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PCT Progress Report 2020

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ACRONYMS

ADB:	Asian Development Bank
ATAF:	African Tax Administration Forum
ATI:	Addis Tax Initiative
BEPS:	Base Erosion and Profit Shifting
CD:	Capacity Development
CIAT:	Inter-American Center of Tax Administrations
CREDAF:	Exchange and Research Center for Leaders of Tax Administration
DfID:	Department for International Development
DRM:	Domestic Resource Mobilization
DRMS:	Domestic Resource Mobilization Strategy
DPs:	Development Partners
EMDEs:	Emerging Markets and Developing Economies
EU:	European Union
FAD:	Fiscal Affairs Department
FfD:	Financing for Development
FTA:	Forum on Tax Administration
GDT:	General Department of Taxation
GDP:	Gross Domestic Product
GTP:	Global Tax Program
IF:	Inclusive Framework
IRC:	Internal Revenue Commission
IGF:	Inter Governmental Framework
JICA:	Japan International Cooperation Agency
IMF:	International Monetary Fund
KSPTA:	Knowledge Sharing Platform for Tax Administrators
MTC:	Multilateral Tax Center
MTRS:	Medium-Term Revenue Strategy
NBR:	National Board of Revenue
NSEDP:	National Socio-Economic Development Plan
OECD:	Organisation for Economic Co-operation and Development
ODA:	Official Development Assistance
OIP:	Online Integrated Platform

PCT:	Platform for Collaboration on Tax
RMTF:	Revenue Mobilization Thematic Fund
SDGs:	Sustainable Development Goals
SPEMP:	Strengthening Public Expenditure Management Program
TADAT:	Tax Administration Diagnostic Assessment Tool
TIWB:	Tax Inspectors Without Borders
TSR:	Tax System Reform
UN:	United Nations
UNDP:	United Nations Development Program
URA:	Uganda Revenue Authority
USAID:	United States Agency for International Development
VAT:	Value Added Tax
WB:	World Bank
WBG:	World Bank Group

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I. Introduction

Governments, policymakers, international organizations, and development partners were jolted by the unanticipated and rapid onslaught of the global health pandemic and associated economic shock in 2020. The number of global deaths due to COVID-19 exceeded 500,000 in late June 2020. The impact is most devastating for poorer countries, where poverty is likely to deepen with limited scope for intervention and relief due to fiscal space constraints and lower capacity. The IMF World Economic Outlook update of June 24, 2020¹ projects an economic contraction of 4.9% of Gross Domestic Product (GDP) across the globe and 3% of GDP in Emerging and Developing Economies (EMDEs) in 2020 which could be even worse if containing the pandemic takes longer than projected. This is deeper than any downturn since the great depression. The World Bank forecasts that per capita income in more than 90% of EMDEs will contract causing many millions to fall back into poverty². Revenues are likely to fall sharply (lower by 2.5 % of global GDP in the baseline scenario for 2020 than what was projected in October 2020)³. Reduced revenues and increased expenditure needs have exacerbated the fiscal gap in most developing countries with increasing debt levels.

The economic, financial and social impact associated with COVID-19 threaten to undermine the realization of the Addis Ababa Action Agenda and the Sustainable Development Goals (SDGs) by 2030. The need for early and concerted action by all stakeholders cannot be overstated. The initial responses have been directed towards containing the health pandemic and short-term fiscal measures to provide relief to affected businesses and households. As the initial health crisis abates, focus would need to shift to economic recovery in support of income generation and business revival. This includes a mix of tax administration and tax policy responses—but a balance will need to be struck to avoid reducing revenues that are needed to boost government spending. As the economic recovery takes hold, fiscal sustainability and shoring up revenues in support of achieving the SDGs will move to the top of the policy agenda. It will be critical for countries to get the timing of these policy adjustments right.

The Platform for Collaboration on Tax (PCT) has frequently held working level exchanges on the impact of the COVID-19 pandemic on its Partners' delivery of capacity support to developing countries. A tab that provides countries with links from all Partners on tax policy and tax administration resources for the COVID-19 crisis response has been added to the PCT

¹ <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>

² <https://www.worldbank.org/en/publication/global-economic-prospects>

³ <https://www.imf.org/en/Publications/FM/Issues/2020/04/06/fiscal-monitor-april-2020>

website⁴. The PCT also moved its planned regional workshops online and has already organized a successful virtual workshop on the *Toolkit on Addressing Difficulties in Accessing Comparables Data for Transfer Pricing Studies* on March 16-17, 2020, a follow-up workshop on April 29-30, 2020 and a Russian version on April 21-23, 2020. The PCT will continue to enhance its cooperation in response to the crisis and in support of the SDGs, building on the complementarities and synergies among its Partners in their work on tax within the governance mandates and policy positions of each organization. Box 1 provides details of the PCT Partners' response to COVID-19 disruptions and future preparedness.

Box 1. The PCT Partners' Response to COVID-19 Disruptions and Future Preparedness

The rapid spread of the COVID-19 pandemic and the containment efforts including global lockdowns created a deep economic shock, the full impact of which are still unknown. The PCT Partners were quick to respond to the evolving challenges posed by the pandemic to the delivery of key work streams.

Analysis and Advice from the PCT Partners:

- All PCT Partners have produced significant analysis and guidance on the response to the crisis – this is all available via the PCT website⁵.
- There is a shared view across the PCT Partners, outlined in a joint blog titled 'Facing the crisis: the role of tax in dealing with COVID-19'⁶. This blog highlights:
 - While the health and economic crisis persists, countries' tax policy and administration responses should be directed at income support to individuals and businesses through measures such as payment and filing deferrals and temporary rate cuts.
 - There is a need for broad international cooperation to deal with the crisis, including through debt forbearance for developing countries and international cooperation in preventing tax avoidance and promoting tax transparency.

⁴ <https://www.tax-platform.org/covid19-response>

⁵ <https://www.tax-platform.org/covid19-response>

⁶ <https://www.tax-platform.org/news/blogs/facing-crisis-role-tax-dealing-with-covid-19>

- There is a clear role for taxation in ensuring equity and pushing the macroeconomic stimulus that will be necessary to sustain growth in the near future.
- The existing work of the PCT Partners, particularly in building tax capacities, has increased salience in the recovery phase when countries will need to mobilize substantial resources to meet expenditure needs.
- PCT Principals have renewed their commitment to closely communicate and strengthen Partners' cooperation to deal with the crisis and to secure the goal of sustainable and inclusive growth, including through exchange of analytical thinking on tax structures and impact of changes on lower income developing countries.

Impact on The PCT Workplan and PCT Response:

- Both the Technical Working Group and Principals of the PCT had detailed discussions about the impact of the pandemic on the work plans of the PCT and those of the Partners themselves.
- The PCT was quickly adapted to serve as a repository for the collective outputs of all the PCT Partners in response to the crisis.
- PCT outreach activities have been made virtually, with several successful workshops on the *Toolkit on Addressing Difficulties in Accessing Comparables Data for Transfer Pricing Studies*. Further outreach activities will take place virtually in the rest of the year.

This progress report provides an update of the work of the PCT since the 2018-19 Progress Report of June 2019⁷ for submission to the PCT Partnership Council that advises on activities of the PCT Secretariat (see section I.2 for further explanation of the PCT Partnership Council). This report is part of the PCT's commitment to operating transparently, making its workplan and outputs publicly available to governments, providers of capacity development (CD) and their donors, civil society organizations, and the general public through the publicly accessible website (see section I.2 for details on the PCT website).

