and enforcement (module 6). An additional module covering tax administration support services (module 8) was subsequently endorsed by the SC in May 2016. Key reforms include the reorganization of the tax administration along functional lines and strengthening of the HQ function, implementing a single VAT threshold for all taxpayers, reinforcing the LTO by increasing the applicable threshold (threefold) and expanding its jurisdiction to cover large taxpayers nationwide, launching four MTOs in Abidjan with more planned in the provinces to strengthen monitoring of medium-sized taxpayers' obligations, and implementing risk-based audits. As a result, filing compliance of the large and medium taxpayers improved from 60 percent to 70 percent while audit coverage was expanded from 10 to 15 percent supported by third party data. The tax -to-GDP ratio increased from 14.7 percent in 2014 (start of the program) to 15.6 percent in 2017.

27. **Ethiopia:** The TA project was launched in July 2012 through to April 2017 and covered tax procedure code (Module 5), enforcement (Module 6), taxpayer services (Module 7), and tax administration integrity (Module 9). Progress was made across all modules despite early set-backs and constant changes in leadership. The government and the revenue authority took a zero-tolerance policy to corruption. This was publicly prominent the first year through the unfortunate setback due to major allegations of corruption, that resulted in dismissals and/or the detention of high level officials of the revenue authority. However, the authority persisted

through the introduction of an improved internal integrity framework that included a fraud control plan, the adoption of a code of conduct for staff, and the establishment of an internal audit directorate. A taxpayer service plan was implemented that included: a taxpayer service charter with documented service delivery standards, monitored and reported to management; an enhanced call center to better meet taxpayers' needs; and improved relations with the private sector. Harmonized and streamlined legislation addressing tax administration procedures was implemented through the Tax Administration Proclamation in 2016 that included the consolidation of all tax obligations into a single tax administration proclamation. While the compliance risk management maturity remains a work-in-progress, progress ensued through: an automated more defined objective compliance risk model for audit case selection; a compliance risk strategy and risk register developed and capacity built in a major sector/industry (construction); and a transfer pricing unit established in the LTO. The most significant progress made through the TA project in the integrity framework and taxpayer service, was verified through elevated scores in corresponding areas of the TADAT, applied in 2016.[27] While progress has been made in administrative reforms, there has only been mixed performance with respect to revenue; the tax-to-GDP ratio increased from 12.3 percent in 2013 to reach 12.7 percent in 2015 but has subsequently declined to 12.1 percent in 2017.

28. **Georgia:** The project ran from May 2016 through to April 2017 and covered revenue strategy (module 1), tax administration organization (module 4), enforcement (module 6), and taxpayer service (module 7). The project consolidated and built on progress made in strengthening the Georgia Revenue Service (GRS) during a previous Japanese-funded four-year project. The support focused on helping GRS to take a more long-term and strategic view of the reform process. This entailed using diagnostic tools, including a TADAT assessment (June 2016), which noted strong performance in taxpayer services and improved collection and dispute resolution systems, followed by an RA-GAP assessment, which noted that the compliance gap fell by 11 percentage points of potential VAT from 2011 to 2015. Tax-to-GDP has increased from 24.7 percent in 2013 to 25.6 percent in 2017. The RA-GAP complemented the TADAT assessment in identifying reform priorities and providing a baseline for planned reforms. The project also helped the GRS draw up its first strategic plan 2017-2020, designed to remedy TADAT weaknesses, harmonize legislation to align it with EU standards, and transform GRS into a modern risk-focused administration. Both the TADAT assessment and the Strategic Plan were published during the year. TA was also provided by STX visits to continue with improving core functions, operational planning and evaluation, and assisting with a review of the organizational structure. Taken together, these various strands of TA provided during FY17 positioned the GRS to embark on a three-year transformational reform TA project funded by the RM-TF. The successor RM-TF project was fully agreed with GRS and endorsed by the Minister of Finance during FY17, and commenced with the appointment of a resident advisor in June 2017.

[27] While the TADAT performance overall was low, with mostly "D" ratings throughout, Performance Outcome Area (POA) 3-7 and 3-8 that measured the support of voluntary compliance through the range of information available at a minimal cost and the variety of methods to elicit regular feedback from taxpayers had higher "C" and "B" ratings respectively and POA 9-25 that measured internal assurance mechanisms had a "C+" rating.

29. **Guinea Bissau:** The TA project was launched in September 2011 through to April 2017 and covered revenue strategy (module 1), tax administration organization (module 4), and core processing functions (module 5). Despite several interruptions of the program due to political instability, the main objectives were attained: in 2012, the tax administration was reorganized along functional lines, with separation of HQ and operational functions; objective criteria were adopted to segregate taxpayers; an automated taxpayer registration module was implemented, leading to a significant increase of 154 percent, in the number of registered taxpayers;[28] a standardized model for invoice issuance, requiring a taxpayer identification number, was adopted in 2016; and a strategic plan for 2017–2020 was approved, with operational plans developed. As a result, the tax-to-GDP increased from 6.8 percent in 2013 to 9.4 percent in 2017.

30. **Haiti:** The TA project was launched in October 2011 through to April 2017 and covered tax policy (module 3) and tax administration organization (module 4). Regarding tax policy, reform progressed slowly but steadily. By end-April 2017, the Tax Policy Unit was up and running and under the supervision of the Finance Permanent Secretary, tax policy studies on the VAT, tax expenditures, income tax (corporate and personal), and mining taxation were completed, the VAT text was well advanced and the Tax Procedures Code virtually complete (save minor adjustments once a Tax Code has been drafted). Remaining activities (including a study on excises) were rolled into a new RM-TF project starting in May 2017 and will form the basis for a comprehensive reform proposal. Regarding, tax administration, the TA project focused on establishing a function-based organizational structure, and broadening taxpayer segmentation. However, at the end of the TA project, the main milestones had been achieved only partially. The function-based organizational chart for the tax administration headquarters had not been published or implemented. Taxpayer segmentation is in place but the portfolio of LTO and MTO taxpayers did not fully reflect this segmentation. In sum, overall progress with tax administration reforms has been disappointingly slow, which is attributable to many factors. Institutional weaknesses, lack of strong leadership and commitment both within and outside the tax administration, as well as insufficient coordination among the numerous TA providers (the Canadian International Development Agency, the U.S. Treasury, the Inter-American Development Bank, and the IMF) continued to hold back reform progress in the tax administration. More broadly, the absence of an institutional anchor for the reforms presented serious challenges from the time of the launch of the TPA-TF TA project. This situation was not helped by the high turnover across senior management staff such as appointment of three general directors in the span of one year. Additionally, political uncertainty, absence of a parliament for extended periods of time and interference in the operations of tax administration have been serious impediments to reform. As result, tax-to-GDP has stagnated at about 12.7 percent.

31. **Liberia:** The TA project for Liberia was launched in July 2011 through to April 2017 and covered tax policy (module 3), tax administration organization (module 4), core processing functions (module 5); enforcement (module 6), and taxpayer service (module 7).[29] However, FAD

[28] Registered taxpayers grew from 4,887 in 2014 to 12,413 in 2016.

[29] TA under this program, closely coordinated with multiple donors, including the African Development Bank (AfDB), the World Bank and the US Treasury's Office of TA.

TA work in tax policy and administration in Liberia had commenced much earlier.[30] This work continued under the TPA-TF. A major result of this work was the passage of an amendment to the tax code, the Consolidated Tax Amendments (CTA) to the Liberian Revenue Code, ratified by the Liberian legislature in 2011. The CTA contained a clear investment policy, modifications to the customs and excise tax regime and a specified regime for the mining, petroleum and large-scale agriculture sectors. In revenue administration, successful launch of a semi-autonomous Liberia Revenue Authority (LRA) at the height of a public health crisis in 2014 was a significant achievement. The LRA is appropriately organized by key functions and taxpayer segments, following good international practice. It has set up a one-stop taxpayer service, with a call center. It also has prepared a multiyear Strategic Plan and a career at the LRA is increasingly recognized as professional, attracting Liberians from abroad. FAD TA thus helped develop the system of tax administration in Liberia and cushion revenues during the Ebola crisis. As a result, the tax-to-GDP ratio reached a high of about 21 percent of GDP in 2012 and stabilized at about 18 percent in recent years despite the adverse impacts of the various shocks.

