Appendix A. The MTRS Approach Strengthens Collaboration

The concept of the Medium-Term Revenue Strategy (MTRS) was developed in the paper that the PCT submitted in 2016 to the G20 Finance Ministers.[33] The core elements of an MTRS include a social contract in the country on revenue mobilization goals, a comprehensive reform plan for the tax system, domestic political commitment for sustained implementation of the reform plan, and secured support for capacity development to support the country in overcoming constraints in developing and implementing the MTRS.

The MTRS approach explicitly calls on external providers of support for capacity development, including PCT Partners, to coordinate their support for the government-led MTRS in a 'subordinated' manner that provides 'assurance against pressures to prioritize the providers own agenda over the country-led effort.' In particular, country recipients should designate one TA provider to take the lead in supporting the authorities, in close collaboration and consultation with other providers and conclude a formal agreement (e.g. Memorandum of Understanding [MOU]) with TA providers, with explicit recognition of the roles, contribution, sequencing, etc., on both sides: country and CD providers.

So far, the IMF and WBG have been most involved in supporting the design and implementation of the MTRS, given their typically larger presence in the countries. To avoid duplication of efforts, countries have agreed with the IMF and WBG on the principal agency that will engage with the government, with the other supporting design and implementation as required.[34] The IMF has taken the lead role in the seven countries with MTRSs at the early stages of implementation and those formulating their MTRSs, except for Pakistan where the WBG hast taken the lead. Relationship with the country, existing engagements, and country presence are some of the factors that come into play when determining the principal agency.

The OECD and UN have not been involved in the design or implementation of the MTRS at the country-level. PCT partners realize the importance of strengthening collaboration on this front and have identified a number of areas where the OECD and UN are well-placed to support aspects of both the design and implementation of MTRSs.

[33]PCT, Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries, July 2016. At: http://documents.worldbank.org/curated/en/337691503666961906/Enhancing-the-effectiveness-of-external-support-in-building-tax-capacity-in-developing-countries-prepared-for-submission-to-G20-finance-ministers. The MTRS concept was further developed in PCT, June 2017, Update on Activities of the Platform for Collaboration on Tax. At: http://documents.worldbank.org/curated/en/487521499660856455/pdf/117317-WP-PUBLIC-Collaboration-on-Tax.pdf.

[34]In on-going MTRSs, the IMF has mostly focused on upstream support, including diagnostics and strategic design, with WBG support aimed at downstream activities, such as modernization of IT systems, human resources and business processes.

The OECD can assist on international tax issues, in particular integration of BEPS standards and peer reviews into an MTRS, as well as providing a range of capacity building tools and approaches to support implementation.

Further improvements in coordination between TA providers around the country-led MTRS would help ensure that the complementarities of PCT Partners and other TA providers can be fully utilized in MTRS process. Measures toward this end include formal agreements of MTRSs countries with TA providers, scheduled within-country coordination between providers of TA led by the government, regular updates on MTRS developments (channeled through the PCT Secretariat) and the organization of workshops to exchange information on the challenges of MTRS implementation and lessons learned.

Status of CD Support to MTRS Countries

As mentioned in Section III of the 2018-19 Progress Report, some 19 countries are presently engaged with Partners in discussing, formulating or implementing an MTRS:

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

In the following paragraphs, a description of progress in each of the countries is provided.

Implementation support

Papua New Guinea (PNG)—PNG formulated its MTRS in 2017 with IMF CD support. Following the MTRS approach to tax system reform, PNG's MTRS develops the four interdependent components to guide and steer its TSR, namely: (1) a revenue mobilization objective of 14 percent of GDP by 2022 is set, along with other goals for the TSR; (2) a TSR plan for the period 2018-2022 is outlined, including concrete policy and administration reforms, and the corresponding legal changes; (3) a governance arrangement and whole-of-government approach to manage the TSR is committed for the reform period; (4) a framework for coordinating CD partners is set, entrusting the lead advisory role to the IMF. Several CD partners are supporting PNG in diverse areas. Along with the IMF, the WB is also providing CD in targeted tax policy and administration areas, including tax incentives review, the introduction of capital gains tax and small- and medium sized enterprise taxes, risk-based audit, and taxpayer communication and outreach.; the US Treasury Office of Technical Assistance on the implementation of the Large Taxpayer Office (LTO) within the Internal Revenue Commission (IRC); the Australian Taxation Office on data warehouse development and the Automatic Exchange of Information, compliance risk management, and disputes procedures; and the Australian Department of Foreign Affairs and Trade (DFAT) has been financing a resident modernization and strategy advisor within the IRC. Tax Inspectors Without Borders has been also active in PNG.