The activities of the PCT are broadly categorized into three work streams: (1) cooperation on domestic resource mobilization (DRM) capacity development activities; (2) analytical activities; and (3) outreach activities. The PCT Partners in 2018 set out 14 actions for enhancing cooperation and

⁷See <https://www.tax-platform.org/sites/pct/files/publications/Platform-for-Collaboration-on-Tax-PCT-Progress-Report-2018-2019.pdf>

collaboration in their work on tax which were agreed upon in the first PCT Conference on Tax and SDGs held in February of that year. These 14 action items inform three work streams (see Table 1). Over the last year, the PCT has achieved a number of key milestones in the work plan. *Section II* of this report discusses actions, activities and outcomes realized in the period from July 2019 to June 2020. *Section III* of the report discusses Medium-Term Revenue Strategies (MTRS), setting out the experience and progress made so far. *Section IV* outlines the increased budgetary and personnel support achieved in FY 2020, including a strengthened secretariat staffing. Next steps for further collaboration between Partners are included in *Section V* of this progress report.

Table 1: PCT Work Streams and Actions to take the Tax Agenda Forward

Work Stream 1: Cooperation on DRM Capacity Development Activities

1. **Action Item 1:** On a regular basis, working with others including the Addis Tax Initiative (ATI), we will help to give a comprehensive picture of the total effort of international, regional and bilateral partners in supporting developing countries on tax matters.
2. **Action Item 2:** We will integrate and aim for the highest possible standards of transparency in the provision of information about our capacity development activities in developing countries through the PCT website.
3. **Action Item 3:** On international tax we will scale up our joint work to support developing countries to address tax transparency and base erosion and profit shifting, including on treaties.
4. **Action Item 8:** We will work together to support the development of country-led MTRSs, including through the involvement of bilateral partners, and report on outcomes. We will align our support according to the plans set out by governments.
5. **Action Item 9:** We will help developing countries access knowledge, experience and good practices in tax administration, including the use of technology, working with the Forum on Tax Administration (FTA), regional tax organizations and other partners.

Work Stream 2: Analytical Work

1. **Action Item 4:** Working together with other stakeholders, we will seek to provide coherent and consistent international tax policy advice.

2. **Action Item 5:** We will complete the PCT Toolkits to help countries address challenges in international taxation and launch an expanded outreach program to support the development and use of the Toolkits. We will respond to additional concerns raised by countries with analytical work, recommendations and guidance.
3. **Action Item 6:** We will provide, in mid-2018, an update to the G20 on tax certainty and developing countries.⁸
4. **Action Item 7:** We will analyze and report on the spillovers and opportunities from changes in the international tax environment on and for developing countries.
5. **Action Item 11:** We will launch a multi-year Tax and SDGs Program, that will include components on taxation and health, education, gender, inequality, environment, and infrastructure.
6. **Action Item 13:** We will review current practice, and provide guidance and recommendations, on the tax treatment of Overseas Development Assistance (ODA)⁹ funded goods and services.

Work Stream 3: Outreach and Engagement

1. **Action Item 5:** We will complete the PCT Toolkits to help countries address challenges in international taxation and launch an expanded outreach program to support the development and use of the Toolkits. We will respond to additional concerns raised by countries with analytical work, recommendations and guidance.
2. **Action Item 10:** We will support the participation of developing countries in tax policy discussions at international fora.
3. **Action Item 12:** We will establish a regular dialogue between the PCT and stakeholders — most importantly developing country governments.

Note: Action Item 5 has elements from both Work Stream 2 (analytical work) and Work Stream 3 (outreach and engagement). In addition, **Action Item 14**, not included under a work stream in this table, states: To help deliver this agenda we will seek to secure donor funding for expanded work program, supported by a strengthened PCT Secretariat.

⁸ The report is available at: <http://www.oecd.org/tax/g20-report-on-tax-certainty.htm>. A further update delivered by the IMF and OECD in June 2019 is available at <https://www.oecd.org/tax/tax-policy/imf-oecd-2019-progress-report-on-tax-certainty.pdf>

⁹ Subcommittee on the Tax Treatment of Official Development Assistance (ODA) Projects presented a revised version of the Guidelines on the Tax Treatment of ODA Projects to the UN Tax Committee for discussion at its 20th session in June 2020.
<https://www.un.org/development/desa/financing/sites/www.un.org.development.desa.financing/files/2020-05/CRP4%20Revised%20Guidelines%20Taxation%20ODA%20projects.pdf>

Source: The PCT Partners' Statement at the Closing of the Conference on Taxation and the SDGs, February 16, 2018, at: <http://www.worldbank.org/en/news/statement/2018/02/16/platform-for-collaboration-on-tax-first-global-conference-on-taxation-and-sdgs>.

II. Work Streams

The details of the objectives, activities and outcomes of each of the work streams are discussed below:

- **Work Stream 1 – Cooperation on DRM Capacity Development Activities:** Provide comprehensive and easily accessible information about the PCT Partners' support for capacity development on tax, with a view to facilitating and strengthening coordination among the PCT Partners and other stakeholders on country-related support and with a particular focus on helping developing countries organize their reform efforts into MTRSs.
- **Work Stream 2 – Analytical Activities:** Provide high quality analytical tools and consistent guidance and recommendations for countries on a range of issues to further help them understand and address contemporary issues in taxation, with a specific but not exclusive focus on issues of importance for developing countries.
- **Work Stream 3 – Outreach Activities:** Foster informed and effective participation of all stakeholders, especially developing countries, in international tax cooperation.

1. Work Stream 1: Cooperation on DRM Capacity Development Activities

1.1 Objectives

Work Stream 1 focuses on intensification of cooperation among Partners in their support of DRM efforts of countries through technical assistance and other capacity development activities. It also focuses on the provision of comprehensive and easily accessible public information about the activities of the Partners. While the technical assistance and other capacity development activities are delivered by the PCT Partners themselves, the PCT Secretariat has a primary role in coordinating the public availability and sharing of information on activities of the Partners. This is crucial to realizing synergies and preventing duplication and redundancies. The PCT Secretariat plays an active role in implementing Work Stream 1 by assuring regular meetings and exchange between the partner organizations and donors, compiling information on Partners' capacity

development activities, as well as providing opportunities for feedback from developing countries and beneficiaries.

1.2 Activities

Regular Meetings. Intensified cooperation amongst the PCT Partners is assured by a regular meeting structure allowing for exchange both at the technical working level and at the level of the Principals. The PCT Partners hold regular working level meetings. The Technical Working Group, comprised of senior technical experts from each of the Partners, meets twice a month. Since June 2019, the Technical Working Group met 18 times and exchanged information and views on collaborative activities of the Partners including Partners' capacity development activities with specific countries. Additionally, the International Monetary Fund (IMF) and World Bank (WB) have instituted formats and protocols for continuous exchange of information on support for tax systems in developing countries.

The Partnership Council is comprised of the PCT Partners, financial donors to the PCT (Japan, Luxembourg, Norway, Switzerland, The Netherlands and The United Kingdom), and representatives of other countries and regional tax organizations in observer capacity. The PCT Principals are senior staff of the PCT Partners at the Director/Vice President level; they provide strategic vision and guidance to the PCT work program. Two meetings each of the Partnership Council and Principals were conducted, as planned. Partnership Council meetings took place in October 2019, on the margins of the IMF/WB Annual Meetings, and virtually in March 2020. Principal Meetings were held in September 2019 and in April 2020.¹⁰ The Partnership Council Meeting in October 2019 was an open meeting with observers. The PCT as a platform proved to be an effective vehicle to exchange views and information on Partners' responses to the crisis with each other and between Partners and stakeholders. Partners also intensified exchange of information and other forms of coordination on the provision of capacity development support.