32. **Mali:** The TA project was launched in May 2014 through April 2017 and covered tax policy (module 3), core processing functions (module 5), and enforcement (module 6). Good reform progress was made under very difficult circumstances. In tax policy, a simplified taxation regime for small businesses was implemented in place of about 288 nuisance taxes and levies. This contributed to the significant expansion of the tax base and reduction of compliance costs. Additionally, an audit of tax expenditures, based on FAD recommendations was completed. In tax administration, the HQ functions were improved, the population of registered taxpayers increased because of efforts to broaden the tax base and enhance use of third party information, while audit coverage improved from 10 percent to 45 percent of large taxpayers and from 5 percent to 9 percent of medium taxpayers. As a result of the various measures, large and medium-sized taxpayers' compliance improved resulting in an increase of VAT collection (from 4.9 percent of GDP in 2013 to 5.7 in 2016). Overall, the tax-to-GDP ratio increased from 12.3 percent of GDP in 2013 to 15.3 percent in 2017. Despite this progress more work is needed to achieve government's revenue mobilization goal and meet the WAEMU Convergence Pact of 20 percent of GDP. Continued support is being provided under the RM-TF.

33. **Mauritania:** The TA project ran from October 2013 through to April 2017 and covered reform management (module 2), tax policy (module 3), tax administration organization (module 4), core processing functions (module 5), enforcement (module 6), taxpayer service (module 7), and tax administration support services (module 8). Regarding tax policy, the income tax system was simplified significantly, and a new CIT was proposed, including a small business taxation system; it will be tabled in Parliament in late 2017/early 2018. Regarding tax administration,

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[30] Liberia emerged from a civil war with considerable DRM needs; the tax-to-GDP ratio was about 8 percent in 2003, among the lowest in the world. While the prevailing tax code in the immediate aftermath of the war had many sound foundations, the tax base had been severely eroded by the granting of tax concessions over the years, poor administration and extremely low tax morale, and widespread governance problems. From 2006, FAD TA on a range of topics in tax policy helped create a tax system based on sound economic principles, broaden the tax base and to limit discretionary tax policy actions.

results were mixed including: the adoption and partial implementation of a function- and taxpayer segment-based organization; establishment of an internal reform management team but the tax administration strategic plan was not developed as planned; a tax procedure code was finalized, but has yet to be tabled in Parliament; the use of the Taxpayer Identification Number was enforced and data cross-checking activities launched; implementation of the compliance enforcement program was launched in 2014 is progressing though at a slow pace, and taxpayer compliance and audit coverage rates were below targets. There was limited progress under taxpayer services and support functions.

34. **Mongolia**: The TA project ran from May 2015 through to April 2017 and covered tax administration organization (module 4), core processing functions (module 5), enforcement (module 6), and taxpayer services (module 7). The main reform focus was to continue supporting large taxpayer administration reforms to bed down and sustain earlier reforms and to extending the implementation of the tax administration reforms beyond the large taxpayer segment to small and medium-sized taxpayers. In this regard, project-supported activities have successfully completed the design of detailed compliance improvement strategies for large, medium, small, and micro business segments. For each of these segments the authorities have finalized a strategy that identifies and ranks key compliance risks, sets out the number and types of actions to be taken to mitigate the risks, and provides a monitoring and evaluation framework to track the strategies' impacts on improving compliance. The design of the strategies was completed in April 2017 and they are being implemented on a pilot basis during the balance of 2017 with support from the successor RM-TF TA project, which includes a resident advisor.

35. **Myanmar:** The project ran from October 2013 through to April 2017 and covered revenue strategy (module 1), reform management (module 2), tax policy (module 3), tax administration organization (module 4), and core processing functions (module 5). Very good progress was made across all modules with the verifiable indicators for the tax administration reforms for government's Phase I tax reform achieved: the organization design was modernized to include a LTO, a function-based headquarters, a reform governance mechanism, and basic performance indicators. New processes for all core functions were piloted in the LTO and, by the end of the project, were expanded to a new medium taxpayer office. Combined, these two offices manage approximately 1,500 taxpayers and account for more than 50 percent of tax collected. Progress on policy and legislation reforms increased in the last six months and is gaining traction under Phase II of the tax reform program, but the tax administration procedures law has not yet been enacted. Reform governance arrangements are now well-established. Despite the positive progress, the Myanmar tax system is far from international good practice. Significantly more development is needed to expand the reforms across more offices and taxpayers and build the integrity of the tax system, which are the focus of the successor RM-TF project.

36. **Nepal:** The TA project ran from October 2012 through to April 2017 and covered tax policy (module 3), core processing functions (module 5), and enforcement (module 6). Extensive FAD tax policy advice informed the July 2015 report of the Government's High Level Tax System Review Commission (HLTSRC) that undertook a comprehensive tax system review. Government is

now implementing the Commission's advice, including the development of a new unified tax code on which advice was provided in early 2017; however, the extent to which FAD recommendations will be incorporated is not fully confirmed. Tax administration support assisted with the successful establishment of compliance improvement program pilots for registration, filing, and payment at the Inland Revenue Department. A RA-GAP study was completed in September 2015. However, progress on the roll out of the administrative reforms to improve compliance stalled in 2015, when, following the earthquakes, no further TA was requested.

37. **Paraguay:** The TA project was launched in September 2013 through to April 2017 and covered core processing functions (module 5) and enforcement (module 6). Reform progress was made in strengthening functional planning capacity; implementing electronic services, such as registering taxpayers through the internet, implementing electronic notification and electronic data capture, among others; strengthening compliance and enforcement processes through creating a strategy to control medium-sized taxpayers, implementing biometric data capture, and improving persuasive arrears collection; and dismantling large tax evasion schemes. These efforts translated in improvements in several indicators: the taxpayer registry increased by 25 percent;[31] the number of tax audits increased by 60 percent and the number of tax adjustments increased by 544 percent over the same period; the internet filing rate increased from close to 48 percent in 2013 to over 97 percent in 2016; and, per authorities' estimates, the VAT gap fell from close to 36 percent in 2010 to less than 31 percent in 2014.

38. **Senegal:** The TA project was implemented in two phases, following a request from the Senegalese authorities for FAD to help them address core weaknesses in tax administration.[32] Phase 1 ran from September 2011 to October 2014 and phase 2 from May 2015 to April 2017. Both phases covered tax policy (module 3), tax administration organization (module 4), core functions and procedures (module 5), and enforcement (module 6). Good reform progress was made in several areas. In tax policy, the PIT code was simplified and tax incentives outside the tax code were consolidated into the tax code, to provide more transparency. Other reforms included a simplification of stamp duties and registration fees, and reform of the VAT credit refund system. In tax administration, the both the HQ function and the regional directorates are based on sound organizational structure, a full-fledged LTO and MTOs were set up to account for a large proportion of tax collection, a small and micro business taxation system was adopted. Also, electronic return filing procedures have been implemented with the use of e-processes now mandatory for all large taxpayers, and risk-based approaches are followed to manage taxpayer compliance. Capacity in business intelligence and research was also developed that resulted in a 26 percent increase in total VAT taxpayers in 2016. A specialized collections enforcement unit was set up to collect complex debts with improved approaches implemented to monitor and

[31] The taxpayer registry increased from 581,639 in 2013 to 724,997 in 2016.

[32] These included a weak headquarters function, an outmoded and fragmented organizational structure with no specific focus on all major taxpayer segments, complex and paper-based core processes, insufficient automation, and ineffective audit and enforcement.

recover tax debt, that resulted in the collection of 50 percent of recoverable arrears by the end of 2016. TA provided under the TPA-TF helped identify the key challenges that the November 2016 Hackathon addressed in Dakar.[33] Three new ideas from this event are currently being implemented: design of a simple application that allows taxpayers without internet access to declare and pay taxes via cell phone; batch scanning of paper returns; and the creation of a personalized tax space allowing individuals and businesses to have easy access to their tax data. This TA helped maintain Senegal's tax-to-GDP ratio at about 20 percent of GDP in the last four years (from 19 percent at the start of the program), clearly outperforming regional peers.

39. **Swaziland:** The TA project ran from November 2011 through to April 2017 and covered tax administration organization (module 4), core processing functions (module 5), and enforcement (module 6). The focused on the integration of domestic taxes into a single department, the introduction of self-assessment, and introducing risk-based approaches to managing compliance. Integrating domestic taxes required the SRA to abandon its tax-type structures and merge VAT and domestic taxes into a seamless and integrated structure, with a strong headquarters, and operational offices with strengthened segmentation beginning with the LTO. By the end of 2012 the project was largely complete. Work in respect of introducing self-assessment commenced in 2013 and the objectives have been largely met under the TPA-TF TA project. Specifically: (1) Phases I and II of self-assessment implementation has been completed to include all taxpayers managed by the LTO as well as all VAT payers self-assessment has been introduced but needs to be extended to include all income taxpayers; (2) tax returns have been redesigned and simplified; (3) voluntary compliance measures have been strengthened; and (4) risk-based audit has been created and strengthened. TA provided in respect of the compliance component of the project has focused so far on the development of a risk model that will properly target compliance efforts in the areas of audit and filing compliance and developing an improved approach to arrears management.

