



# THE PLATFORM FOR COLLABORATION ON TAX PCT PROGRESS REPORT 2022



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This report has been prepared in the framework of the Platform for Collaboration on Tax (PCT) under the responsibility of the PCT Secretariat and staff of the four organizations. The work of the PCT Secretariat is generously supported by the Governments of France, Japan, the Netherlands, Norway, Switzerland, and the United Kingdom.

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# ACRONYMS

|         |  |
|---------|--|
| ADB     | Asian Development Bank                                       |
| AfDB    | African Development Bank                                     |
| AFRITAC | Africa Regional Technical Assistance Center                  |
| ATAF    | African Tax Administration Forum                             |
| BEPS    | Base Erosion and Profit Shifting                             |
| CD      | Capacity Development   |
| CIT     | Corporate Income Tax   |
| DAC     | Development Assistance Committee                             |
| DRM     | Domestic Resource Mobilization                               |
| DRMS    | Domestic Resource Mobilization Strategy                      |
| DP      | Development Partner  |
| ECOWAS  | Economic Community of West African States                    |
| EU      | European Union   |
| FCDO    | Foreign and Commonwealth Development Office                  |
| GDP     | Gross Domestic Product                                       |
| GIZ     | Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH |
| GTP     | Global Tax Program   |
| HMRC    | His Majesty's Revenue and Customs (UK)                       |
| ICTD    | International Center for Tax and Development                 |
| IF      | Inclusive Framework  |
| IOM     | International Organization for Migration                     |
| ISM     | Information Security Management                              |
| INFF    | Integrated National Financing Framework                      |

|        |   |
|--------|---|
| IMF    | International Monetary Fund                                       |
| KSP-TA | Knowledge Sharing Platform for Tax Administrators                 |
| MDTF   | Multi-Donor Trust Fund  |
| MTRS   | Medium-Term Revenue Strategy                                      |
| NORAD  | Norwegian Agency for Development Cooperation                      |
| OECD   | Organisation for Economic Co-operation and Development            |
| ODA    | Official Development Assistance                                   |
| OIP    | Online Integrated Platform  |
| PCT    | Platform for Collaboration on Tax                                 |
| PIT    | Personal Income Tax   |
| RMTF   | Revenue Mobilization Thematic Fund                                |
| RPTC   | Regular Programme of Technical Cooperation                        |
| SDG    | Sustainable Development Goal                                      |
| SUNAT  | National Superintendency of Customs and Tax Administration (Peru) |
| TA     | Technical Assistance  |
| TADAT  | Tax Administration Diagnostic Assessment Tool                     |
| TIWB   | Tax Inspectors Without Borders                                    |
| TSR    | Tax System Reform   |
| TWG    | Technical Working Group   |
| UN     | United Nations  |
| UNDP   | United Nations Development Program                                |
| USAID  | United States Agency for International Development                |
| VAT    | Value-Added Tax   |
| WB     | World Bank  |
| WBG    | World Bank Group  |

# I. INTRODUCTION

As the world emerges from the grip of a debilitating pandemic, it faces many more challenges, including rising inflation, slow growth, and elevated debt risks in many developing countries. Governments and policy makers continue to struggle to balance the competing priorities of containing inflation and boosting economic growth through increased government spending. Supply chain disruptions, lower-than-expected growth rates, and looming uncertainties due to geopolitical tensions continue to mar economies.

Well-designed monetary and fiscal policies are needed to alleviate the debt crises and to boost revenues and spending. Fair, equitable, efficient tax systems that can augment revenues without harming growth are critical to a sustainable recovery.

In these crisis-ridden times, the Platform for Collaboration on Tax (PCT) Partners — the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the United Nations (UN), and the World Bank Group (WBG) — continue their support to countries seeking to strengthen their tax systems through the development of joint products, dissemination of their toolkits, and exchanges on critical issues. The PCT remained active throughout the pandemic as the world has transitioned into hybrid working modes.

During a two-day PCT Retreat held on June 30 and July 1, 2022, the PCT has reviewed the progress made under its existing work program and revamped the work program for the period July 2022–December 2023. This work program was approved by the PCT Principals during their meeting on September 14, 2022.

The revised work program, to be delivered over the 18-month period from July 2022 to December 2023, builds on the progress made under the previous work program while

including the new priorities identified in light of emerging global challenges. PCT's refocused work program is organized into five workstreams (further discussed in Section II of this report). These five workstreams are:

- Tax and Sustainable Development Goals (SDGs)
- International taxation
- Medium-term revenue strategy (MTRS)
- Resilience to and preparedness for shocks
- Stakeholder engagement, dissemination, and internal exchanges

The new work program focuses particularly on three PCT priorities: tax and environment (under the tax and SDGs workstream), international taxation, and medium-term revenue strategies (MTRS). Further, under this new work program the tax and environment stream focuses on the role of taxation in dealing with climate change.