A New PCT Website and Online Integrated Platform (OIP). A major achievement of the PCT this year was the launch of the revamped PCT website.¹¹ The previous PCT web presence hosted on the World Bank Group (WBG) site was replaced by a distinct and stand-alone PCT website. The new site was formally launched in March 2020. The PCT website hosts the OIP which shows capacity development activities by country of the four Partner organizations. This fulfils a key commitment made in Action Item 2 (see also Box 2). Between its formal launch and July 3, 2020,

¹⁰ Both Principal meetings were conducted virtually. The April 2020 meeting was planned to take place in-person, but that was changed due to COVID-19 disruptions.

¹¹ Accessible at <https://www.tax-platform.org/>

the website has been visited by 6,200 visitors with a total of 9,200 sessions. The data on Partner activities featured in the OIP will be updated every six months.

Box 2. The PCT Website and the OIP

Formally launched in March 2020, the revamped PCT website disseminates information and updates about the workplan, activities and outreach of the PCT to countries, development partners, donors, regional organizations and other interested stakeholders.

It hosts the OIP which provides an overview of tax-related capacity development activities of the Partners. The OIP lists and describes the projects and activities of each of the Partners and facilitates both country and regional searches. The interactive map in the OIP (see Figure 1) is a user-friendly tool that provides an overview of the country projects and technical assistance activities of the partners by a click on the country in the map. It also affords an organization-based view of activities supporting domestic resource mobilization efforts.

The OIP lists the delivery modalities adopted by the Partners: resident advisers, short-term experts, missions, non-mission technical experts, knowledge transfer and peer learning, peer review, research/publications, project finance, and policy loans.

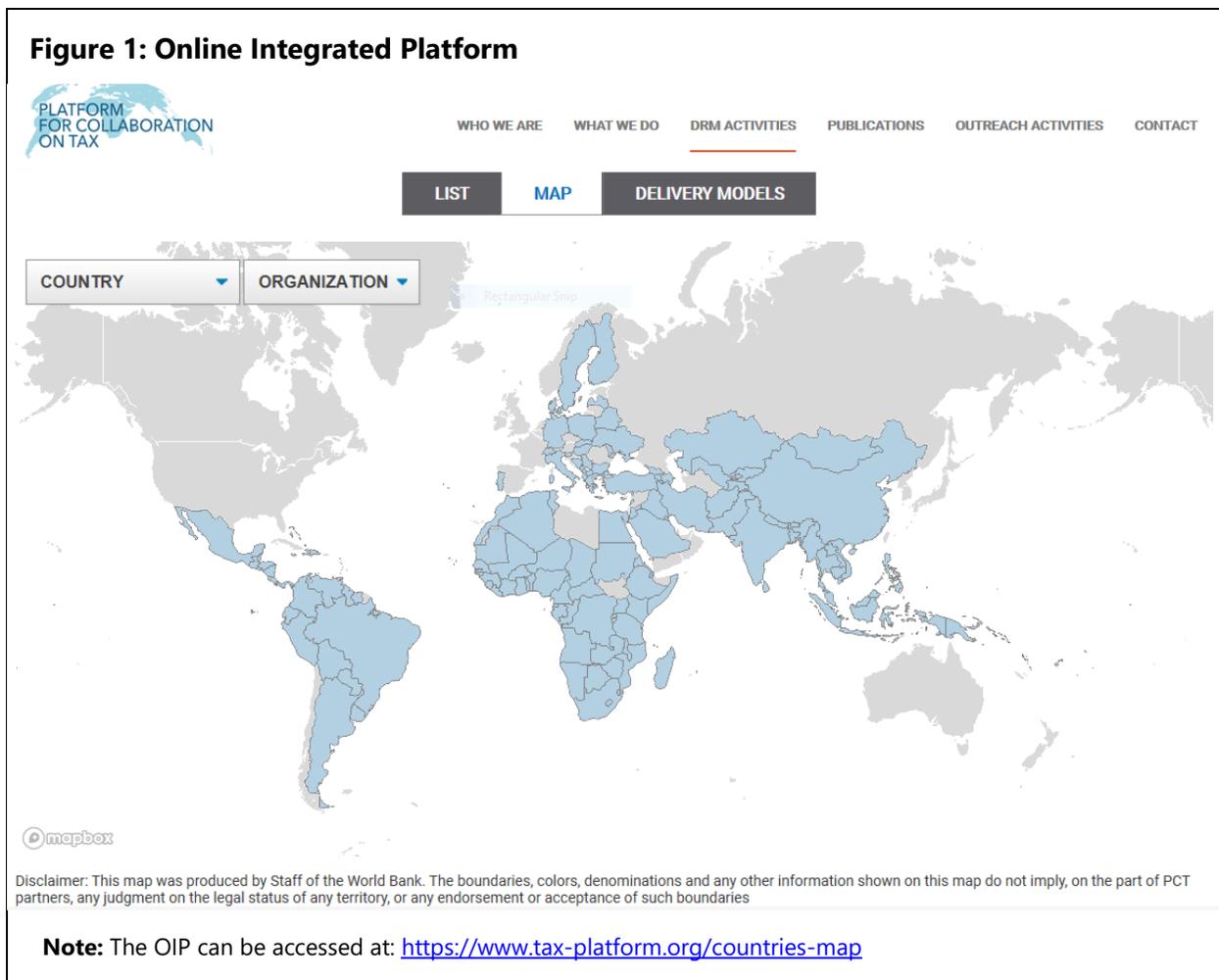
In response to the global health and economic crises posed by the COVID-19 disruptions, the PCT website features a designated COVID-19 page that collates Partners' responses and publications on DRM crisis-related challenges and steps that countries may adopt to effectively respond to the disruptions. The COVID-19 page also covers blogs and knowledge resources developed by the Partners and hosts links to individual websites of the four Partners where data, information, analysis, and guidance are posted.

The PCT website serves as a central medium for outreach to stakeholders including sharing of news on events, blogs, and collaborative activities of the partners. It serves as a forum for reaching out to all interested stakeholders for public comments on the technical toolkits jointly developed by the partners, in addition to the Partners' websites. For instance, the draft *Toolkit on Tax Treaty Negotiations* was released for feedback on June 29, 2020 and comments have been invited from stakeholders including governments, taxpayers, business advisory groups, civil society, and treaty negotiation experts. The feedback period ends on September 10, 2020.

Visitors of the website can submit questions and comments to the PCT Secretariat through the contact page.

Annual Reporting on Activities of The PCT. The present report is an agreed annual output by the PCT including the experience with implementation of the MTRSs (Actions 1 and 2). This report is drafted by the PCT Secretariat with support of the Partner organizations.

Figure 1: Online Integrated Platform



Helping Developing Countries to Access Good Tax Administration Practices. The PCT now has a dedicated hub on the Knowledge Sharing Platform for Tax Administrations (KSP_{TA})¹² which is used to further connect with tax administrators around the world for expanded PCT outreach and engagement.

1.3 Outcomes

Website and OIP. The website and OIP are now live and interactive. The data on partner activities shown in the OIP will be updated on a semi-annual basis.

Exchange of Information on Potential for Cooperation and Country Activities. Regular meetings of the Technical Working Group ensure exchange of information and views on country activities and identification of potential future work. Cooperation and information sharing have been intensified, in particular, around the COVID-19 response.

2. Work Stream 2: Analytical Work

2.1 Objectives

Developing countries need high quality, practical guidance to help address complex and rapidly changing tax challenges, especially in the area of international tax. While the PCT Partners have addressed this need individually for many years, they recognize the benefits of increased cooperation in this area. Joint analytical work and guidance drawing on the expertise from across the Partners can reduce inconsistencies (both real and perceived), provide common frameworks for countries to address issues, and provide common tools to draw on in Partners' individual capacity development activities. The potential of this approach was also recognized by the G20 in supporting the idea of the PCT to produce a series of joint toolkits on BEPS and related international tax matters. The global PCT conference in 2018 identified tax and SDGs as an additional area for analytical work of the PCT.