40. **EAC:** The TA project was launched in May 2014 through to April 2017 to help EAC member states design a common tax treaty policy framework and build capacity to conduct joint negotiations of double taxation agreements (DTAs). TA was delivered over the three years, predominantly, through a series of workshops targeting key officials of the EAC Secretariat and partner states.[34] A key development was the endorsement, by the EAC Committee on Fiscal Affairs (CFA) and Sectoral Council on Finance and Economic Affairs (SCFEA), of the draft tax treaty policy framework that was prepared with FAD assistance.[35] In September 2016 the subcommittee of CFA on tax policy and administration discussed the tax treaty policy further based on the framework defined with IMF assistance and reached an agreement. The revision of

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[33] The Hackathon was the first event of its kind to propose innovative solutions to data and information challenges of a tax administration in West Africa. It proposed many new ideas to improve the interface between taxpayers and the tax administration and to address its data management challenges

[34] This program complemented TA provided by the GIZ and the Netherlands, by focusing on strategic advice and policy issues, and practical advice on how the region can negotiate treaties as a group. TA took the form of missions, workshops, STX assignments, and interaction by email and other remote communication technologies (such videoconferencing and Skype).

[35] The draft policy framework also incorporates recommendations of the BEPS final reports.

the draft EAC model tax treaty for negotiations with non-EAC countries has started; the EAC SCFEA in early May 2017 approved the tax treaty policy and the revised Model tax treaty. EAC and FAD started an advanced simulation exercise of tax treaty negotiations as a group and other relevant capacity building activities on international taxation issues in August 2017. Progress on domestic tax coordination has consisted of the CFA's SCFEA approving the strategy note presented by FAD. The SCFEA also requested that FAD initiate a TA project for developing concrete policy proposals for harmonizing the key taxes in the region, starting with excises in FY2018, and moving to VAT and the CIT afterward. A proposal for excise tax coordination was made early in FY18, but member states are slow on deciding the legal instrument for implementing the proposal. This will cause delays in implementing the proposal relative to the original date (December 2017).

41. **WAEMU:** This TA project was launched in October 2012 through to April 2017 to assist the WAEMU Commission in strengthening its role in designing and monitoring the application of the WAEMU tax coordination framework, within which its member states have agreed to design their national tax systems. In this regard, progress was made in helping the Commission have a better understanding of the weaknesses of its tax coordination framework and measures to address them, including: options on how to reduce harmful CIT competition; a directive approved and issued in early 2016 on the estimation and publication of tax expenditures by member states according to a common methodology; a policy note on how to reform the directive on the "*tax transition*" program (i.e. moving taxation from tariffs to domestic taxes, and improving the neutrality of the tax system), which now forms the basis for reviewing the directive on the "*transition fiscale*", an ongoing exercise; and proposals on how to increase and further harmonize tobacco excises, which led to a new draft directive proposed to member states at the end of October 2017.

## D. Peer Learning and Analysis

42. **The TPA-TF allowed FAD staff and country authorities to make important strides in drawing and disseminating policy-relevant lessons from the capacity building activities it supported.** This was achieved through international conferences and analytical work.

43. **The paper on Electronic Fiscal Devices was concluded and published (IMF Working Paper 17/73).[36]** The purpose of this study is to assess the performance of a specific set of electronic devices that revenue administrations sometimes use in support of their collection efforts. The paper notes that several tax administrations have adopted EFDs in their quest to combat noncompliance, particularly as regards sales and the VAT payable on sales. The introduction of EFDs typically requires considerable effort and has costs both for the administration and for the taxpayers that are affected by the requirements of the new rules. The paper concludes that despite their widespread use, EFDs can only be effective if they are a part of

[36] See "Electronic Fiscal Devices (EFDs): An Empirical Study of their Impact on Taxpayer Compliance and Administrative Efficiency." At: https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Electronic-Fiscal-Devices-EFDs-An-Empirical-Study-of-their-Impact-on-Taxpayer-Compliance-and-42820.

a comprehensive compliance improvement strategy that clearly identifies and mitigates risks for the different segments of taxpayers. It also points out that EFDs should not be construed as the "silver bullet" for improving tax compliance; as with any other technological improvement, the deployment of fiscal devices alone cannot achieve meaningful results, whether in terms of revenue gains or permanent compliance improvements.

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

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

46. **Lessons on improving HR policies and practices were developed.** To consolidate work being done in the West African region on a bilateral basis, FAD launched a regional study on HR policies and practices in the tax administrations of six WAEMU country members[37] and Morocco.[38] The study entailed dissemination of a questionnaire covering core HR areas (such as planning and recruitment, remuneration, performance management, motivation, capacity development, career management and discipline); which was completed by the seven countries.

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[37] Benin, Burkina Faso, Côte d'Ivoire, Mali, Senegal and Togo. Officials from Cameroon, Niger, and Morocco also participated.

[38] Morocco was chosen as a 'comparator' country because the Moroccan tax administration has introduced a number of reforms to its HR system that have yielded positive results in recent years.

The assessment found that in most of the WAEMU countries HR policies are insufficiently aligned to the tax administration's overall strategy, computerized HR management systems are partial or non-existent, basic data and tools to help predict HR needs are scarce, and there is no formal performance management system. It concluded that in all the WAEMU countries except Togo, the tax administrations need a comprehensive HR strategy that will strengthen staff recruitment, training, and career development, establish transparent performance management, and ensure the fair and effective application of sanctions for staff who violate HR rules. Based on this information, a report describing the common challenges and issues faced by tax administrations in managing human resources, and drawing lessons from their respective experience and identifying good practices was been prepared. This report was discussed during a workshop held in November 2017 in Casablanca (Morocco) (supported under the RM-TF) that brought together representatives from nine West African countries (including Cameroon) and representatives of TPA-TF partner organizations. The workshop discussed and identified concrete measures that tax administrations could implement to modernize HR systems and their management and areas for future TA.

**RA-FIT/ISORA**

47. TPA-TF support was instrumental in making the Revenue Administration Fiscal Information Tool (RA-FIT)/International Survey on Revenue Administration (ISORA) the sole international tool for gathering tax data. TPA-TF support focused on: (1) data gathering, analysis and outreach activities; (2) ensuring a higher degree of LLMICs participation in RA-FIT/ISORA by providing in-country assistance; and (3) enabling FAD staff to further collaborate with stakeholders in expanding the RA-FIT/ISORA platform. Key achievements include: the signing of a Memorandum of Understanding (in April 2016) between the IMF, CIAT (Inter-American Center of Tax Administrations), IOTA (Intra-European Organization of Tax Administrations), and the OECD (Organization for Economic Cooperation and Development) to use RA-FIT/ISORA as the sole, shared survey for tax administration launched in May 2016; improved survey completion rates across the number of LLMICs that the IMF is responsible for. Also, two analytical papers describing the findings of round 1 and 2 were published in 2015 and 2017 respectively.[39] Additionally, the RA-FIT Data Portal (funded by the IMF) is ready for use.[40] Presently, aggregated data for RA-FIT (Round 2) and ISORA 2016 is available to the public, while country specific data is available to participating administrations provided they are registered.

**TADAT and RA-GAP**

48. **Diagnostic tools are being integrated in TA work into TPA-TF countries with some support from the TPA-TF.** Importantly, the tools have helped identify reform priorities and design TA projects under the RM-TF in the respective countries.

[39] https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2017/06/30/Understanding-Revenue-Administration-Results-from-the-Second-Survey-of-the-Revenue-44896 and https://www.imf.org/external/pubs/ft/dp/2015/fad1501.pdf

[40] The RA-FIT Data Portal can be accessed at http://data.rafit.org.

- **TADAT:** assessments were completed in Bangladesh, Côte d'Ivoire, Ethiopia, Georgia, Liberia, and Paraguay; two (Georgia and Liberia were published).

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

# III. FINANCIAL PERFORMANCE OF THE TPA-TF

49. **Careful financial management and good levels of implementation ensured the TPA-TF fully utilized partner resources.** The original program document budget envisaged a thematic fund of US$30 million, and US$27.413 million was received from the partners. An additional US$61,000 of interest accrued to the subaccount over the phase. This meant that a total of US$27.474 million was available to the thematic fund for TA programs. Table 1 below details the cash flows over the life cycle of the TPA-TF.