The key outputs delivered since the release of the previously published [Progress Report](#) from October 2021 include the following:

- The PCT **Toolkit on Tax Treaty Negotiations** was updated in May 2022 to include, in both the pdf and online versions, new resources, sample texts, and examples of typical treaty provisions.
- The PCT continued to disseminate guidance developed under its toolkits through dedicated webinars under its “Ask-an-Expert” series. Two separate webinars on the **Toolkit on Tax Treaty Negotiations** and **The Taxation of Offshore Indirect Transfers — A Toolkit**, were held on June 15, 2022, and September 16, 2022, respectively.



- The PCT released country case studies conducted by the French think tank Ferdi that shed more light on the implications of tax exemptions extended to projects funded by government-to-government aid for the recipient countries.
- The PCT convened a Tax and Environment Expert Subgroup, consisting of representatives of the four Partners, which met regularly to discuss joint work. Under the subgroup's guidance, the environmental tax expert in the PCT Secretariat prepared a **paper comparing the PCT Partners' carbon pricing approaches**. The paper is being finalized and is expected to be released by the end of 2022.
- A new resource tab on the Partners' Tools and Frameworks was added to the PCT website, which collates the different tools developed by the PCT Partners to serve the varied needs entailed in assessing the robustness of tax systems, data collection, and reporting.
- The Online Integrated Platform (OIP), a database of Partners' tax-related activities and capacity development (CD) projects across the globe, was updated in January 2022.

This Progress Report is part of PCT's commitment to operating transparently and to making its workplan and outputs widely available, through its publicly accessible website, to governments, CD providers and their donors, civil society organizations, and the general public.

The following sections of the report provide an update of the work of the PCT since the last Progress Report of October 2021: Section II updates the PCT's objectives, activities, outcomes, and next steps for each of the five workstreams; Section III reports on the budgetary support provided by PCT's development partners; and Section IV, "Future Steps," explores opportunities for further collaboration among the Partners.

## II. PCT ACTIVITIES AND WORKSTREAMS

## A. THE TECHNICAL WORKING GROUP (TWG) WORK PLANNING RETREAT

The Technical Working Group (TWG) of the PCT convened for a retreat on June 30 and July 1, 2022, to discuss the progress of the PCT's ongoing work; identify emerging issues to be considered in setting the PCT priorities in the short and medium term; and prepare a forward-looking work program for the period July 2022 to December 2023 in light of existing and emerging priorities. During this meeting, the TWG proposed pursuing the ongoing work under the existing workstreams and discussed the PCT's role in responding to emerging global developments and challenges. In light of these global issues, the group identified three areas that would be at the core of the PCT work and make optimal use of its available resources: **tax and environment** as the focus for the tax and SDGs work, **international taxation**, and **medium-term revenue strategy** (MTRS). In addition, building on the existing COVID-19 workstream, further work should be undertaken to identify the role the PCT can play in supporting countries in their resilience to and preparedness for shocks. Finally, the TWG proposed to ensure the effectiveness of PCT's communications and the effective dissemination of its products.

To align the PCT mission with the current priorities, the TWG proposed revising the mission statement and continuing the

PCT beyond its current mandate, which expires in 2024.

In their meeting held on September 14, 2022, the PCT Principals approved the revised mission, the work program focused on the three priorities, and the PCT's continuation beyond 2024.

The newly revised Mission statement now reads:

***"The mission of the Platform for Collaboration on Tax (PCT) is to support countries' efforts to improve revenue mobilization by leveraging the expertise and experience of the four Partner Organizations, each with their own mandate and policies. The PCT offers a platform for the Partners to collaborate in developing guidance and tools to assist countries with tax system reforms, focusing in particular on environmental taxation, international taxation, and MTRS. The PCT also enables dialogue and information exchange on revenue mobilization between the Partners and promotes broad stakeholder engagement."***

This mission statement reflects the PCT's unique purpose: to serve as a mechanism for exchange and collaboration among the four Partners in their efforts to support tax system reform particularly for developing countries.

Table 1 lists the activities and outputs identified under each of the workstreams.