2.2 Activities

The PCT has identified several areas where there is a demand for analytical work. These include the toolkits, the report and recommendations on the tax treatment of ODA funded goods and

¹² The KSP_{TA}, an initiative of the Canadian Revenue Agency, provides an online library of reference material, interactive eLearning courses, an international event management function, and communities of practice to facilitate knowledge exchange between tax administration officials.

services, and in the future, analytical work on tax and the SDGs. The prioritization of issues for work is regularly reviewed in light of global developments in the field of taxation as well as demand from developing countries. As a result, the planned *Toolkit on Supply Chain Restructuring* was dropped from the work program. A further review of the work program to align it with emerging priorities following the global economic shock posed by COVID-19 is underway. The PCT will also explore where it may play a useful role in supporting the use and discussion of analytical work undertaken by individual PCT Partners.

Toolkits on BEPS and related international tax matters: The PCT has developed and finalized three toolkits to date. During the past year, the toolkit on offshore indirect transfers was completed and two further toolkits on transfer pricing documentation and tax treaty negotiations were circulated for feedback (see Table 1). The toolkits are a valuable resource that provide a single point of reference for countries, particularly lower capacity countries, on complex international tax issues. The toolkits also provide a resource for the PCT Partners (either individually or collectively) to use in their own capacity building efforts and training. The development of each toolkit includes public feedback to discussion drafts from stakeholders and direct dialogue facilitated by the PCT with interested developing countries. Toolkits, discussion drafts, and public comments are translated into French and Spanish for facilitating wider outreach. Further translations are undertaken as and where the demand is identified (e.g. the comparables toolkit was translated into Russian to facilitate a Russian language workshop). The feedback for, and dissemination of, the toolkits will be an integral part of the PCT outreach program (see section III on outreach). The PCT will continue to engage in dialogue with developing countries and review the issues on which there is highest demand for joint guidance from the PCT.

Table 2. Calendar for Toolkits on BEPS and Related Tax Matters

Toolkit	Timeline
<u>Options for Low Income Countries’ Effective and Efficient Use of Tax Incentives for Investment</u>	Completed October 2015
<u>Addressing Difficulties in Accessing Comparables Data for Transfer Pricing Analyses</u>	Completed June 2017
<u>Taxation of Offshore Indirect Transfers</u>	Completed June 2020
<u>Practical toolkit to Support the Successful Implementation by Developing Countries</u>	Discussion draft released for public comment Q3 2019. Draft currently being

<u>of Effective Transfer Pricing Documentation Requirements</u>	reviewed. Final draft likely to be released in Q3 2020.
<u>Tax Treaty Negotiations</u>	Discussion draft released for public comment June 2020
BEPS Risk Assessment	Discussion draft to be released for public comment by Q4 2020
Base Eroding Payments	Early stages of discussion

Tax Treatment of Official Development Assistance (ODA) Funded Goods and Services. The United Nations (UN) Committee of Experts on International Cooperation in Tax Matters and its multi-stakeholder Sub-Committee on Tax Treatment of ODA projects in which all PCT Partners are engaged, prepared draft guidelines in April 2019¹³. The Committee's work responds to Addis Ababa Action Agenda and involves updating and finalizing its earlier 2007 draft guidelines. The Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC), which is the norm setting body for ODA, is focusing on work related to the transparency of the tax treatment of ODA. The IMF and the World Bank will focus on technical assistance in the administrative implementation of any existing ODA exemptions and on tax expenditure reporting.

The guidelines on which the UN Tax Committee is working are intended to facilitate the discussion of tax issues between donors and recipients of ODA. They are not binding and are drafted in general terms to make them easy to use including by non-experts. While they refer to internationally agreed principles, they do not provide tax rules that donors or recipient countries would be expected to follow or include in agreements. The UN Subcommittee is expected to present the revised draft guidelines on tax treatment of ODAs for adoption to the UN Committee of Experts on International Cooperation in Tax Matters at the latter's 21st Session.

Following their first discussion on this issue in September 2019, the OECD DAC agreed to undertake further work on the transparency of ODA tax exemptions by DAC members.

Tax and the SDGs: The Global PCT Conference in 2018 highlighted how governments and stakeholders will rely upon taxation as an important source of resources and a policy tool for delivering the SDGs. There are numerous challenges in developing effective tax policies in these

¹³ Available at: https://www.un.org/esa/ffd/wp-content/uploads/2019/04/18STM_CRP6-Tax-Treatment-ODA-Projects.pdf

areas with the twin goals of balancing revenue generation with those of achieving developmental objectives. This process also entails understanding the wider impact of the tax system on narrow sectoral policies and vice versa. The conference report¹⁴ provided further articulation of these challenges and highlighted the benefits of the development of a framework and how to approach them. The aftermath of the economic shock posed by the COVID-19 crisis has necessitated a review by governments of their priorities and a recalibration of efforts towards recovery in the medium-term and resilience in the future. The PCT is reviewing its work plan including the proposed analytical work on Tax and SDGs with the revised priorities in mind.

2.3 Outcomes

Toolkit Finalized. *The Toolkit on The Taxation of Offshore Indirect Transfers* was published in June 2020¹⁵ after two rounds of public consultation in 2017 and 2018, producing significant interest and a number of detailed comments from a range of groups representing country authorities, civil society organizations and the private sector. The Toolkit recommends that location countries (often developing countries) should have the right—if they so choose—to tax offshore indirect transfers of assets that are “immoveable”, and possibly others that generate location specific rents, such as governmentally granted telecommunication licenses. It notes that Articles 13(4) of both the OECD and UN versions of the Model Tax Convention recognize the right of location countries to tax indirect transfer of immoveable assets. The toolkit suggests two models for domestic legislation which countries may adopt to bring to tax such transfers as well as a model definition of immoveable property that can be used in domestic legislation.

The toolkit will be translated into French and Spanish by July 2020.

Remaining Toolkits. A further four toolkits have been planned. A discussion draft for the *“Practical Toolkit to Support the Successful Implementation by Developing Countries of Effective Transfer Pricing Documentation Requirements* was released in September 2019 for public feedback. The comments from stakeholders are taken into account for the final version planned to be released in Q3 2020. This toolkit provides guidance on documentation that taxpayers may be required to maintain to support their transfer pricing studies and as a primary basis to tax auditors in risk assessment and transfer pricing audit. The toolkit is designed particularly for developing countries with lower capacities and limited experience in transfer pricing legislation and audit. It suggests a standardized approach to transfer pricing documentation. It lists country practices and examples and includes a sample legislation for requiring TP documentation.

¹⁴ Available at: <https://www.tax-platform.org/sites/pct/files/publications/130559-WP-ReportFinalMar.pdf>

¹⁵ Link to final version of the OIT toolkit

The first draft of the *Toolkit on Tax Treaty Negotiations* has been released for public comments on June 29, 2020 through the PCT website. Public comments can be sent until September 10, 2020. An outreach event for gathering comments and views of countries, treaty negotiation experts, civil society organizations, business and other interested stakeholders is planned for late August/September 2020. The draft toolkit describes the steps involved in tax treaty negotiations such as how to decide whether a comprehensive tax treaty is necessary based on economic, fiscal and related considerations; how to prepare for and conduct negotiations; and what follow-up measures to take after negotiations. Treaty negotiation teams, especially those who are new to the process, can also find practical tips on the conduct of negotiations and negotiation styles. The toolkit collates links to publicly available resources that treaty negotiators will find useful, making them easily accessible for treaty teams. It also proposes the development of new tools and resources as the design of the toolkit allows regular updates and improvements based on the feedback from users and experienced negotiators.