**Table 1. Cash Flow Statement**

**(As of October 31, 2017, in thousands of U.S. Dollars)**

| | FY 2012 Year 1 | FY 2013 Year 2 | FY 2014 Year 3 | FY 2015 Year 4 | FY 2016 Year 5 | FY 2017 Year 6 | FY 2018 Year 7 | Totals |
|---|---|---|---|---|---|---|---|---|
| **Inflows:** | **13,110** | **3,540** | **6,063** | **1,624** | **2,869** | **265** | **2** | **27,474** |
| Belgium[1] | 4,121 | - | - | - | - | - | - | 4,121 |
| European Commission[1] | - | - | 4,720 | - | 1,609 | - | - | 6,329 |
| Germany[1] | 5,637 | - | - | - | - | - | - | 5,637 |
| Korea | - | - | - | - | 1,000 | - | - | 1,000 |
| Kuwait | 250 | - | - | - | - | - | - | 250 |
| Luxembourg[1] | 670 | 326 | 340 | 284 | - | - | - | 1,620 |
| Netherlands | - | 2,206 | - | - | - | - | - | 2,206 |
| Norway | 428 | - | - | 336 | 242 | 244 | - | 1,250 |
| Switzerland | 2,000 | 1,000 | 1,000 | 1,000 | - | - | - | 5,000 |
| Interest Earned[2] | 5 | 8 | 3 | 4 | 18 | 21 | 2 | 61 |
| **Outflows:** | **2,261** | **3,309** | **4,176** | **4,009** | **6,265** | **7,452** | **1** | **27,473** |
| TTF Activities | 2,261 | 3,309 | 4,176 | 4,009 | 6,265 | 7,452 | 1 | 27,473 |
| of which TTF Fee | 148 | 216 | 273 | 262 | 410 | 488 | 0 | 1,797 |
| **Cash Balance[3]** | **10,849** | **11,081** | **12,968** | **10,583** | **7,187** | **0** | **1** | |

[1]Original donor contribution as recorded at the Bank for International Settlements.
[2]Actual interest earned through October 31, 2017.
[3]Cash balance is calculated by subtracting total outflows from total inflows.

50. **Individual TA programs were managed as part of the TPA-TF portfolio.** This allowed for periodic rebalancing of the portfolio through budget adjustments reflecting the pace of progress towards individual TA program objectives, realistic assessment of the absorption capacity, as well as unanticipated external shocks to TA delivery such as the Ebola crisis or political turbulence in some of the TPA-TF countries during the life cycle of the program. Table 2 shows the final budget execution status for each of the TPA-TF programs.

## Table 2. Project Status

**(As of October 31, 2017, in thousands of U.S. Dollars)**

| Description (Module) | Approved Budget as of | Final Expenses | |
|---|---|---|---|
| | Apr 2017 | Amount | % of Endorsed Budget |
| **Direct TA (A)** | **26,178** | **25,849** | **98.7** |
| Bangladesh (3, 6) | 257 | 257 | 100.1 |
| Benin (1, 4) | 358 | 347 | 96.8 |
| Bolivia (3, 4, 6) | 998 | 963 | 96.5 |
| Burundi (3, 4, 5, 6) | 512 | 512 | 100.0 |
| Cape Verde (3, 4, 8) | 1,558 | 1,562 | 100.2 |
| Cote d'Ivoire (4, 6) | 847 | 818 | 96.6 |
| East African Community (3) | 573 | 528 | 92.1 |
| Ethiopia (5, 6, 7, 9) | 1,189 | 1,167 | 98.1 |
| Georgia | 546 | 544 | 99.6 |
| Guinea Bissau (1, 4, 5) | 1,285 | 1,264 | 98.3 |
| Haiti (3, 4) | 992 | 992 | 100.0 |
| Kyrgyz Republic (3, 4, 6, 8) | 418 | 418 | 100.0 |
| Liberia (3, 4, 5, 6, 7) | 2,901 | 2,897 | 99.9 |
| Mauritania (4, 5, 6, 8) | 1,349 | 1,269 | 94.1 |
| Mali (3, 5, 6) | 516 | 516 | 100.0 |
| Mongolia (4,5,6,7) | 1,183 | 1,129 | 95.5 |
| Myanmar (1, 2, 3, 4, 5) | 4,276 | 4,314 | 100.9 |
| Nepal (3, 5, 6) | 783 | 782 | 99.9 |
| Paraguay (5, 6) | 930 | 932 | 100.2 |
| Senegal (3, 4, 5, 6) | 1,604 | 1,584 | 98.8 |
| Swaziland (4, 5) | 841 | 834 | 99.2 |
| West Bank and Gaza (3, 5) | 565 | 565 | 100.0 |
| West Africa Project (8) | 116 | 74 | 63.4 |
| WAEMU (1, 3) | 457 | 457 | 100.0 |
| General Project Management[1] | 936 | 936 | 100.0 |
| Evaluation | 188 | 188 | 100.0 |
| **Research Projects (B)** | **939** | **921** | **98.2** |
| 1. RA-FIT | 733 | 716 | 97.6 |
| 2. Electronic Tax Register | 103 | 103 | 100.0 |
| 3. TPA Program Outcomes | 61 | 61 | 100.0 |
| 4. Technical notes and manuals | 42 | 42 | 100.0 |
| **Workshops (C)** | **640** | **640** | **100.0** |
| 1. Revenue Administration Reform and Technical Assistance | 1 | 1 | 100.0 |
| 2. Multi-country workshops (9) | 329 | 329 | 100.0 |
| 3. Managing Tax and Administration Reform Programs | 310 | 310 | 100.0 |
| **Steering Committee Meetings** | 63 | 63 | 100.0 |
| **Total (A)+(B)+(C)** | **27,819** | **27,473** | **98.8** |
| of which Trust Fund Management Fee | 1,820 | 1,797 | |

[1] General management expenses, excluding management costs incurred under each country program.

51. **The final expenditure across all programs of the TPA-TF is US$27.473 million, leaving a balance of US$448.** Partners were already surveyed in 2016 in regard to the possibilities of rolling their pro rata share of these funds to phase 2, the Revenue Mobilization Thematic Fund. Over the coming month these funds will be returned to the donor or transferred to phase 2, depending on preferences and regulations. Table 3 shows the allocations of the remaining funds across partners. It should be noted that of those agreements that were denominated in currencies other than USD, four resulted in an exchange rate loss for the IMF. Table 3 also illustrates, but does not explicitly show the aggregate exchange rate loss amount (approximately US$0.8 million).

**Table 3: Remaining Balance Distribution Statement**

**(As of October 31, 2017)**

| Partners | Agreement Information | | | | Received Contributions U.S. Dollars | Balance Distribution U.S. Dollars |
|---|---|---|---|---|---|---|
| | Signed Date | Currency | Amount | U.S. Dollars[1] | | |
| Belgium | Oct. 10, 2010 and Sep.23, 2011 | EUR | 3,000,000 | 3,966,680 | 4,120,900 | 67 |
| European Commission | December 23, 2013 | EUR | 5,000,000 | 6,828,735 | 6,328,734 | 103 |
| Germany | September 23, 2009 | EUR | 4,000,000 | 5,918,911 | 5,636,870 | 92 |
| Korea, Republic Of | April 24, 2015 | USD | 1,000,000 | 1,000,000 | 1,000,000 | 16 |
| Kuwait | February 7, 2011 | USD | 250,000 | 250,000 | 250,000 | 4 |
| Luxembourg | December 20, 2010 | EUR | 1,250,000 | 1,647,772 | 1,619,701 | 26 |
| Netherlands | November 30, 2009 | USD | 2,205,863 | 2,205,863 | 2,205,863 | 36 |
| Norway | November 11, 2011 | NOK | 6,000,000 | 972,069 | 821,886 | 13 |
| Norway | January 9, 2014 | USD | 427,953 | 427,953 | 427,956 | 7 |
| Switzerland | April 17, 2011 | USD | 5,000,000 | 5,000,000 | 5,000,000 | 82 |
| **Grand Total** | | | | **28,217,984** | **27,411,910** | **448** |

[1]Exchange rates used here were those at time of signing

# IV. EVALUATION

## A. Mid-Term External Evaluation: Findings and Follow-Up

52. **An independent external mid-term evaluation of the TPA-TF was carried out in June 2015.** It concluded that the program was "on track" to achieve its objectives and rated the overall achievement of the portfolio as a 'strong good.' The report noted that both the SC members and beneficiary countries' officials provided "high praise" for the quality and benefits of the advice delivered through TPA-TF-funded TA projects. They also commended the modular approach to providing TA. An enhanced RBM framework helped monitor the TA projects and measure achievements. The evaluation provided several recommendations that helped shape the design of RM-TF—see Table 4 which summarizes the key recommendations of the report and action taken within the context of the RM-TF.