TABLE 1:

## PCT Workplan for July 2022 to December 2023

| S. NO. | WORKSTREAM  | ACTIVITIES AND OUTPUTS   |
|--------|---|--|
| 1      | Tax and SDGs  | <ul style="list-style-type: none"> <li>• <i>Tax and Environment (primary focus):</i> <ul style="list-style-type: none"> <li>◊ Paper comparing approaches on carbon pricing metrics of PCT Partners (<i>external publication</i>)</li> <li>◊ Blog and webinar to disseminate results and messages of the paper (<i>external publication/external event</i>)</li> <li>◊ Biannual seminar-style meeting on Partners' work among the TWG and the Tax and Environment Expert subgroup (<i>internal seminar</i>)</li> <li>◊ Tax and Environment Expert subgroup to explore and present to TWG line of potential future work (<i>internal consultation</i>)</li> </ul> </li> <li>• <i>Tax and Gender:</i> <ul style="list-style-type: none"> <li>◊ Internal Roundtable of TWG and Partners' "tax and gender" experts to exchange on the work since the last internal roundtable (<i>internal roundtable</i>)</li> </ul> </li> <li>• Tax and Health/Tax and Equity               <ul style="list-style-type: none"> <li>◊ Identify Partner experts for initial exchanges on their respective priorities and work (<i>internal discussion</i>)</li> </ul> </li> </ul>   |
| 2      | International taxation  | <ul style="list-style-type: none"> <li>• Exchange on work by IMF, OECD, UN, and the World Bank in the international tax space (<i>internal exchange</i>)</li> <li>• Regular updates on the progress made by the Inclusive Framework project and on UN standards under the UN Model Double Taxation Convention between Developed and Developing Countries [for example, on Article 12B] (<i>internal updates</i>)</li> <li>• Update on economic impact assessment of agreements under Pillar 2, carried out by the OECD (<i>internal update</i>)</li> <li>• Development of additional/supplementary toolkits on emerging critical areas, including on tax incentives and other [as yet to be identified] topics</li> <li>• Engagement with developing countries on their needs for guidance on tax incentives through a workshop (<i>external workshop</i>)</li> <li>• Exchange on issues concerning developing countries including (a) accessibility of Country-by-Country reporting, (b) Subject-to-tax Rules [STTR], (c) Qualifying Domestic Minimum Top-up Tax [QDMTT], and (d) stabilization clauses of investment treaties (<i>internal exchange</i>)</li> <li>• Dissemination of existing toolkits through Ask-an-Expert Webinars [incentives, OITs] (<i>external webinars</i>)</li> </ul> |
| 3      | MTRS  | <ul style="list-style-type: none"> <li>• Regional [in-person] workshops in countries [LAC] (<i>external workshop</i>)</li> <li>• Country roundtable for exchange of experiences and peer learning among Partners and countries that have already embarked on an MTRS (<i>internal roundtable</i>)</li> <li>• In-country workshops by PCT Partners in identified countries to explore/strengthen linkages between MTRS/ Integrated National Financing Frameworks [INFFs] and other relevant Partner initiatives to assist with the formulation and implementation of an MTRS, depending on the stage of the strategy's development (<i>external workshop</i>)</li> </ul>  |
| 4      | Resilience to and preparedness for shocks                                 | <ul style="list-style-type: none"> <li>• A session for exchange among Partners on the impact of shocks and responses to build resilience, including impact on MTRS (<i>internal roundtable</i>)</li> <li>• Partners' resources to be shared on the PCT website on topics of business continuity during shocks, conflict, and fragility (<i>external publication</i>)</li> </ul>  |
| 5      | Stakeholder engagement, information dissemination, and internal exchanges | <ul style="list-style-type: none"> <li>• Internal exchange among PCT Partners on their respective resource mobilization initiatives and developments</li> <li>• PCT sessions at IF meetings, UN Tax Committee meetings, IMF-World Bank Board briefings (<i>external sessions</i>)</li> <li>• Aligning the website with the workplan (<i>external publication</i>)</li> </ul>   |

The details of the objectives, activities, outcomes, and next steps of each workstream are discussed below.

## B. WORKSTREAM 1: TAX AND SUSTAINABLE DEVELOPMENT GOALS (SDGS)

### 1.1 Objectives

Taxation has a significant role to play in achievement of SDGs. While taxes provide revenues to finance achievement of the SDGs, tax policy and administration also impact growth and equity and influence taxpayers' behavior. Equitable and fair tax systems help build the social contract between governments and taxpayers. Under this workstream, the PCT aims to harness the collective expertise across the PCT partners to shine light on how taxation interacts with the achievement of SDGs, such as environmental goals, gender, and health.