Two more toolkits on *BEPS Risk Assessment* and on *Base Eroding Payments* are in various stages of preparation.

PCT Partners have integrated the toolkits into their technical assistance at the country level and the guidance and training programs. The OECD has incorporated the toolkits into its Global Relations Program of multilateral training. The approaches discussed in the *Toolkit on Difficulties in Accessing Comparables Data for Transfer Pricing Analyses* have been considered in the revision of the UN Practical Manual on Transfer Pricing for Developing Countries and are regularly addressed at UN training courses on transfer pricing. The toolkits will be disseminated through outreach activities of the PCT, including workshops.

Tax Treatment of ODA. As discussed above, this work is being developed by the UN Subcommittee on Tax Treatment of ODA projects and the OECD DAC. In the last year the UN updated the DAC on their work, and the OECD continued to participate in the UN subcommittee. A joint workshop of members of the UN Subcommittee and the OECD DAC was held in February 2020. This workshop facilitated more detailed discussion on the issues and challenges in the work of both the OECD and UN. A substantially revised draft of the guidelines is to be presented to the UN Committee of Experts in its next meeting with a view to release it for public consultation before it is presented for consideration and adoption by the UN Committee of Experts in October 2020.

3. Work Stream 3: Outreach and Engagement

3.1 Objectives

Outreach—covering both input into and the dissemination of the work of the PCT—is vital to ensuring both the quality and impact of the PCT work, enabling countries to access and use guidance developed by the PCT that is sensitive to their needs and circumstances. Outreach activities allow the PCT to bring to a wider audience the lessons learned from country-led MTRS implementation and other capacity development activities, as well as to ensure the usefulness and dissemination of the practical tools and guidance for developing countries derived from Work Stream 2.

3.2 Activities

The PCT seeks inputs from developing countries and relevant stakeholders in the development of its toolkits through targeted events and dialogue as well as online comments.

The PCT organizes targeted one 5-day workshops at the regional level for covering relevant issues for developing countries, to support the development and dissemination of toolkits, and other PCT products to support effective implementation through training and knowledge-sharing. Workshops regarding development and implementation of MTRSs will also be undertaken in and after 2020. Owing to the crisis posed by the COVID-19 pandemic, outreach related activities in 2020 have been, and will continue to be, carried out virtually through online platforms. The PCT has finalized a Concept Note for Toolkits Workshops¹⁶ and two further virtual Toolkits Workshops are planned for the third and fourth quarters of 2020.

Separately, the first workshops on MTRS are being planned for late 2020 and early 2021. These will be an opportunity to share lessons and experiences among countries at different stages of the MTRS process.

3.3 Outcomes

Briefings. *Briefing to the Inclusive Framework:* Updates on the work of the PCT are a regular feature of meetings of the OECD’s Inclusive Framework (IF) where the IMF, UN and World Bank are observers. This provides a forum for dialogue between the IF and the PCT. On January 27, 2020, the PCT Partners jointly briefed the IF on the recent activities of the PCT, including its strengthened budgeting and staffing arrangements; the MTRS Approach and early lessons from it; as well as the progress on the toolkits.

¹⁶ <https://www.tax-platform.org/sites/pct/files/publications/Concept%20Note%20PCT%20Toolkits%20Workshop%20-%20June%202020.pdf>

Briefing on the margins of IMF-World Bank Group Annual Meetings: On October 15, 2019, the IMF made a presentation explaining the *Toolkit on the Taxation of Offshore Indirect Transfer of Assets*.

Training Workshops. Following travel advisories issued in the wake of the COVID-19 situation, the PCT training workshop on the toolkit on *Addressing Difficulties in Accessing Comparable Data for Transfer Pricing Analysis* scheduled at the OECD Multilateral Tax Centre (MTC)¹⁷ in Turkey was held in a virtual format on March 16-17, 2020. Nearly 75 officials from ministries of finance and tax administrations dealing with transfer pricing policy and audit from 34 countries attended the workshop which was conducted remotely by experts from the PCT Partners. The training addressed some of the challenges associated with difficulties in accessing comparables data. It focused on making the best use of available data and discussed the sources of data and how the use of available data may be optimized through widening the criteria for data selection and the use of comparability adjustments. It also stressed that the selection of the most appropriate transfer pricing method, on the basis of a detailed factual analysis, is central to the application of the arm's length principle. In view of interest shown by the participant countries, a supplementary workshop was held on April 29-30, 2020 where over 100 participants from 40 countries participated. A Russian language version of the Workshop was held from April 21-24, 2020 from which 46 participants from 5 countries benefited.

MTRS Workshops. The PCT proposes to conduct two capacity building workshops, one each in late 2020 and early 2021 in Sub-Saharan Africa and Asia¹⁸. The objective of these workshops is to engage with senior officials from the ministries of finance and tax administrations of countries at various stages of adopting the MTRS approach, as well as senior officials from countries who are involved in or considering major tax reform but have not adopted an MTRS. The themes of such workshops would be sharing of country experiences in MTRS formulation and implementation, situating MTRS within wider efforts to mobilize financing and other resources to support national sustainable development strategies, and facilitating coordination and delivery of support by development partners. The workshops would also focus on the increased needs of spending to recover from the disruptions posed by the health pandemic, the reduction in revenues and how the MTRS approach can assist in refocusing on country priorities. Discussions are being held with regional tax organizations and countries in both Africa and Asia to support conduct of these regional workshops.

Feedback on Toolkits. Online public feedback on the *Toolkit for Implementing Efficient and Effective Transfer Pricing Documentation Regimes* was conducted during September-November

¹⁷ <https://www.oecd.org/ctp/theoecdmultilateraltaxcentres.htm>

¹⁸ <https://www.tax-platform.org/sites/pct/files/publications/Concept%20Note%20for%20PCT%20Workshops%20on%20MTRS.pdf>

2019. Public comments were compiled, and the draft of the toolkit is being reviewed and finalized in light of these comments. On June 29, 2020, the draft *Toolkit on Tax Treaty Negotiations* was released for public comments that can be provided until September 10, 2020 through the PCT website and the KSPTA.

III. Medium-Term Revenue Strategies: Status and Progress

Status

A Medium-Term Revenue Strategy is a comprehensive approach to undertaking effective tax systems reform for boosting tax revenues over the medium-term through a country-led and whole-of-government approach.

The MTRS approach relies on four interdependent components for sustained tax reforms in a country:¹⁹

- The **first component** places the tax system reform in the context of a government's overall medium-term expenditure needs for financing its development goals. Determination of the spending needs, though led by the government, should involve stakeholder engagement and dialogue – including the civil society, taxpayers and public at large – to build broad consensus around the development objectives and the concomitant revenue needs.
- The **second component** relates to the process of tax system reform itself. Ideally targeting a time span of about 4 to 6 years, this should be a comprehensive program including tax policy and tax administration reforms and development of the necessary legal framework. While there are often pressing priorities for immediate revenue requirements and these need to be addressed, efforts to meet short-term revenue needs should be dovetailed into the medium-term needs resulting in a more comprehensive reform. This achieves a holistic approach to overall and sustained reform – as opposed to a piecemeal approach – which may have limited traction.
- The **third component** calls for a sustained and whole-of-government commitment to reform. The process of tax system reform involves not only the Ministry of Finance and the revenue administration agencies but also commitments from other line ministries, for instance, those whose concurrence would be relevant for sector-specific tax incentive reforms. The political economy of the tax system reform requires that the process gets government support at the highest level – notably to pursue the necessary legislative

¹⁹ <https://www.imf.org/en/News/Articles/2019/10/28/sp102919-mediumterm-revenue-strategy>

reforms in Parliament. It also requires that a senior and empowered government functionary should lead and coordinate the different limbs throughout the term of the reform process to ensure sustained commitment to the reform as well as to capitalize on the synergies.

