



# Fiscal Affairs Department

## **PCT and ATAF MTRS Workshop for Africa: Medium-Term Revenue Strategies to Support Recovery and Development**

### **MTRS as a way forward for Africa**



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Washington, D.C. – May 19, 2021



# Outline

- **Why an MTRS?**
- **The MTRS approach, including its four interdependent components.**
- **Uganda's Experience**
- **Some final thoughts!**

# MTRS



- **High-level road map of the tax system reform over 4-6 years**—its policy, administration, and legal components.
- Government's strategy to mobilize resources to finance its spending needs, while creating appropriate incentives for economic and social development.

# Why an MTRS/What makes it different?

- Need to improve the quality of the tax systems, notably in the context of recovery from the COVID 19 crisis and achieving the SDGs.
- Break with a focus on short-term measures and commit to a more comprehensive reform of the tax system.
- Visible country led – raises profile of tax system and increases accountability.
- Direct link to and driven by spending/financing needs.
- Increased certainty - clearer picture of likely revenue in the medium-term.
- Involvement of ‘whole of government’, civil society.
- Building tax capacity is a protracted/persistent effort.
- Better sequencing, integration of revenue reforms.
- Enhance coordination among donors/partners.



# Core Elements of an MTRS

- A *broad consensus* on the level of revenue mobilization effort for the medium-term (4-6 years).
- A *comprehensive tax system* reform plan, reflecting country circumstances and the state of institutional capacity and tax reform efforts underway
- A *country's commitment* to a steady and sustained implementation, notably by securing political support and resourcing.
- A framework for *coordinated CD financing* (technical assistance and training).

# Country-led effort

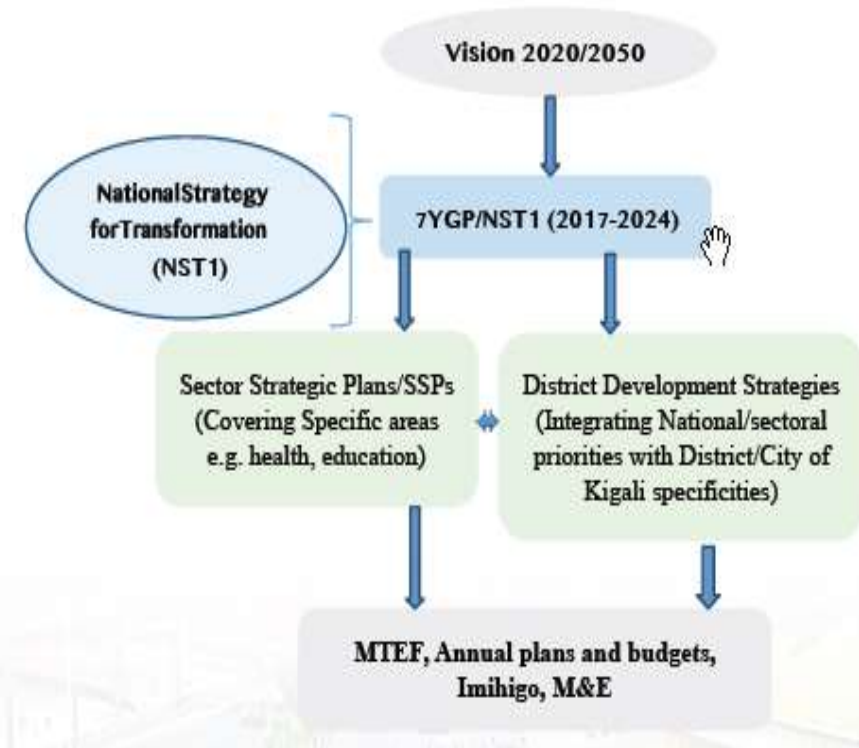
- Single document setting forth the country's vision of the tax system.
- Whole Government and inclusive approach to leading tax system reform.
- The plan supports the country's development objectives.



# Builds consensus around a revenue target

- Inclusive – multiple stakeholders
- Society's expectations on public services:
  - Expenditure needs
  - SDGs agenda
- Social and economic development vision

## Rwanda Development Planning Framework



# Integrates various aspects of reform





# A framework for coordinating CD

- Provides framework for common understanding of government RM priorities across development partners (DPs).
- Helps identify support provided and needed (who does what).
- Helps align activities among different DPs...



# Country case study – Uganda DRMS

## Clear articulation of the key drivers for developing a DRMS:

- Support delivery of NDP II and Vision 2040.
- Encourage greater self-reliance in financing economic development.
- Inclusive debate about the shape and balance of the tax system.
- Greater contribution to policy design by academic and other experts.
- Greater certainty and confidence for domestic and foreign investors.
- Improve the efficiency of revenue administration and collection processes.
- Commitment to eradicate corrupt practices.