### 1.2 Activities

#### 1.2.1 Tax and Environment

In January 2022, the PCT formed a Tax and Environment Expert Subgroup to collaborate on environmental tax issues. To this end, the PCT Secretariat onboarded a dedicated consultant to undertake technical work and promote Partner coordination for this workstream.

The Tax and Environment Expert Subgroup holds regular working meetings and has met nine times since this group was formed. The subgroup exchanges information regularly on the work of each Partner organization on topics including carbon pricing (including carbon taxation) and subsidy removal, among others. In addition to regular exchanges, the Partners meet to work on the elaboration of joint technical work, curation of key resources on environmental taxation, and internal seminars.

The PCT held its first internal **Seminar-Style Meeting on Carbon Pricing** on May 20, 2022. The seminar gathered the TWG and the Tax and Environment Expert Subgroup for a two-hour exchange on carbon pricing. This provided an opportunity for each Partner to present the scope, progress made, and key results of its ongoing work. For instance, during this meeting the IMF updated the PCT on its work on the proposal for an international carbon price floor. The OECD provided updates on the Inclusive Forum on Carbon Mitigation Approaches. The World Bank provided insights into its development of an indirect carbon pricing metric. The UN provided updates on the work on carbon taxation and other environmental taxation of the United Nations Committee of Experts on International Cooperation in Tax Matters and of UNDESA. Finally, the PCT Secretariat updated the Partners on the progress of the PCT technical paper, ***"Carbon Pricing Metrics: Analyzing Existing Tools and Databases of PCT Partners,"*** being developed by the subgroup. The paper will showcase the carbon pricing metrics of the PCT Partners. While the diversity of carbon pricing metrics and approaches provides a rich perspective on the different forms of carbon pricing, it also risks confusing policy makers and other stakeholders. This paper will address this challenge by providing an overview of how the various metrics complement each other and how they differ. It identifies unifying concepts behind different terminologies and provides insight into how the different forms of carbon pricing relate: direct, indirect, positive, and negative. The paper is currently under internal review and is expected to be finalized in Q4-2022.

In October 2022, the subgroup, in collaboration with the PCT Secretariat, created a new website tab on [Tax and Climate](#) and a curated list of Tax and Climate resources. This provides a one-stop shop on courses, databases, publications, and other PCT Partner resources on Tax and Climate. The new tab and associated list of curated resources will be a "living-resource," updated regularly as additional resources become available.

### 1.3 Outcomes

Starting with gender in 2021 and environment in 2022, the collective efforts by the PCT Partners have raised awareness about the role of taxation in enabling countries to address the critical challenges they face and in supporting their progress towards the SDGs. Enhanced discussions among the Partners have facilitated internal exchange of information on the others' priorities and work as well as exploring opportunities for joint work. Speaking in one voice on critical issues has facilitated better outreach to relevant stakeholders and better communication regarding the Partners' thinking, guidance, and resources, particularly to governments from developing countries.

### 1.4 Next steps

In the coming months, the Tax and Environment Expert subgroup plans to conduct its second Internal Seminar-style Meeting on Carbon Pricing following up on the first Internal Seminar held on May 20, 2022.

Potential future activities under this workstream include organizing a Roundtable on Tax and Climate, an event intended to showcase the work of the PCT Partners, as well as their joint work on the technical paper on carbon pricing.

Similarly, the PCT plans to conduct the second Internal Roundtable on Tax and Gender, following up on the first Internal Roundtable held on May 20, 2021. The first Internal Roundtable provided an opportunity for the Partners to present the scope, progress made, and key results of each Partners' then ongoing work (such as the IMF [Paper on Interaction of Tax Policy with Gender Equality](#), the World Bank's engendered fiscal incidence analysis in pilot countries, and the OECD's work on the impact of tax policy on second earners) as well as some of their joint work (such as the joint IMF-UNDP/UN Women [Paper on Gender](#)

[Equality and COVID-19](#)). The second Internal Roundtable will provide an opportunity to exchange information on the Partners' progress and their planned future work in this space, thus facilitating learning from each other's initiatives, promoting effective collaboration, and avoiding duplication of effort.

Similar exercises for exchange among Partners' experts on SDGs, such as equity and health, will also be explored.

## C. WORKSTREAM 2: INTERNATIONAL TAXATION

### 2.1 Objectives

Under this workstream, the PCT undertakes exchanges on the rapidly evolving international taxation landscape. The workstream also facilitates informed participation of developing countries in international tax debates and aims to provide jointly developed guidance for governments, particularly developing countries, on complex but critical international taxation issues.