- The **fourth component** of the MTRS approach is a coordinated (but subordinated) engagement of the external development partners in the government led tax reform strategy and process. While resources for the tax reform process are to be identified and allocated domestically, notably in the case of low-income countries, the fourth component provides for coordination with external bilateral and multilateral development partners for efficient planning and allocation of resources.

The IMF and World Bank have been most involved in supporting the formulation and implementation of the MTRS approach, given their typically large presence in the recipient countries. Many countries are already fully engaged in tax administration, law and/or policy reforms domestically that provide a sound basis for adopting a holistic approach—particularly one integrated with and based upon an analysis of development spending needs. In some cases, these ongoing reforms are taking place through intensive engagements financed under the IMF’s Revenue Mobilization Thematic Fund (RMTF) or World Bank’s Global Tax Program (GTP), for example. Linking the revenue mobilization goals to a careful analysis and assessment of development spending needs over the longer term—that is, to the financing frameworks needed to support progress towards the SDGs—is critical not only to motivating but to designing the MTRS. The IMF and the UN, especially, are working on analysis and tools to make this feasible.²⁰

The following countries are presently engaged with Partners in discussing, formulating or implementing an MTRS (Figure 2):

- *Implementation support:* Papua New Guinea (PNG), Uganda.
- *Formulation support:* Albania, Bangladesh, Benin, Egypt, Ethiopia, Indonesia, Lao PDR, Pakistan, Rwanda, Senegal, Thailand.
- *Dialogue pre-formulation:* Georgia, Honduras, Jordan, Liberia, Malaysia, Mongolia, Morocco, Myanmar, Uzbekistan and Vietnam.

²⁰<https://developmentfinance.un.org/sites/developmentfinance.un.org/files/INFF%20Guidance%20Inception%20Phase%20Module%20Working%20Draft%20-January-2020.pdf> and <https://developmentfinance.un.org/report>.

IV. Strengthened Budgetary Support and Secretariat Staffing

The PCT Secretariat was initially supported through contributions received from bilateral donors run through the Global Tax Program Trust Fund of the World Bank, with additional extensive in-kind contributions from the four Partners. In 2019, a separate Multi-Donor Trust Fund (MDTF) dedicated to support the PCT Secretariat and work program was established at the World Bank with an enhanced budget commitment of USD 5,528,000 with funding provided by Japan, Luxembourg, Norway, Switzerland, The Netherlands, and the United Kingdom. The Secretariat was strengthened over the past year by adding a DRM Specialist and enhancing the operational and communications functions.

The increased budgetary commitments and strengthened Secretariat staffing will support better coordination and delivery of the PCT workplan. The majority of the activities, and technical analysis, however, continue to be undertaken by the four PCT Partners, funded through their own funding arrangements.

V. Next Steps

Since the inception of the PCT, substantial areas of collaboration and cooperation to enhance the impact of the Partners' capacity development efforts have been identified and the PCT Partners' collaboration is continuously evolving.

Identifying DRM Country Contact Points. To further enhance information flows and cooperation through the OIP, the PCT Secretariat is consolidating a list of DRM Partners' contacts by country. This will ensure the PCT Partners can easily connect to other DRM experts and build a DRM community of practice on a country-by-country basis. The PCT Secretariat will also direct all queries from interested stakeholders to the concerned contacts through the respective Partners.

Next Step (i): The PCT Secretariat will obtain from respective Partners lists of country/project contacts and consolidate them. The Secretariat will respond to queries received from interested stakeholders and direct them to Partners for further reference to the country contacts.

Enhancing PCT Information Exchange with Other Stakeholders. The potential for coordinating and exchanging information with other relevant databases of regional organisations, the ATI, FTA and the KSP will be explored. In particular, the PCT will explore consolidation of the OIP with the database on DRM support provided by bilateral donors maintained by ATI.

Next Step (ii): Potential for coordination and exchange of information with other relevant databases will be explored.

Collaboration on MTRS. The PCT Partners that work in support of country-led MTRS will share regular updates with other Partners on the country progress on MTRSs, subject to the agreement of the country authorities who lead the process. PCT Partners could support and participate in country level consultative groups, as appropriate, which may include government agencies, donors and other national stakeholders. Such consultative mechanisms are critical for balanced and coordinated technical support for the MTRS, promoting political commitment, and coordination of efforts across government and providers of financial and technical support. The PCT will also organize regional MTRS workshops aimed at exchanging experiences on tax system reform and discussing the benefits of adopting the MTRS approach to make these reform efforts more effective.

Next step (iii): With the country in the overall lead on the MTRS process, the PCT Partners will regularly share information on MTRS engagements directly with each other and through the PCT Secretariat. PCT Partners will also promote country-led consultative groups on the MTRS and use these as a mechanism for coordination advice and support with all stakeholders, including among themselves, and conduct regional MTRS workshops. Collaboration would be similar on reform plans that are close to, but not formally recognized as, MTRSs.

Review of the Work Program. The PCT will review the work program last agreed to in February 2018, many of the action items of which have been completed, and revise it in light of subsequent developments and to meet the challenges posed by the COVID-19 crisis. The revised work program will take into account recent developments in taxation, particularly international tax issues and needs of developing countries for technical assistance on increasingly complex tax issues.

Next step (iv): The existing work program will be reviewed by the PCT Partners including the Partnership Council.

Finalization of Pending Toolkits and Enhanced Outreach Efforts. The PCT will review the status of remaining toolkits to ensure that none have become redundant in light of other developments in the international tax space. Work is planned to finalize the remaining original toolkits by end 2021. Efforts will be made to increase the awareness about the PCT toolkits and other technical outputs of the PCT through enhanced outreach activities including workshops, webinars and e-learning tools as described above.

Next step (v): Pending toolkits will be finalized and the next phase of an outreach workplan will be set out.

APPENDIX

COUNTRIES' MEDIUM TERM REVENUE STRATEGIES: UPDATES

The progress made on countries' MTRSs is detailed below:

Implementation Support

Papua New Guinea (PNG) — PNG's MTRS was formally launched in November 2017 covering a period from 2018 to 2022. At the government's request, IMF is providing implementation support through a 3-year, US\$4 million program financed by the Revenue Mobilization Thematic Fund. Tax Systems Reform (TSR) elements are progressing — the Treasury is setting up a Revenue Policy Division to build fiscal planning capacity; the Treasury and the Internal Revenue Commission (IRC) have initiated the modernization and simplification of tax legislation; and the IRC and Customs Service have commenced core process improvements which should lay the foundation for fundamental organizational and institutional reforms to support further sustainable improvements in public revenue. Governance and management arrangements, which were slow in being set up, have now been established and are exercising increasing oversight of the MTRS program; and the PNG government has committed to financing a new Integrated Tax Administration System. In May 2020, the PNG government reconfirmed its commitment to the MTRS while updating some key milestones. Revenue Administration will focus on implementation of a new tax administration act from (July 2020 to January 2021), organizational redesign, taxpayer service strategy development and implementation, short-term revenue recovery and IT modernization. Tax policy and legislation changes division will focus on modernization and simplification of Income Tax Act (new legislation to be passed by December 2020), capacity building in the new Tax Policy Division, mining and petroleum fiscal analysis and modeling.