PNG's MTRS was formally launched in November 2017. 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 (RMTF). In the first year of PNG's MTRS, there are signs that the downward trend in tax revenue is being arrested. TSR elements are also 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.

Formulation support

Egypt—In 2018 the MOF sought IMF support on tax system reform. As part of the dialogue and advice, transitioning their reform effort into an MTRS was recommended. The minister that took office in mid-2018 embraced the idea and requested IMF support for its formulation. An ongoing CD dialogue has been taking place since then, including regular video conference and policy and administration missions, to help develop the MTRS four interdependent components. In this dialogue, engagement with PCT members (OECD and UN) and other DPs (AfDB, EU, UK, US and Switzerland) has been conducted. During the recent WB/IMF Spring Meetings, in IMF discussions with the Egyptian delegation, headed by the minister of finance, a work plan was agreed aiming to finalize the MTRS at government level during May/June 2019 to then go for public consultation before kicking off its implementation.

Indonesia and Thailand—Both countries received IMF advice for drafting the countries' MTRSs. Working jointly with teams from the respective ministries of finances, revenue agencies, and other relevant government entities, IMF teams involving staff and experts on policy, administration, and legal analyzed ongoing tax system reform efforts vis-a-vis the four MTRS interdependent components and conducted an MTRS gap analysis. This was the starting point to prepare a draft MTRS, which includes: (a) detailed analysis of the expenditure needs and revenues to mobilize to progress development, especially the SDGs; (b) comprehensive tax policy, administration, and legal reforms, including the quantification of revenue impact of recommended measures, to mobilize the needed revenues and improve the tax system overall; (c) the reform governance arrangement to ensure whole of government buy-in and effective reform management; and (d) the CD needs that need to be mobilized and a mechanism of coordination. In both countries, dialogue with other DPs was very important to make them aware of the MTRS work, notably in the case of Indonesia, which is receiving CD support from several DPs—Australia, Japan, OECD and WBG (including CD support on tax policy and administration covering compliance management, human resources, tax expenditure reform, VAT, and International taxation, with implementation supported by a World Bank policy loan and investment operation focused on information technology).

In both cases, the MTRS drafts have not been formally adopted, and only some elements have been progressed in a fragmented manner. Ongoing dialogue is being held with the authorities, including through discussions by IMF area departments teams for both countries. In the case of Indonesia, the draft MTRS was published in the IMF book "Realizing Indonesia's Economic Potential" published in October 2018.

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 (NSEDP). Lao PDR's strategic agenda is contained in their Public Financial Management Development Strategy (PFDS) to 2025. The MTRS will support the goals contained in the PFDS and form the basis of the 9th NSEDP. Individual headquarter missions in tax policy, revenue administration and customs administration were undertaken, with the results being combined in a draft MTRS, which is now being finalized. Following the MTRS approach to tax system reform, Lao's MTRS develops the four interdependent components to guide and steer its TSR, namely: (1) a revenue mobilization objective of between 18 and 20 percent of GDP by 2025 is set, along with other goals for the TSR; (2) a TSR plan for the period 2021-2025 outlines concrete policy and revenue and customs administration reforms, along with the corresponding legal changes which strengthen all aspects of the tax system; (3) a governance arrangement and whole-of-government approach to manage the TSR has been recommended through a Steering Committee reporting to the Minister of Finance; and (4) to date, the government has requested the IMF to lead the MTRS and assist in the coordination with CD partners.

A condensed version of the MTRS was also developed, along with an engagement strategy to assist officials in consulting with stakeholders. Development partners, including WB, EU, and JICA have been engaged throughout the development of the MTRS and will be key partners in its implementation. MOF officials intend to introduce the MTRS to the National Assembly in June 2019. Lao PDR is being supported by Japan-financed medium-term CD programs on tax administration (May 2018-April 2021), and customs administration (May 2017-April 2020). Both tax and customs have strategic plans for the period 2018-2020 which are intended to build the foundation for stronger results through the MTRS.

Pakistan—The government developed a MRTS with close support from the WBG. Drawing on comprehensive WBG analytical work funded by DFID, the WBG 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. The WBG is working on providing a substantial loan to support reforms of the Federal Board of Revenue and MTRS implementation.