### 2.2 Activities

#### 2.2.1 PCT toolkits

The PCT toolkits serve as valuable resources that provide guidance on some significant areas of tax for governments, particularly those with low capacities. The toolkits also serve as resources for the PCT Partners (either individually or collectively) to use in their capacity-building efforts and training. Table 2 lists the five PCT toolkits, with their dates of release and the number of times each has thus far been accessed.

TABLE 2:

## PCT Toolkits on BEPS and Related Tax Matters

| TOOLKIT   | RELEASE DATE                                   | NUMBER OF TIMES<br>DOWNLOADED SINCE LAUNCH<br>(AS OF OCTOBER 15, 2022) |
|---|--|--|
| Options for Low-Income Countries' Effective and Efficient Use of Tax Incentives for Investment  | October 2015                                   | 163 (main report)<br>68 (background paper)                             |
| Addressing Difficulties in Accessing Comparables Data for Transfer Pricing Analyses   | June 2017                                      | 140  |
| Taxation of Offshore Indirect Transfers   | June 2020                                      | 300  |
| Practical Toolkit to Support the Successful Implementation by Developing Countries of Effective Transfer Pricing Documentation Requirements | January 2021                                   | 171  |
| Tax Treaty Negotiations   | March 2021<br>Updated in May 2021 and May 2022 | 151 (2022 update)<br>140 (2021 update)                                 |

## 2.2.1.1. Update to toolkit on tax treaty negotiations

This toolkit is a dynamic piece of guidance providing capacity-building support on tax treaty negotiations, building on existing guidance, particularly from the [UN Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries](#). The toolkit is available in [English](#), [French](#) and [Spanish](#), in both pdf and online versions, and is amenable to regular updating with new developments and feedback from users. Since its launch, the toolkit has been updated twice, most recently in May 2022, with additional links to publicly available resources that treaty negotiators and those interested in the subject will find useful, such as examples of draft texts used for negotiation, specific treaty provisions and explanations, and an overview of the main differences between the OECD and UN Model Conventions for tax treaties. Existing references to publicly available databases on tax treaties were also updated.

In addition, the user-friendly [online version](#) of the toolkit, which facilitates easy navigation to specific sections of interest to the reader as well as to the [French](#) and [Spanish](#) translations, has also been updated to include the additional resources.

## 2.2.1.2. PCT toolkit webinars

To widely disseminate the guidance in the PCT toolkits and to make it more accessible to target audiences, the PCT launched a series of webinars called the “**Ask-an-Expert**” series. Each webinar in this series aims to raise awareness about a PCT toolkit and answer questions and respond to concerns from the target audience on the topic. The event program features a roundtable of experts from the PCT Partners and governments or other organizations and is moderated by a PCT expert knowledgeable about the toolkit at hand. Interested participants are invited to share their questions on the topic in advance. The experts answer curated questions received in advance as well as those posed live during the webinar.

The webinar series kicked off on June 15, 2022, with the **Toolkit on Tax Treaty Negotiations**, shortly after the updated version of the toolkit was released. This webinar targeted government officials from ministries of finance and tax administrations from developing countries. Over 90 tax officials from low- and lower-middle-income countries participated. More details about the event, including presentations and recordings (for government officials through the Knowledge-Sharing Platform for Tax Administrations [KSP-TA]), can be accessed [here](#).

The second webinar of the series, held on September 16, 2022, featured the Toolkit on the **Taxation of Offshore Indirect Transfers**. A total of 116 participants from governments, civil society organizations, academia, practitioners, business representatives, and development organizations attended. Of these, 74 were government officials and 42 were from

low- and lower-middle-income countries. More details about the event, including presentations and recordings, can be accessed [here](#).

Figures 1 and 2 present some key results from webinar participation and feedback surveys.

**FIGURE 1:**

### Ask-an-Expert Series Participant Profiles

*Ask-an-Expert Webinar #1 refers to Tax Treaty Negotiations and Ask-an-Expert Webinar #2 refers to Taxation of Offshore Indirect Transfers*