**Table 4: Summary of the Mid-term Evaluation Report for the TPA-TF**

| Key recommendation | Action taken |
|---|---|
| 1. The risk assessment needs to be in much greater depth when following a TA request and needs to be thoroughly reported in any subsequent project proposal to the SC. | Fielding of scoping or assessment missions, in advance of project design, has improved project design and risk assessment. This has been achieved by including in RM-TF a separate budget line to enable such missions, when deemed appropriate, ahead of submitting to the SC a proposal for opening a new project. These missions allow for a better assessment of the situation on the ground, the authorities' commitment, and evaluation of risks. The missions also offer an opportunity to explain to the authorities the modality and characteristics of the TPA-TF work, and to understand better where they viewed the reform priorities should lie. |
| 2. The focus of TA needs to be narrowed to recognize that more project extensions are likely, more mission follow-up is needed, more efforts are needed by the TF to close some of the TA gaps, especially in capacity building. | Focus of TA has been redesigned by introducing two delivery approaches: (1) intensive engagement which involves supporting beneficiary countries in comprehensive reform of their tax systems, including redesign of tax policy frameworks and strengthening revenue administration core functions; and (2) targeted support which focuses on specific areas where improvements are most needed. Both approaches are framed in the context of a multi-year engagement and tailored to meet country-specific TA needs. |
| 3. The TF needs to define criteria that would enable it to cut back on TA delivery when progress is being hampered by issues involving commitment, retrenchment, insufficient capacity for any implementation, among others. | A cornerstone of the RM-TF program is the explicit commitment by senior country officials, including sign-off on project objectives, outcomes, and milestones via a memorandum of partnership (MOP). This will form the basis for project monitoring and decision making, in consultation with the authorities and the SC, about scaling back projects where progress is not satisfactory. |
| 4. More is needed to improve donor coordination, including systematic donor canvassing and comprehensive coordination in each of the countries of operation followed by a detailed narrative report semi-annually on how other donors are contributing to tax modernization. | This is being addressed via the activities of the Platform for Collaboration on Tax, including multi-agency support for preparation of medium term revenue strategies (MTRS). The IMF will also continue sharing information and reports with donors; intensify efforts to systematically meet with donors on the ground; require the authorities to provide regular information on donors' activities in their countries; and encourage authorities to establish reform program units to coordinate multiple donor-supported programs. |
| 5. A FAD staff member should oversee reported results to ensure consistency and realism in approach and judgment. This individual will discuss assessments with project managers. | The IMF has implemented an enhanced RBM framework with clear project objectives, outcomes and milestones. Project managers are also being trained and coordination across project managers is encouraged to enhance consistency. |

| Key recommendation | Action taken |
|---|---|
| 6. Consider other alternatives to the Tax-to-GDP ratio. | Project objectives, outcomes, and milestones are embodied in the log frame and a more robust set of assessment indicators (institutional, and operational), including those gathered in the context of RA-FIT and TADAT will be used to measure and monitor results. The log frame is developed in cooperation with the Steering Committee partners and is consistent with the IMF's enhanced RBM framework. But tax-to-GDP ratio still provides value, including given its common use as a budgetary target. |
| 7. Build a results chain that integrates all IMF inputs (directly from FAD HQ, from RTACs, from other bi-laterally funded IMF experts and from the TF as well as the related recommendations, outputs and outcomes. | At the core of the IMF's enhanced RBM framework is the Catalog, which comprises standardized objectives, outcomes and verifiable indicators for each of the work streams of TA. Although still at a nascent stage, the work is under way to enable systematic monitoring and evaluation of all IMF inputs in a given country under a given work stream. |
| 8. Leverage all training and materials developed through FAD, RTACs, IMF Training Centers, and TF to develop a series of online courses which are supplemented by in-country TA. | The RM-TF has a dedicated training module for developing face-to-face and on-line courses to support and complement TA delivery on selected tax policy and administration topics, particularly for low-capacity countries. Opportunities for peer-to-peer learning are being utilized through organizing multi-country seminars and workshops on lessons learned and steps needed to ensure successful reform programs. |

## B. Lessons Learned[41]

53. This section provides a summary of the key lessons and explains how they were incorporated in the design of the RM-TF.

54. **Concrete and visible progress on DRM is possible when there is strong political commitment and some management capacity.[42]** Leadership, commitment, and reform ownership are critical to success and need to be sustained throughout the reform. While this is not surprising, the question is whether there is scope at the beginning and throughout the

[41] Lessons learned from implementing the TPA-TF are discussed in the reports to the SC, the independent mid-term evaluation, and are reflected in the RM-TF program document.

[42] Examples of strong engagement at the political levels include: Senegal - FAD TA was sought directly by the Minister of Finance in 2011 and strong leadership of the then DG of the tax department was critical for the success of the reform; Liberia - the strong leadership of the then Minister of Finance and Deputy Minister responsible for revenue administration (currently CG of the LRA) was directly responsible for the conceptualization and initial progress of the tax administration reform program; and Paraguay - a similar level of commitment at the political level has been also apparent with the Minister and Deputy Minister of Finance supporting tax policy and administration reforms very actively since 2013.

project to engender these critical aspects with ministers of finance and heads of tax administrations in countries where these features are lacking. Continuing to deliver TA and to press for results at the technical level may not be sufficient to ensure that project objectives are met. Better strategies for mobilizing political and management support are needed. More emphasis on having a reform plan approved and resourced at the early stages of a project can enhance political and management commitment. Additionally, public pronouncement of the reform process, preferably at the highest political levels, typically sends a clear signal of formal commitment to and support for change and creates the sense of urgency to move forward with the reforms. This all means that senior officials have a discernible role in the success of the reform.

55. **Comprehensive TA support enhances results and sustainability.** FAD TA is demand-driven subject to the eligibility criteria that are defined in the program documents for the respective thematic funds. In the case of the RM-TF, capacity to respond to country needs has been enhanced via the two support models: intensive engagement in support of transformational reforms covering policy, administration, and legislation—broad in scope and lasting up to five years, and targeted engagement in support of reforms in selected areas—focused on specific weaknesses and typically up to three years. Further, RM-TF is enabled to support customs administrations, in particular in beneficiary countries that have revenue authorities (integrated tax and customs administrations), and where close coordination between these two administrations (e.g., intelligence, audit, and enforcement) is critical for improving compliance levels. Last but not least, RM-TF provides for greater focus on such cross-cutting issues as international taxation and climate change, as well as on research, assessment tools, and training. Actual level of commitment in a particular case is typically defined via scoping missions and discussions with the authorities.

56. **Early diagnostics and a clear results orientation support implementation.**[43] There is clear value of conducting comprehensive assessments such as the multi-agency tax administration diagnostic and assessment tool (TADAT) at the outset of a reform program. Using standardized diagnostic tools, establishing baselines and assessing risks at the beginning inform project design and set clear expectations. Local conditions should dictate the pace and sequence of execution. Different approaches can be employed as a result of early diagnostics, including "big-bang" and comprehensive approaches in some and pilot or gradual execution in others. Following a clear plan with early focus on "quick wins" to build momentum can greatly facilitate implementation. With the reform strategy tailored to the environment on the ground, periodic diagnostic assessments will be instrumental for monitoring progress, especially in volatile conditions.

[43] In Liberia, for example, a comprehensive diagnostic mission was undertaken prior to design of the project. In Benin, Georgia and Myanmar, a specific reform strategy module helped the authorities prepare a strategic plan. In these countries, the strategies were to incorporate the findings of TADAT or RA-GAP assessments.

57. **Setting up a dedicated team in charge of the reform is crucial and many failed reforms were due to absence of an accountable counterpart.**[44] TA staff should stress the importance of project management when a country is embarking on a medium-term institutional reform. A dedicated reform and change management capacity is needed within the counterpart agency to ensure the effective implementation of a reform program. Setting up a project management unit or at least a dedicated team improves monitoring, accountability and on-the-ground coordination, and maintains reform momentum. Coordination among all stakeholders, including government officials, TA providers and donors is integral to a robust governance framework.

