



## 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 published<sup>1</sup> 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.

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<sup>1</sup>[https://www.finance.go.ug/sites/default/files/Publications/NEW%20DOMESTIC%20REVENUE%20MOBILISATION%20STRATEGY\\_FEB%202020\\_0.pdf](https://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.