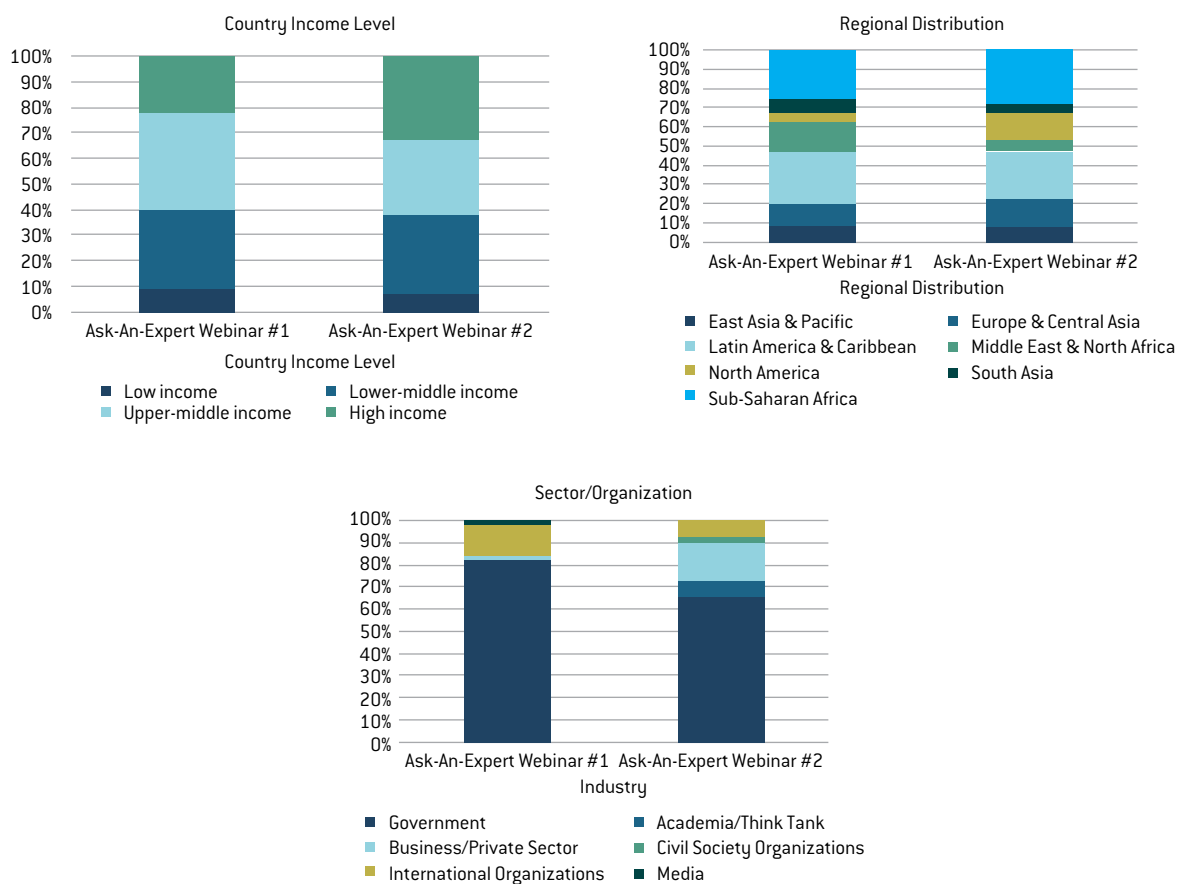
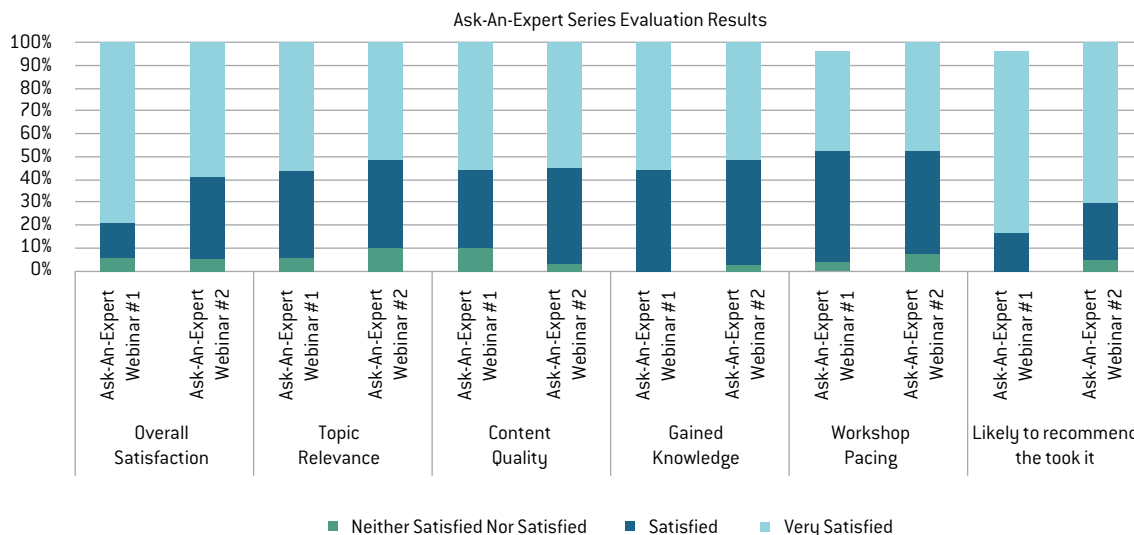