58. **Recognizing explicitly the importance of international tax and climate change issues.** The TPA-TF covered international issues such as transfer pricing, tax treaties and withholding taxes. RM-TF places an even a greater focus on these issues due to the countries' increased concerns about tax planning practices by multinational enterprises (MNEs), and the recent base erosion and profit shifting (BEPS) initiative to address some of these concerns. RM-TF is well positioned to meet the growing demand for TA on international tax issues, given recent developments in automatic exchange of information, Foreign Account Tax Compliance Act (FATCA), and ongoing BEPS implementation. Climate change issues have also risen in importance and most countries are contemplating as to how they could address them. This has led to increased demand for TA to assess tax instruments such as environmental taxes and regulations. Project managers are also pro-active in identifying and discussing international tax and climate change issues with the authorities.

59. **Implementing the enhanced RBM system can improve assessment of the impact of TA provided to IMF member countries.** The TPA-TF served as an important vehicle for the IMF to pilot the application of a RBM approach. The TPA-TF reports were improved in multiple dimensions, including: (1) an enhanced narrative that discusses the results towards outcomes and the key risk categories (political support, management commitment, capacity, timeliness, sustainability, and others) behind each project; (2) the aggregation of outcomes by modules and projects through the use of a numerical scoring system to evaluate outcomes; (3) a graphical depiction of the quantitative scores of projects over time; and (4) an improved SLF. All this work increased the TPA-TF's focus on results and established a clearer assessment of risks by means of a standardized risk reporting framework. The link between objective/outcome indicators and the high-level impact indicators however remains work in progress.

60. **Training can be a relevant way to support effective TA outcomes.** Experience with delivering TA shows that HR weaknesses and lack of understanding of key policy and administration concepts are major constraints to reform success in LLMICs. This includes weaknesses in management and leadership skills. In this context, training offers the possibility to prepare substantive background material on good practices and make it available to a larger

[44] Senegal, for example, established a credible project structure to strengthen ownership and delivery of reform. It set up a strategy and modernization unit with full-time resources and reporting directly to the Office of the DG of the tax administration.

group of government officials. It can also provide a way to better prepare the counterparts before a direct TA mission on particular issue. RM-TF is set to support training by developing a package of courses on tax policy and administration which can be deployed both in physical settings and online.

61. **Performance measurement is still in need of improvement across many countries.** Feedback mechanisms, such as key performance indicators (KPIs) assessing a range of outcomes – for example, impact on tax compliance – as well as outputs, should be used to monitor progress and allow for adjustment of pace and direction. However, measuring progress, or lack of it, remains a challenge in many countries. Traditional approaches to measuring success—such as revenue collection in the case of the tax department and funds disbursed or number of outputs in the case of TA providers —continue to dominate, ,. Additional efforts to advance performance measurement are therefore needed. This can be achieved through a more systematic use of RA-FIT, including through project managers encouraging country authorities to complete the RA-FIT survey. TADAT missions would also support better performance measurement.

62. **More intensive hands-on assistance is required in countries with less mature tax administrations and broad scope of the reform program.** In a few cases, such as Myanmar, virtually entire tax administration system had to be modernized, yet counterpart capacity to execute the reform program was very weak. Intensive hands-on and in-country support was needed daily, at least at the initial stages. In such cases, the presence of a resident advisor greatly aided reform implementation and increased the potential for program success. In other cases, the use of peripatetic short-term experts was sufficient to help reforms bear results by allowing the tax officials time to absorb and implement recommendations.

63. **Innovative approaches to TA delivery are required in difficult circumstances.** For example, when the Ebola virus in Liberia and insecurity in Mali created dangerous conditions for in-country work, FAD used remote TA effectively to continue providing technical assistance.[45] In some cases, limited TA was provided amid political turmoil to maintain engagement with tax officials at the technical level. These approaches were facilitated by the medium-term nature of the TPA-TF engagement (compared to one-off engagements).

[45]It would be more difficult to work remotely if a well-defined and intense TA project were not in place (for example, a one-off TA engagement would not be able to create trust and country knowledge to allow for remote TA to be deployed so successfully).

## Appendix 1. TPA-TF Modules

**Under the TPA-TF, TA was implemented under a programmatic approach based on nine modules designed to address critical areas in building sustainable revenue systems.** Depending on country needs and circumstances, these modules are delivered individually or in packages, or as an integrated and sequenced reform TA project over several years.

**Box 2. TPA-TF Programmatic Approach**

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

# Appendix 2. Selected Macroeconomic Indicators for TPA-TF Countries

| TPA-TF Country | Classification (2017) * | GDP per capita 2011-2016 average USD 2011 PPP | GDP per capita growth %, average 2011-16 | Human Development Index (2015) | Employment % population aged 15+, average 2011-16 | Inflation (%) | Investment % of GDP, average 2011-2016 | Tax revenue as a % of GDP, average for 2011 - 16 | Grants as a % of GDP, average for 2011 - 16 |
|---|---|---|---|---|---|---|---|---|---|
| Bangladesh | LMIC, P | 2,923.0 | 5.2 | 0.6 | 59.5 | 7.2 | 28.5 | 8.8 | 0.3 |
| Benin | LIC, P | 1,934.9 | 1.7 | 0.5 | 70.9 | 1.5 | 26.1 | 14.2 | 1.2 |
| Bolivia | LMIC | 6,174.4 | 3.7 | 0.7 | 70.5 | 5.6 | 19.8 | 30.1 | 0.4 |
| Burundi | LIC, FS, S, P | 769.0 | -0.9 | 0.4 | 82.1 | 8.5 | 24.4 | 13.1 | 14.0 |
| Cabo Verde | LMIC | 5,977.4 | 0.7 | 0.6 | 60.6 | 1.2 | 38.3 | 18.9 | 2.5 |
| Côte d'Ivoire | LMIC, FS, P | 2,976.2 | 4.3 | 0.5 | 60.7 | 1.9 | 16.9 | 15.0 | 1.1 |
| | | | | | | | | | |
| Georgia | UMIC, P | 8,415.3 | 5.5 | 0.8 | 58.0 | 2.7 | 28.9 | 25.2 | 0.9 |
| Guinea Bissau | LIC, FS, P | 1,431.1 | 0.9 | 0.4 | 67.8 | 1.7 | 9.3 | 8.4 | 5.4 |
| Haiti | LIC, FS, P | 1,622.4 | 1.6 | 0.5 | 56.9 | 8.0 | 30.2 | 12.7 | 7.3 |
| Kyrgyz Republic | LMIC, T, P | 3,103.7 | 2.8 | 0.7 | 58.2 | 6.7 | 33.2 | 19.8 | 2.5 |
| Liberia | LIC, FS, P | 778.1 | 1.3 | 0.4 | 58.7 | 8.2 | 19.7 | 19.2 | 5.6 |
| Mali | LIC, FS, P | 1,870.1 | 0.8 | 0.4 | 61.1 | 2.0 | 18.1 | 12.9 | 2.1 |
| Mauritania | LMIC, P | 3,538.2 | 1.3 | 0.5 | 42.1 | 3.2 | 51.0 | 16.1 | 1.6 |
| Mongolia | LMIC | 10,579.5 | 6.8 | 0.7 | 57.8 | 8.7 | 43.2 | 26.0 | n.a. |
| Myanmar | LMIC, FS | 4,616.3 | 6.2 | 0.6 | 77.6 | 5.7 | n.a. | 6.7 | 0.3 |
| Nepal | LIC, FS | 2,192.2 | 2.4 | 0.6 | 80.6 | 8.8 | 37.3 | 15.5 | 2.2 |
| Paraguay | UMIC | 8,177.1 | 3.4 | 0.7 | 67.3 | 4.5 | 16.4 | 12.6 | 1.0 |
| Senegal | LIC | 2,238.3 | 1.5 | 0.5 | 51.1 | 0.9 | 26.1 | 19.4 | 2.8 |
| Swaziland | LMIC | 7,770.8 | 1.0 | 0.5 | 37.6 | 6.5 | 12.1 | 26.1 | 0.6 |
| West Bank and Gaza | LMIC, FS, T | 2,687.1 | 1.7 | 0.7 | 32.8 | n.a. | 20.3 | 18.4 | 8.4 |
| **Average (TPA-TF countries)** | | **3,864.6** | **2.8** | **0.6** | **61.9** | **5.4** | **26.8** | **16.8** | **3.1** |
| **Average for LICs and MICs** | | **8,943.3** | **3.4** | **0.7 (DCs)** | **60.0** | **4.5** | **28.1** | **n.a.** | **n.a.** |

* F=country in fragile situation; S=TA project suspended; T= TA project terminated, P =Had an IMF Program (lending arrangement) at some point during the period 2012 to 2017

Source: IMF World Economic Outlook and UN Human Development Index for 2015.