Uganda—Uganda has prepared a draft MTRS, which is called DRM Strategy (DRMS) that will be presented to its Cabinet soon. The draft DRMS was prepared through broad consultations, and with robust governance arrangements, including a technical working group and support by all partners with the IMF and UK's DFID jointly taking the lead. Following the MTRS approach to TSR, the Uganda's MTRS develops the four interdependent components to guide and steer its TSR: (1) it sets out medium-term objectives for the revenue system, including increasing the tax-to-GDP ratio by 0.5 percentage point of GDP per year, and several other objectives –enhancing fairness, transparency and accountability in the tax system and lifting the capacities of the revenue administration entities; (2) it considers a TSR agenda covering three key drivers of revenue performance: the political economy of DRM; tax policy, including the traditional tax handles and non-tax revenue; and the management and administration of domestic revenues–next steps in coming months include costing of the various proposed initiatives, development of a comprehensive implementation plan and the overarching CD strategy; (3) a reform management arrangement for the formulation has been in place, which will have to be preserved for implementation; and (4) CD support worked effectively to support MTRS preparation. But they still need to develop the implementation plan which will be the basis for implementation CD support.

Dialogue pre-formulation

Albania—In discussions during 2018 with the IMF area department team for Albania, the minister of finance and economy expressed interest in learning more about the MTRS approach. A tax policy and administration CD activity from FAD overlapped with the IMF Article IV consultation mission to Albania in late-April 2019 and briefly explained the MTRS approach to the minister, who was enthusiastic to explore embarking on an MTRS formulation. The minister agreed to host a one-day MTRS workshop in June 2019. This workshop will comprise discussions on the four MTRS interdependent components, and an assessment of the ongoing tax system reform approach vis a vis the MTRS.

Bangladesh— The government has a vision to achieve middle income country status by 2021 and developed country by 2041. To contribute to the vision, the MTRS offers a pathway to mobilize more revenues for helping achieve the SDGs, and in doing so, address the growing need for investment in infrastructure, human resource development, and public services. The MTRS sets a revenue mobilization objective of increasing the tax-to-GDP ratio to 16% from currently less than 9%. The National Board of Revenue (NBR) initiated the MTRS dialogue in 2018 supported by the WBG, DFID, EU, and Canada. Following up, the NBR is leading to undertake key stakeholder consultations during 2019. In March 2019—in response to a request from the NBR—the IMF reviewed the structure, management, operations and performance of the NBR and advised on a NBR reform strategy to address the weaknesses diagnosed. In addition, consultations are expected to include the private sector; civil society; other government entities; and development partners, supported by the WBG trust fund for the Strengthening Public Expenditure Management Program.

Benin—The authorities are very interested in the MTRS approach, given revenue needs and their interest to increase tax-to-GDP ratio to WAEMU level (20 percent of GDP). The IMF is planning to organize a workshop on the MTRS in conjunction with an upcoming TADAT assessment that is scheduled for September 2019. WBG provides CD support on tax policy and international taxation and is in the process of preparing a budget support operation that will support envisaged policy reforms.

Ethiopia—The authorities have shown interest in the MTRS approach but have not yet fully (or publicly) committed to it. They prefer to take a gradual approach towards an MTRS. This includes undertaking more tax policy analysis—they are currently awaiting a forthcoming IMF tax policy mission which will review the tax policy setting comprehensively. The newly appointed minister of finance has been briefed on the MTRS approach by officials that participated in the July 2018 workshop on the MTRS approach. WBG provides CD support on tax policy and administration, including a cost-benefit analysis and governance of tax incentives; excise tax policy; and presumptive taxation as well as a diagnostic of information technology in the revenue administration.

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. There has been good progress, though uneven, with compliance issues difficult to address and risks of sustainability of the administrative reform; the WBG is providing targeted support on tax compliance in the area of VAT. In addition, medium-term development goals and related expenditure needs are not fully linked to the need for TSR, beyond the budget exercise. Whole-of-government embracement of revenue administration reform needs to be enhanced to strengthen revenue mobilization capacity and address sustainability. Against this background, discussions with the authorities have been held to transition the ongoing tax system reform into an MTRS. This could help address the identified risks of sustainability of the ongoing reform effort, notably in revenue administration, and enhance coordination of CD providers supporting reform efforts to the tax system.

Honduras—During the recent WB/IMF Spring Meetings the representatives of the MOF and the minister of revenue both showed considerable interest in the MTRS (they referred to it as "*Pacto Fiscal*"). IMF will organize an initial workshop in Tegucigalpa with the MOF/ministry of revenue/customs administration (and other government agencies the authorities may want to include) to discuss the framework and see if the authorities would be interested in proceeding.