FIGURE 2:

## Ask-an-Expert Series Participant Feedback\*



\* The range of options presented to the participants were: Very Satisfied, Satisfied, Neither Satisfied Nor Dissatisfied, Dissatisfied, Very Dissatisfied.

The PCT Secretariat also presented the key features of the Toolkit on Tax Treaty Negotiations at a December 1, 2021, webinar held by the World Bank and the International Centre for Tax and Development (ICTD) for the launch of its Tax Treaties Explorer database.

In addition, efforts are ongoing to turn the PCT toolkits into self-paced e-learning modules. The Toolkit of Taxation of Offshore Indirect Transfers is being developed into an e-learning course on a pilot basis.

Apart from the joint PCT work through the toolkits and its updates and other dissemination initiatives, the UN and the

OECD, in partnership with the Austrian Ministry of Finance, have been collaborating to build government capacities in the area of tax treaty negotiations. This effort is significant given the differences between the UN and the OECD Model Tax Conventions with respect to certain taxing rights for source countries and the opportunity for representatives from both developing and developed countries to participate together in mock negotiations. Workshop attendance by officials of developing country governments was generously supported by contributions from the Norwegian Agency for Development Cooperation (NORAD), the European Union, and the UN Regular Programme of Technical Cooperation (RPTC). Box 1 presents this effort in more detail.

**BOX 1:****Joint UN-OECD Practical Workshop on Negotiation of Tax Treaties**

Since 2014, the UN and the OECD, with support from the Austrian Ministry of Finance, have jointly organized a series of week-long negotiation workshops for developing countries at the Ministry's tax training center in Vienna. The workshops consist of a mock negotiation between fictitious developed and developing countries and follow a learning-by-doing approach. The background materials are regularly updated to reflect emerging issues, such as the addition of provisions on offshore indirect transfers to Article 13 of the 2021 UN Model Tax Convention.

The workshops have been facilitated by tax treaty experts from both developed and developing countries. Government officials from developing countries participated in the first four joint workshops, held from 2014 to 2019. Due to the pandemic, this interactive workshop could not be held in 2020 and 2021 (see below), but in 2022, it was again possible to hold the in-person workshop. This time participants also included government officials from OECD, creating a diversity of participation that enabled creating mixed teams that enriched the analysis and discussions with different perspectives and experiences in a no-stakes, supportive environment.

During the pandemic, the OECD and UN also collaborated on a series of virtual workshops titled "Getting Ready for Tax Treaty Negotiations"; these ran three times during 2021. These virtual workshops followed a learning-by-doing approach. Participants first engaged in the types of preparatory meetings that members of a tax treaty negotiation B team would hold in advance of negotiations. They then observed a mock negotiation between experienced tax treaty negotiators in which participants were exposed to different negotiation styles and the most effective ways of making substantive arguments, reproducing how new team members learn to negotiate in real life when they become part of a negotiating team with an experienced leader. The workshops proved popular and continued during 2022, as they fill an existing gap between, on the one hand, the more theoretical information provided in the online courses offered by both organizations, and, on the other, the intensive in-person tax treaty negotiation workshops held in Vienna. Each year, the virtual workshops focus on a different set of treaty articles of relevance to developing countries; in 2021, the focus was on permanent establishments, services, and royalties and, in 2022, on the passive income articles (income from immovable property, dividends, interest, and capital gains). The 2022 version of the workshop had specific sessions to discuss sections A, B, and C of the PCT Toolkit on Tax Treaty Negotiation and the new set of tools developed for the toolkit this year.

### 2.2.2 Exchange and updates on the International Taxation landscape

The PCT Partners regularly shared updates on the developments in the International Taxation landscape and discussed the role the PCT can play through regular and ad hoc meetings of the TWG. Notable discussions included the following:

(a) During the TWG meeting held February 23, 2022, the OECD briefed the Partners on the progress being made toward implementation of Pillars 1 and 2 of the Inclusive Framework project since the agreement in October 2021. The Partners discussed the need to support developing countries in understanding the various options as well as the potential impact of such options and their tax systems.