## Appendix 3. Tax Policy and Revenue Administration TA by TPA-TF Country (FTEs)

| Country | Total Tax Policy and Administration TA (2006-11) | Total Policy and Administration TA (2012-17) |
|---|---|---|
| Myanmar | 0.0 | 10.4 |
| Liberia | 1.7 | 8.4 |
| Mongolia | 0.8 | 6.8 |
| Senegal | 1.0 | 4.8 |
| Mauritania | 1.8 | 4.7 |
| Côte d'Ivoire | 1.4 | 4.6 |
| Nepal | 1.2 | 4.6 |
| Cabo Verde | 0.2 | 4.4 |
| Paraguay | 0.9 | 4.2 |
| Ethiopia | 0.9 | 3.8 |
| Guinea-Bissau | 0.5 | 3.7 |
| Bangladesh | 0.4 | 3.7 |
| Swaziland | 0.3 | 3.5 |
| Georgia | 0.6 | 3.4 |
| Benin | 1.2 | 3.2 |
| Sierra Leone | 1.1 | 2.9 |
| Mali | 1.4 | 2.7 |
| Bolivia | 0.7 | 2.5 |
| Burundi | 1.7 | 2.1 |
| Haiti | 0.7 | 1.8 |
| West Bank and Gaza | 0.4 | 1.3 |
| Kyrgyz Republic | 0.4 | 1.0 |
| **Total** | **18.2** | **85.6** |

## Appendix 4. TPA-TF Strategic Logical Framework (Revision: June 2014)

**The TPA-TF served as an important vehicle for the IMF to pilot the application of an RBM approach.** Lessons learned caused the SLF to be revised in June 2014 following discussions with the Steering Committee (SC) held in the March 2014 workshop in Brussels. Key changes that were introduced include: (1) adopting an overarching objective and associated performance indicator at the TPA-TF strategic (impact) level, which did not exist in the original program document (i.e., there was no defined overarching objective for the TPA-TF as a whole); and (2) better defining some concepts used in the SLF (e.g., definition of the overarching objective and overall indicator, strategic objectives, and indicators). Other changes that were made to reporting include: (1) an enhanced narrative that discusses the results towards outcomes and the key risk categories (political support, management commitment, capacity, timeliness, sustainability, and others) behind each TA project; (2) the presentation of results by implementing a scoring system that can be aggregated by modules and TA projects;[1] and (3) a graphical depiction of the quantitative scores of TA projects over time. The revised SLF is presented below.

| *Impact Level* | **Overarching Objective**: Increased revenue mobilization to support fiscal sustainability and long-term growth.<br>**Overall Indicator**: Average tax-to-GDP ratio trends up over time (in all participating countries). | | | |
|---|---|---|---|---|
| **Strategic Objectives** | **Indicators** | **Sources of Baseline** | **Progress on indicators** | **Risks and Mitigation** |
| <u>Strategic Objective 1</u><br>Increased effectiveness of tax systems in participating countries | <u>Indicator 1.1</u><br>Number of countries that have adopted and resourced a clear reform strategy | Initial project proposal and periodic assessments by project managers. | Available at country level, but not yet aggregated. Depends on each project manager's input. | Changes to the reform strategy pose risk, but not necessarily negative unless ill conceived. |
| <u>Strategic Objective 2</u><br>Simpler, more transparent, and productive regimes are | <u>Indicator 2.1</u><br>Number of countries with transparently reported tax expenditures | RA-FIT, government public websites, and information from project managers. | Very few TPA countries self-declare compliance with this indicator. Available at country level, but not yet aggregated. Depends on each project manager's input. | Political unwillingness to transparently divulge and/or quantify tax concessions. Difficulties in capturing data and implementing a sound methodology. |

[1] Progress was measured through a numerical scoring system of: 0 (not started); 1 (not achieved); 2 (partially achieved); 3 (largely achieved); and 4 (fully achieved) to evaluate outcomes. These scores were supported by a qualitative assessment of recent developments in country projects and challenges remaining.

| | | | | |
|---|---|---|---|---|
| in place | <u>Indicator 2.2</u><br>Number of countries where VAT productivity trends up over time | FAD database on VAT productivity and other public sources, but covers only partially the TPA countries and data often lack robustness. | Country specific baselines available for some program countries and regional averages possible for others. | Multiple VAT rates can distort productivity ratio. |
| <u>Strategic Objective 3</u><br>Increased efficiency of participating revenue administrations | <u>Indicator 3.1</u><br>Number of countries where the cost of collections trends down over time | RA-FIT: specific country baselines available for most TPA beneficiaries or regional averages for others. | Baselines for most project countries available. Second round of RA-FIT to be concluded only in 2014/Q3. Data reporting to be done in the mid-year report. | Revenue agencies with customs and non-core tax functions can distort costs, and the absence of donor capital costs can understate the ratio. Apportionment and inclusion of donor contributions can improve comparability. |
| | <u>Indicator 3.2</u><br>Number of countries where compliance rates trend up (filing, debt, audit) | RA-FIT: data are usually available for on-time filing; data on debt and audit are generally missing for TPA countries. | Baselines for most project countries available. Second round of RA-FIT to be concluded only in 2014/Q3. Data reporting to be done in the mid-year report. | The absence of compliance data signals a need for reform, and is an area of significant attention in the TPA projects that includes creating systems to track compliance metrics. |
| | <u>Indicator 3.3</u><br>Number of countries where taxpayer perceptions of service delivery trend up | RA- FIT will include a question on taxpayer services in the second round. Obtaining results of taxpayer perception surveys will be more difficult. | One specific TPA country (Liberia) is being targeted on this indicator. However, project managers to update whether other countries have taxpayer surveys. | If not performed independently, the results may not be objective and give a distorted view of taxpayer perceptions. Mitigated by using independent surveyors and robust methodology. |

**Strategic Logical Framework Reference Sheet**

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

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

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

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

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

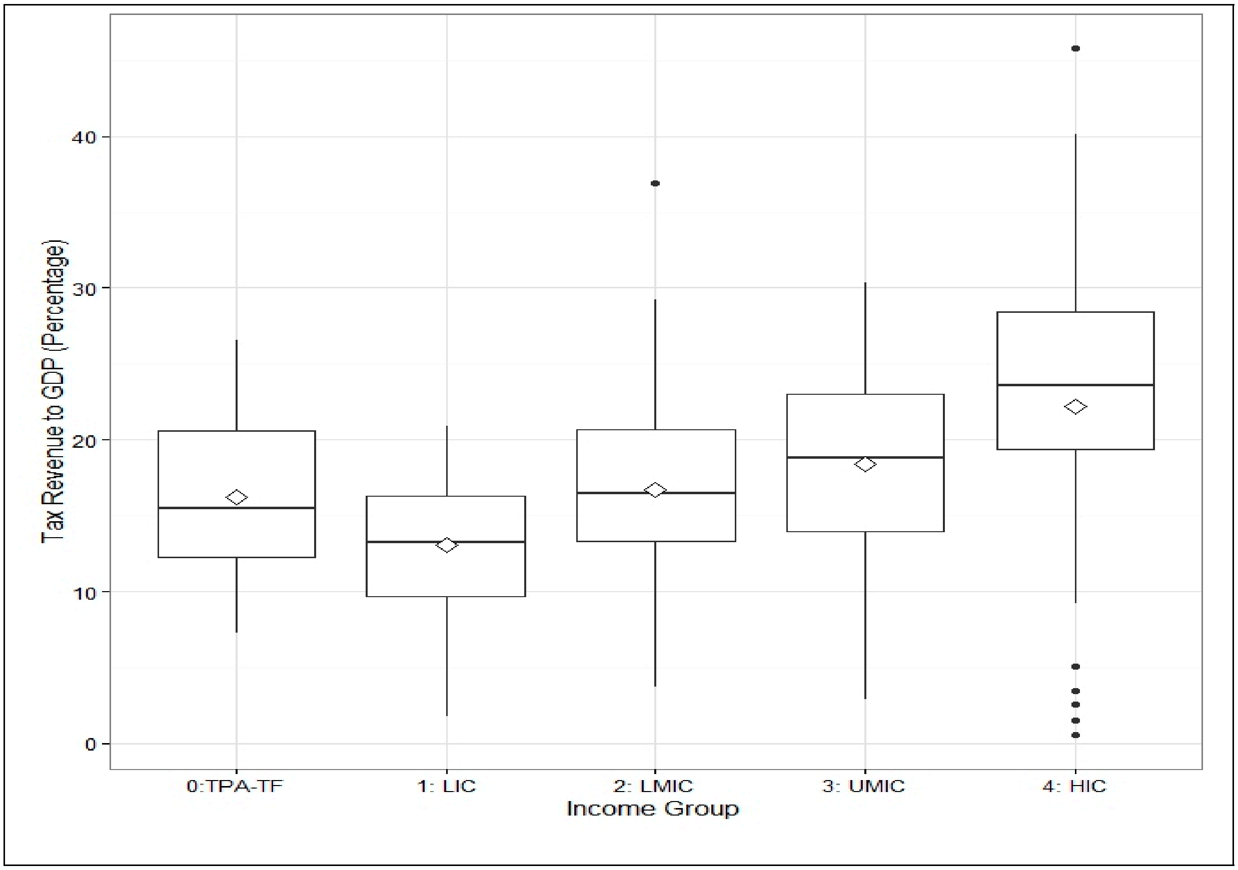
- Strategic Objective 3: Efficiency of the revenue administration refers to an administration that operates under the desired principles laid out in Box 5 of the TPA-TF Program Document (April 2011), namely: the existence of a proper legal framework; efficient organizational and staffing arrangements;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