Uganda — Uganda's MTRS, which is called DRM Strategy (DRMS), was finalized and published²¹ in February 2020. The DRMS outlines a plan across the political economy, tax policy and revenue administration to raise tax-to-GDP ratio by at least 2.5 percent over five years from financial year 2019-20 to financial 2023-24. For financial year 2020-21, the tax policy division would focus on reforming the tax policy making process, establishing and publishing a comprehensive tax expenditure framework as well as addressing the informal economy while preserving Uganda's entrepreneurial spirit. In this period the Revenue Authority would focus on enhancing the human resource capacity of Uganda Revenue Authority (URA), modernizing URA's technology, expanding the tax register and strengthening focus on tax and customs compliance.

²¹https://www.finance.go.ug/sites/default/files/Publications/NEW%20DOMESTIC%20REVENUE%20MOBILISATION%20STRATEGY_FEB%202020_0.pdf

Formulation Support

Albania — In 2018, during discussions with the IMF, the minister of finance and economy expressed interest in learning more about the MTRS approach. In mid-2019, an IMF tax policy and administration team delivered an MTRS workshop to ministry of finance team explaining the MTRS approach to tax system reform, the steps and possible action plan for formulation. The minister agreed to explore embarking on an MTRS formulation. In November 2019, an IMF tax policy and administration mission advised on the MTRS formulation, including tax policy and administration options to reform the tax system and increase the tax-to-GDP level to be considered in the Albania's MTRS. Unfortunately, the country was affected by an earthquake in late 2019 and COVID-19 pandemic in 2020. Dialogue is now beginning to reinvigorate the MTRS formulation and develop new timelines.

Bangladesh — The MTRS of Bangladesh progressed from the pre-formulation to formulation stage. The National Board of Revenue (NBR), with support from the World Bank, is leading the Bangladesh MTRS process, to help develop a vision for the future of tax system of the country with the most important strategic goal of increasing the tax to GDP ratio to 16% (currently standing around 9%). This government-led MTRS process is designed on a broad stakeholders consultation basis including: private sector; civil society; tax officials and authorizing government entities; and development partners (DPs), including Asian Development Bank(ADB), Canada, European Union(EU), Japan International Cooperation Agency (JICA), IMF, United Kingdom Department of International Development (DFID), and United States Agency for International Development (USAID), and. To lead the MTRS preparation process, the NBR has established a robust institutional mechanism, that is well integrated into the Bangladesh Public Financial Management (PFM) Strategy (2016-21), and the PFM Action Plan (2018-23). Such institutional mechanism comprises of the NBR: (i) MTRS Steering Committee chaired by the Chairman NBR; (ii) MTRS Secretariat; and the (iii) PFM Project Implementation Team (PIT) that is a part of the Secretariat. This NBR internal mechanism integrates into the PFM Action Plan Steering Committee led by the Ministry of Finance. The Bangladesh MTRS process comprises of three main pillars: (i) taking stock of ongoing reform initiatives (through studies, surveys, mapping)- DRM reforms mapping (2010-20) that has been completed; (ii) conduct technical and non-technical analytical work that is on-going; and (iii) conduct stakeholders consultations. Both the analytical work, and consultation pillars have been constrained by COVID-19, more recently. The MTRS preparation is supported by the World Bank administered trust fund for the Strengthening Public Expenditure Management Program (SPEMP), funded by Canada, DFID, and EU and the World Bank's GTP for lesson learning and overall coordination with internal and external stakeholders.

Benin — The authorities showed interested in the MTRS approach, given revenue needs and their interest to increase tax-to-GDP ratio to WAEMU level (20 percent of GDP). Since the last Annual Report, a workshop to explain the MTRS framework to MOF officials was organized in November 2019 and an MTRS road map was prepared. MTRS formulation work supported by IMF's FAD includes: (1) a Tax Administration Diagnostic Assessment Tool (TADAT) assessment (completed in November 2019); (2) a Value-Added Tax (VAT) gap analysis (ongoing); and an evaluation of income tax incentives (completed). Formulation work is on track. The MTRS project will cover the period from 2020 to 2023 and the Benin Government is expected to include the MTRS in the budget that they present to Parliament in November 2021.

Egypt — Egypt sought IMF support on tax system reform in 2018. As part of the dialogue and advice, transitioning their reform effort into an MTRS was recommended. Since the last Annual Report, combined expenditure policy, tax policy and tax administration missions (in country and remote) provided assistance in the formulation of the MTRS. A draft MTRS is being prepared including chapters on expenditure needs, revenue and other goals setting, tax policy and revenue administration reform options and legislative measures. The OECD has also been providing support in the formulation of the international tax component of the MTRS. Government reconfirmed commitment to MTRS in June 2020 and the authorities now are revisiting all the components of the draft MTRS based on the new macro-economic environment. New revenue measures to cope with the effect of COVID-19 will be considered. Final approval by Cabinet is planned for December 31, 2020.

Ethiopia — Like Benin and Egypt, the MTRS support in Ethiopia has also moved from dialogue pre-formulation to formulation stage since the last Annual Report. The authorities already have a government-wide reform agenda that is envisaged to be translated into a more granular 10-year prosperity plan. IMF assistance has been sought by the authorities to assist in the development of the tax system reform portion of an MTRS for the mid-term (or first 5-years) of the prosperity plan through the development of a medium-term plan to increase tax-to-GDP through tax policy and revenue administration measures. The medium-term reform plan is currently in development with the authorities. The IMF has provided comprehensive advice in tax policy and administration, including estimations of revenue potential of the various measures. The medium-term measures for both tax policy and revenue administration are currently under consideration and final development by the authorities, with the assistance of IMF. The medium-term revenue mobilization plan is to be completed for the new fiscal year starting July 7, 2020.

Indonesia and Thailand — Both countries received IMF advice for drafting the countries' MTRSs. In both cases, the MTRS drafts have not been formally adopted; instead, in both countries they took a selective approach in terms of working some of the reform options provided during for the

drafts MTRSs. Thus, neither of these countries are presently pursuing the implementation of an MTRS to tax system reform with a comprehensive approach. However, Thailand informed that at the end of 2019 the ministry of finance created a team to analysis the tax system reform options recommended in the MTRS draft.

Lao PDR — In May 2018, the MOF requested IMF assistance in developing an MTRS, covering the period 2021-2025 to support their 9th National Socio-Economic Development Plan (NSED). IMF missions (financed by the government of Japan) in tax policy, revenue administration and customs administration were undertaken, with the results expected to be combined in a draft MTRS. Both the tax and customs agencies have strategic plans for the period 2018-2020 which were intended to build the foundation for stronger results through the MTRS. In Dec. 2019, MOF officials indicated the focus will be on strengthening the tax and customs administrations, specifically related to domestic revenue mobilization. Officials are no longer pursuing wider MTRS development.

Pakistan — The government developed a MRTS with close support from the WB. Drawing on comprehensive WB analytical work funded by DFID, the WB organized a number of workshops to help the Federal Board of Revenue develop a tax reform strategy that aims to address challenges with tax policy design, coordination between different levels of government, a narrow tax base, complexities in the tax system, compliance rates, the informal sector, and revenue administration efficiency. Since the last Annual Report, the MTRS has evidenced two important milestones in the last year. First, the World Bank has approved a large loan—the Pakistan Rises Revenue (PRR)—to support the Federal Board of Revenue (FBR) with US\$400 million. The PRR objective is contribute to a sustainable increase in domestic revenue by broadening the tax base and facilitating compliance. The loan is results based with annual targets. Once the results are attained the Government and FBR will get the funds. The results are linked to improvements of the tax policy, for instance the harmonization of the Sales Tax between the Federal and provincial governments as well as administrative measures such as risk-based audits. Most of the first-year targets are in good course even though the COVID-19 crisis. Second, the Inland Revenue Service (IRS) has completed the first draft of its 5-year strategic plan, which, along with the already approved 5-year strategic plan for the Customs Service, will constitute the FBR medium- to long-term vision and mission. The WB will continue assisting the FBR to consolidate the MTRS providing technical advice in the tax policy and tax administration including customs fields.