# Country case study – Uganda DRMS

## Formal governance arrangements established:

- A DRM Committee set up to guide the development of the DRMS and coordinate interventions to support revenue mobilization.
- Lead development partner appointed (IMF) and partners' DRM group set up co-chaired by IMF and DFID.
- A drafting committee coordinated by TPD and comprising officials from MFPED, URA, NPA, EPRC, and the Parliamentary Department of Research.
- DRMS drafts reviewed by the various levels of MFPED leadership which helped to ensure a sense of whole-of-government support for the DRMS.

# Country case study – Uganda DRMS

## Extensive preparatory work, coordinated support of DPs:

- Over 30 academic papers, diagnostic studies, and technical assistance reports, covering both Ugandan and international experiences.
- Other key government publications - The Uganda Vision 2040, the Second National Development Plan, the National Budget Framework Paper FY2018/19 – FY2022/23, the Ministry of Finance Strategic Plan 2016-2021, and the Public Financial Management Reform Strategy consulted.
- Discussions with IMF country team, within the context of a Fund-supported program, shaped the macro framework and fiscal policy.

# Country case study – Uganda DRMS

## Extensive stakeholder consultations:

- Formal, informal, to build broad-based consensus:
  - URA “Open Minds Forum”.
  - MFPED and URA consultative workshop for key stakeholders from the financial, insurance, social security, public and private sectors, civil society.
  - Invitation of representatives from civil society to discuss challenges and interventions that they would like to see in the DRMS.
  - Involvement of several private-sector tax experts in validating specific tax policy reform options and administrative constraints, as well as identifying any further gaps.



# Country case study – Uganda DRMS

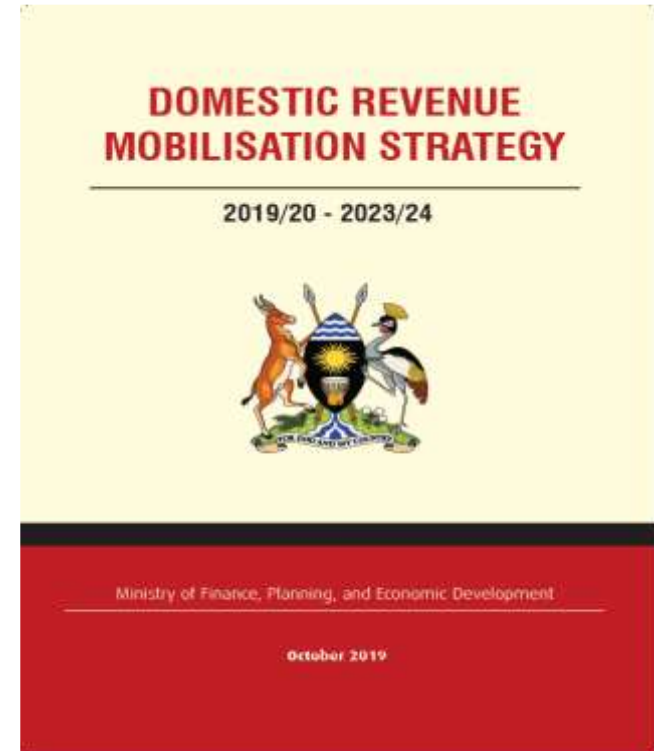
## DRMS objectives defined:

- Improve revenue collection, raise tax-to-GDP ratio to between 18-20% (from a baseline of 14.6% of GDP in 2018/19) within the next 5 years.
- Create a sound and buoyant tax system that promotes industrialization, social welfare, and private sector development.
- Lift the capacities of the revenue administration entities, ensuring that revenue is raised in an efficient way and reduces compliance burden for individuals and businesses.
- Improve citizen perceptions of taxation, raising visibility, and creating a tax system that makes all proud to be Ugandan.
- Enhance transparency and accountability in the tax system.
- Enhance taxpayer services, education, and information.

# Country case study – Uganda DRMS

## Comprehensive reforms proposed, 2019/20 to 2023/24:

- Addresses three core constraints:
  - Political economy issues.
  - Structural factors in tax policy design which have been difficult to reform historically.
  - Administrative effort required to expand taxpayer base and compliance.



# Country case study – Uganda DRMS

## Implementation:

- A detailed implementation plan was developed
  - Measures sequenced
  - Expected tax-to-GDP gains “costed”
  - Detailed actions set forth in compliance improvement plans
- COVID-19 Impact
  - Full implementation delayed one year
  - Re-costing and re-sequencing of measures



# Some final considerations based on experience

- Designing the strategy while ‘doing the work of government’.
- Changing the ‘business as usual’ way of working within government and between government and non-government stakeholders.
- Bringing together the MOF and tax/customs administration in a real partnership.
- Making hard decisions about the balance between policy and administration reforms – not easy but this may be the first time that policymakers will consider concrete options and decide on emphasis and sequencing.
- Bringing along the top levels of government, cabinet and parliamentarians.
- Changing the narrative of ‘revenue to collect’ to ‘revenue to finance development’.
- The hard work of drafting the document – outside help is useful but government has to be in the driver’s seat.
- With COVID we have learned that MTRS need to be flexible to allow government to adapt to changing circumstances.



***THANK YOU***