## Appendix 5. Revenue Data and Analysis

### Table 1. Tax-to-GDP data

| Country | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|
| Bolivia | 28.9 | 31.8 | 33.7 | 33.7 | 31.3 | 26.2 | 26.6 |
| Haiti | 12.7 | 12.8 | 12.1 | 12.1 | 13.4 | 13.5 | 12.8 |
| Paraguay | 12.6 | 12.8 | 12.3 | 12.7 | 12.8 | 12.6 | 12.7 |
| Bangladesh | 8.7 | 9.0 | 9.0 | 8.6 | 8.5 | 8.8 | 9.1 |
| Myanmar | 3.6 | 6.3 | 7.3 | 7.8 | 7.5 | 7.6 | 7.3 |
| Nepal | 12.6 | 13.3 | 15.3 | 15.9 | 16.7 | 18.9 | 20.2 |
| Burundi | 15.7 | 14.6 | 13.1 | 12.6 | 11.4 | 11.3 | 10.4 |
| Cabo Verde | 20.0 | 18.3 | 18.3 | 17.5 | 19.2 | 19.8 | 20.7 |
| Benin | 14.5 | 14.4 | 14.8 | 14.6 | 14.5 | 12.6 | 13.5 |
| Ethiopia | 11.5 | 11.5 | 12.3 | 12.5 | 12.7 | 12.5 | 12.1 |
| Guinea-Bissau | 7.8 | 7.7 | 6.8 | 8.5 | 10.1 | 9.3 | 9.4 |
| Côte d'Ivoire | 12.3 | 16.2 | 15.6 | 14.7 | 15.3 | 15.9 | 15.6 |
| Liberia | 19.5 | 21.1 | 18.5 | 18.9 | 18.8 | 18.2 | 17.2 |
| Mali | 11.9 | 11.9 | 12.3 | 12.5 | 14.0 | 14.9 | 15.3 |
| Mauritania | 12.6 | 16.1 | 15.9 | 17.2 | 17.2 | 17.3 | 17.0 |
| Senegal | 19.0 | 19.0 | 18.3 | 19.6 | 19.8 | 20.5 | 20.9 |
| Swaziland | 19.4 | 29.6 | 28.5 | 29.1 | 27.0 | 23.3 | 25.8 |
| Georgia | 25.2 | 25.4 | 24.7 | 25.1 | 25.1 | 25.8 | 25.6 |
| **TPA-TF (Average)** | 14.9 | 16.2 | 16.0 | 16.3 | 16.4 | 16.0 | 16.2 |
| **TPA-TF (Median)** | 12.7 | 14.5 | 15.0 | 14.7 | 14.9 | 15.4 | 15.5 |

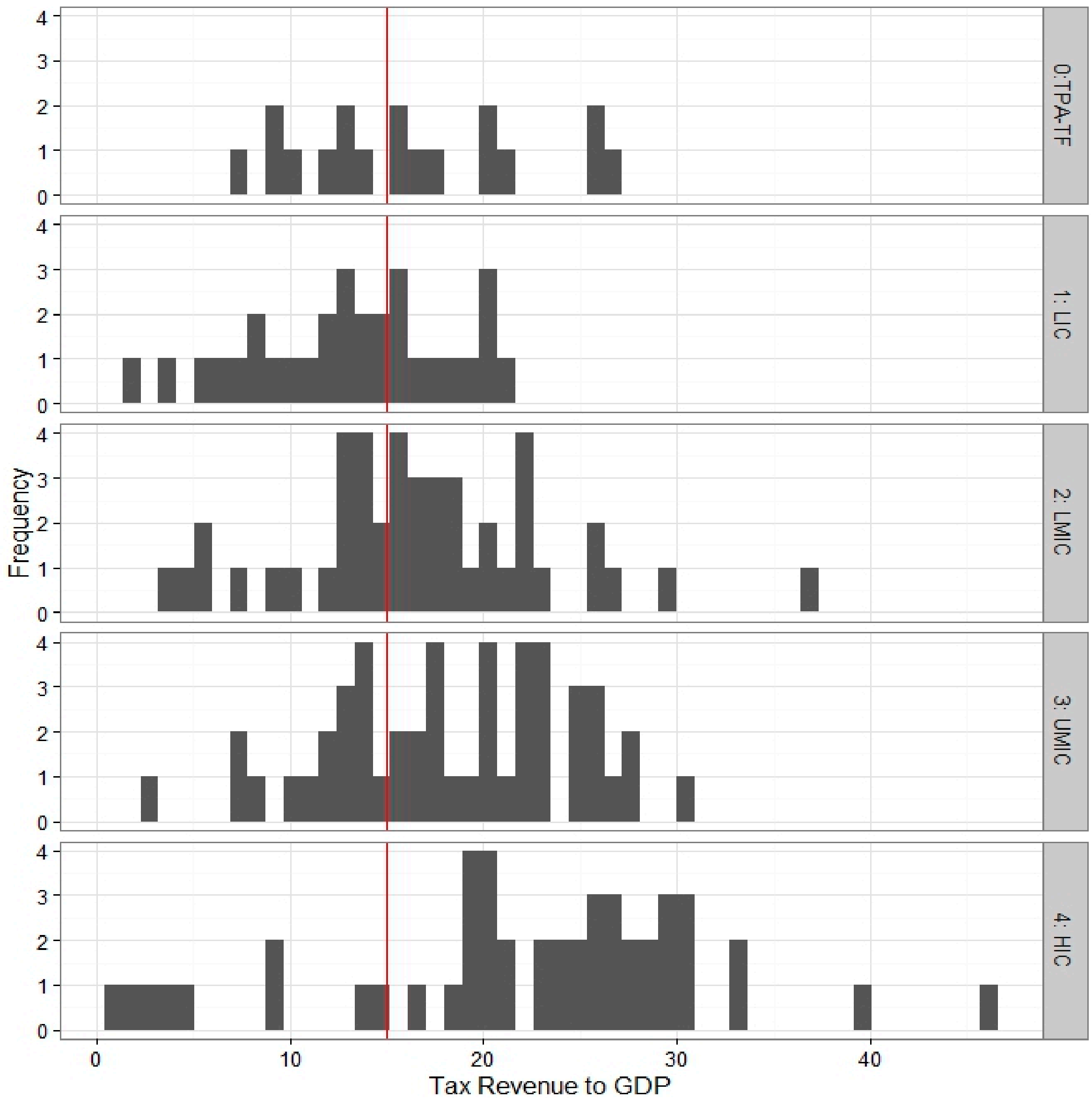
**Average Tax-to-GDP ratios by income groups (2017)**




On average,[47] TPA-TF countries still underperform against the averages for UMICs and HICs indicating that in most countries, further reforms are needed and TA is being provided under phase 2, (RM-TF).

[47] The diamond in the middle shows the average value of tax-to-GDP ratio, while the line in the middle shows the median.

| Distribution of tax-to-GDP ratios for TPATF countries and by various income groups (2017) |
| --- |




TPA-TF countries are remarkably symmetrical around the 15 percent tax-to-GDP ratio,[48] against UMICs and HICs which possess substantially higher ratios.

[48] The red line highlights the 15 percent tipping point required to provide adequate and sustainable resources for growth and development.

**Appendix 6. VAT productvity**