Rwanda — Since the last Annual Report, the MTRS support to Rwanda progressed from dialogue pre-formulation stage to formulation stage. An MTRS workshop led by the IMF's FAD and Rwanda's Ministry of Finance in September 2019 helped establish governance arrangements for an MTRS and also define an MTRS roadmap and action plans. Subsequent formulation work

supported by IMF's FAD includes a TADAT assessment (completed); capacity building in policy analysis and tax expenditure assessment (ongoing); and VAT gap analysis (ongoing). The MTRS covers FY 2023-24 through FY 2025-26. Next steps include determination of additional tax/GDP revenue linked to medium-term expenditure needs and an assessment of customs to be undertaken by IMF in 2020.

Senegal — The MTRS support in Senegal has also progressed from dialogue pre-formulation stage to formulation stage. The authorities finalized the draft MTRS document end-May 2020, making it the first country in Francophone Africa to prepare one. The main focus of the MTRS is to, in tax policy, expand the tax base by reducing tax expenditures and formalization of the economy, and in revenue administration, increasing the number of taxpayers, tackling fraud, and digitalization. The IMF's FAD is providing CD support in managerial and operational capacity, revenue administration core business functions and procedures, support functions and improving the business environment. The World Bank is providing CD support in targeted tax policy and administration areas, including international taxation (transfer pricing, anti-abuse and treaty policy), risk-based audit selection, MSME taxation and excise taxation (tobacco). The MTRS covers the period 2020 – 2023 and detailed implementation plans for both tax policy and revenue administration will now be prepared.

Dialogue pre-formulation

Georgia — Georgia is receiving intensive CD support in the taxation area from the IMF, under its RMTF. The focus of the CD program has been mostly on tax administration, with targeted policy advice to address some issues and there has been some progress., The World Bank is providing targeted support on tax compliance in the area of VAT. Discussions with the authorities have been held to transition the ongoing tax system reform into an MTRS though there have been no developments over the last 12 months. The authorities may consider further steps after the 2020 elections.

Honduras — During the 2019 Spring Meetings the authorities asked for technical assistance on developing a fiscal pact (Pacto Fiscal) and an MTRS. The IMF offered support; discussions are still taking place.

Jordan — In April 2019, the minister of finance expressed interest in exploring the formulation of an MTRS. The minister requested the IMF mission to provide more background information and share experience from other countries. While there was a change of Government in late 2019, MTRS is still seen as a valuable tool going forward, but more in the medium-term timeline.

Liberia — The Liberia Domestic Resource Mobilization (DRM) Strategy, FY 2018-22, was approved by the Government of Liberia at a Cabinet meeting held in Gbarnga on October 26, 2018. The DRM strategy was mainstreamed as Chapter 7 in the Pro-Poor Agenda for Prosperity and Development (PAPD), denoting the financing sources and launched as an integral part of the PAPD. The DRMS was prepared through broad consultations and support by the United Nations Development Program (UNDP) and the World Bank who funded the Technical Assistance. The strategic priorities are to create greater effectiveness and efficiency in tax system, through (i) expanded access to tax administration, (ii) strengthened policy and legal infrastructure for taxation, (iii) application of an automated and dynamic Enterprise, Risk Management Framework for the entire revenue administration organization, and (iv) strengthened social contract achieved through better public Finance Management. The strategy envisages close collaboration with development partners on capacity development. An implementation plan has been developed and close monitoring and evaluation of the plan will be done at two levels: (i) at the Executive level (High Level Cabinet Sub-Committee and DRM-SC; and, (ii) at Component (sector) level. Talks have been held with tax officials to transition reform efforts into the MTRS approach to tax system reform.

Malaysia — In January 2020, the IMF conducted an MTRS workshop and discussed steps for MTRS formulation and an action plan to take the MTRS formulation forward. The Ministry of Finance established an MTRS Steering Committee, but plans were put on hold due to the COVID-19 pandemic. IMF is seeking re-engagement on Government's interest in pursuing the MTRS approach once the immediate COVID-19 Crisis abates.

Mongolia — Mongolia receives intensive CD support in tax system reform areas, from the IMF under its RMTF and the Government of Japan through customs reforms; though, mostly in tax administration. In addition, World Bank has provided CD support on tax expenditures and is preparing a policy that includes support for implementation of international tax standards. The MTRS approach was discussed with officials as a means to finance government spending and offset the high volatility in the mining sector. The OECD, in partnership with the IGF is providing intensive assistance on taxing the mining sector, complemented by a joint OECD-UNDP (Tax Inspectors Without Borders (TIWB) program. The authorities are not currently considering further work to progress the MTRS, preferring instead to focus on achieving sustainable increases in revenue through improvements in tax and customs administration. The MTRS approach will be raised with authorities again following the June 2020 national elections.

Morocco — In 2019, the Secretary General of the Ministry of Finance and the Director General of the Tax Administration showed keen interest in proceeding with an MTRS approach and it was agreed that IMF would take the lead. The Minister of Finance has still to confirm this interest.

Myanmar — The government has launched an ambitious Myanmar Sustainable Development Plan 2018-30 but its capacity to finance this plan is limited. IMF and World Bank hosted an MTRS workshop with officials in late 2018 explaining how the MTRS approach can help mobilize revenue. Discussions ensued but no further progress towards formulating an MTRS has been made. Instead, tax system reforms are being implemented outside the MTRS approach, including reforming the income tax and considering reform to consumption taxes and strengthening the tax and customs administrations.

Uzbekistan — Since 2018 the government is pursuing significant reforms of its tax system; a whole revamping of the policy setting, administration, and legal framework. Already significant changes have taken place in tax policy, and there is also a comprehensive tax administration reform strategy. The IMF is providing an intensive CD program under its RMTF, working in collaboration with the World Bank and other DPs. An MTRS familiarization workshop scheduled in March 2020 could not be delivered either in-country or remotely due to the Covid-19. During the 2020 IMF Spring Meetings, the authorities reiterated their interest in transitioning the current tax system reform program into an MTRS. The IMF will pursue organizing the MTRS workshop in the period July-September 2020.

Vietnam — The Ministry of Finance is preparing its comprehensive tax reform strategy for 2021-2030 and tax reform plan for 2021-25 with assistance from IMF and World Bank. Specifically, IMF and World Bank are jointly supporting the General Department of Taxation (GDT) to formulate the tax administration reform strategy and plan, while the Tax Policy Department (TPD) is preparing the tax policy reform strategy with the support from World Bank. IMF and World Bank conducted joint missions to support the GDT. This includes a tax administration assessment using the DIAMOND tool led by the World Bank to identify strengths, weaknesses, and performance gaps of the GDT to inform the formulation of the Vietnam tax administration reform strategy for 2021-30 and reform plan for 2021-25, and a series of virtual technical assistance led by the IMF to help the GDT to identify external challenges to the upcoming strategy and plan. On the policy side, World Bank is supporting the TPD to conduct a comprehensive review of the tax policy framework and provide options for reforms. The government clients will use the inputs from IMF and World Bank to develop its tax reform strategies and plans. It is expected that the draft reform strategies and plans will be available in October 2020 for further consultations before adoption in summer 2021. Although a couple of years ago the authorities expressed interest in framing their reform efforts into the MTRS approach, that interest has been put on hold at this stage.