Jordan—During a recent IMF mission on revenue administration (April 2019), the minister of finance expressed interest in exploring the formulation of an MTRS. He first learnt about the MTRS from discussion with the IMF's area department team during surveillance missions. The minister requested the IMF mission to provide more background information and share experience from other countries. As in the case of Egypt, an MTRS formulation workshop will be organized during 2019 with ministry of finance and revenue agencies officials. This workshop will comprise discussions on the four MTRS interdependent components, and an assessment of the ongoing TSR approach vis a vis the MTRS. In Jordan, other active DPs supporting different elements of tax system reform include UK and the US; they will be invited to the MTRS workshop.

Mongolia—Also a recipient of an intensive CD support in tax system reform areas, from the IMF under its RMTF; though, mostly in tax administration. In addition, WBG has provided CD support on tax expenditures and is preparing a policy that includes support for implementation of international tax standards. Tax administration reform is progressing well. However, Mongolia is heavily dependent on revenue from the mining sector, with a high volatility that also translates in high volatility on fiscal spending. In addition, RA-GAP estimates for VAT shows a large gap and a VAT design with serious complexities, also present in other taxes. Mongolia needs a thorough review of its tax system; framing it in the MTRS would allow taking a holistic approach, including a better connection between expenditure and revenue level needs. The IMF is planning a discussion with the MOF in late 2019, in anticipation of a possible renewal of the current CD program.

Myanmar—The government has launched an ambitious Myanmar Sustainable Development Plan 2018-2030 but its capacity to finance this plan is limited. The tax-to-GDP ratio at around 6-7 percent is very low by regional standards, and although Myanmar benefits from resource revenues, these have also been declining. Myanmar has been undertaking a major tax reform program since 2012 but the starting point was very low (around 3-4 percent of GDP); thus, overall improvements in tax revenue though large are still very modest.[35] An MTRS approach is now being considered to place the TSR agenda within the broader context of national development aspirations; garner broad-based, whole-of-government commitment and public support for the program; and secure the financing required to support sustainable revenue increases from domestic and international sources. Accordingly, discussions with the authorities have been held to transition the ongoing tax system reform into an MTRS. This could also help address some risks of sustainability of the ongoing reform effort, make a clearer connection of the revenue mobilization to spending needs and consolidate and further steer progress on institutional reforms, particularly in tax administration.

Senegal—The authorities are interested in the MTRS approach given revenue needs and the consistency of this approach with the recently developed (long-term) national development plan (*Plan Senegal Emergent*). The IMF conducted a one-week seminar in April 2019, providing more details on the MTRS framework to a multi-agency audience of officials. The WBG also suggested pursuing a medium-term revenue strategy as part of its country dialogue. Receptivity was very good, and the government is aiming at pursuing an MTRS approach in the second half of 2019. The WBG 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).

Uzbekistan—Since 2018 the government is pursuing significant reforms of its tax system; a whole revamping of the policy setting, administration, and legal framework.[36] 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 WB and other DPs. The pace of tax system reform has been very hectic and has not allowed to organize the multiple reforms in a medium-term perspective; dialogue and CD work with the authorities is bearing fruit and a reform strategy in being developed. This will create the context for discussing the transition of the ongoing tax system reform into an MTRS in the second half of 2019.

Vietnam—In July 2018, the Minister of Finance requested WBG assistance to develop an MTRS for 2021-2025 as part of a broader request for assistance in the development of the fiscal plans to feed into the formulation of the medium-term socio-economic development plan for Vietnam in the next five-year planning cycle (2021-2025). WBG has secured funding from Switzerland to support the request for MTRS support. The MOF is in the process of assigning a focal agency to work with the WBG on the development of the MTRS. This work will build on the current Tax Reform Strategy 2010-2020 and other analytical reports. The next Financial Plan (2021-25), also supported by the WBG, will develop the baseline revenue objectives that will underpin the MTRS. In turn, the MTRS will inform the realistic setting of major fiscal parameters for

[35]Box 3 described in detail the tax system reform in Myanmar and CD coordination among DPs supporting this reform.
[36]Box 5 describes in detail the tax system reform in Uzbekistan and CD coordination among DPs supporting this reform.

such a plan. The development of an MTRS is a part of a larger tax engagement between WBG and Vietnam, including just-in-time TA for tax policy reform, international taxation and support for CD of the tax administration on risk management, business process re-engineering, and taxpayer services. And will also include partnership with other CD providers, including the IMF the that has been also providing assistance in the area of taxation and is discussing with WB team on the approach to continue both institutions support. In 2017, the IMF provided CD support on streamlining and strengthening tax administration organization and in 2018 on the new Law on Tax Administration.