(b) During an ad hoc meeting held March 30, 2022, the TWG discussed areas in which additional/supplementary guidance in the form of toolkits would be desirable. At a follow-up conversation on June 24, 2022, it was agreed that the PCT would develop a supplementary toolkit on the impact of Pillar 2 on corporate tax incentives to enable countries to assess the efficiency and effectiveness of their incentive regimes to support investment. Other toolkit topics could include base eroding payments not covered under the two-pillar solution to tax the digital and globalized economy.

(c) During the TWG meeting held June 1, 2022, the OECD presented its report on Assessing Tax Compliance and Illicit Financial Flows in South Africa jointly prepared with the South African Government, followed by a discussion.

(d) During the TWG meeting held September 7, 2022, the OECD presented its ongoing work on the economic impact assessment of the two-pillar solution globally and for countries grouped by income levels.

### 2.2.3 PCT collaboration on taxation of projects funded by government-to-government aid

Following the release of guidelines by the United Nations (UN) Committee of Experts on International Cooperation in Tax Matters on taxation of projects funded by government-to-government aid and the establishment of the Official Development Assistance (ODA) taxation transparency hub, through an agreement by the OECD Development Assistance Committee (DAC), the PCT explored potential collaborative work among the Partner organizations and agreed to conduct further research on the subject through case studies. The purpose of the case studies is to provide new evidence and analysis on a range of issues, including the spillover costs resulting from economic distortions, administrative difficulties and compliance burdens, and risks of tax avoidance and abuse.

The PCT commissioned the French think tank, Foundation for Studies and Research on International Development (FERDI), to carry out these case studies in Benin, Cameroon, and Kenya. In addition to the three case studies, the paper also provides estimates on revenue losses across developing countries. The study highlights that project aid comprises a significant part of the GDP in a number of countries. It estimates the annual revenue losses as a result of tax exemptions granted to project aid at 1.79 percent of GDP (0.48 percent of GDP for indirect taxes) on average from 1995 to 2019. The paper illustrates how exemptions can add complexity to tax systems and pose a significant burden on the tax and customs administrations, which must then devote disproportionate resources toward administration and accounting of these exemptions. It also illustrates how such exemptions can increase informality and disincentivize integration of small suppliers into the formal economy. It can also lead to tax evasion and corruption. The paper further highlights the need for transparency in country policies and practices to enable assessment of revenues foregone and other costs and an informed evaluation of the policies.

Regarding the three case studies, the paper analyzes the different approaches taken to administering project tax exemptions in the three countries and the challenges that each approach creates. Given the challenges in access to data, the case studies focused on indirect taxes and the different methods the three countries adopted to manage the tax treatment of government-to-government aid-funded projects, in particular with respect to customs duties, value-added tax (VAT), and excises. In Benin and Cameroon, VAT and customs duty on projects financed by government-to-government aid are financed by the government, whereas in Kenya these are exempt. For further details, [please see the full report here](#).

### 2.3 Outcomes

Updating and disseminating the PCT's toolkits through the PCT website and webinars has facilitated distribution of relevant guidance to a wide audience across geographical regions, including many developing countries. The toolkits are the most visited resource on the PCT website (12,795 page views as of October 15, 2021). Survey results from the Ask-an-Expert webinar on the offshore indirect transfer of assets (referred to in paragraph 2.2.1.2 above) show that 97 percent of the respondents found that the webinar improved their understanding of the toolkit guidance and 95 percent indicated they planned to recommend that their governments use the toolkit. Similarly, regarding the Ask-an-Expert webinar for the toolkit on tax treaty negotiations, all respondents agreed that the webinar improved their understanding of the toolkit guidance and 95 percent noted they planned to recommend that their governments use the toolkit.

Timely and frequent updates on the rapidly evolving international tax landscape have allowed discussions on the role the PCT and its Partners can play in facilitating a

better understanding of the developments for low-capacity countries. These exchanges also help explore the prospects for further joint work.

The findings of the case studies on tax exemptions to projects funded by government-to-government aid shed light on the compliance and administrative burdens and economic distortions, as well as risks, that such exemptions pose. These case studies complement the work done by PCT Partners in deepening the understanding of the issues surrounding the tax treatment of aid-funded projects, and together with the growing body of work from PCT Partners and others on this issue, they are expected to facilitate informed decisions by recipient and donor countries reviewing their policies in this area.

### 2.4 Next steps

The PCT will closely monitor the developments in international taxation and identify areas that may require further collaborative work. Preliminarily, PCT has discussed developing supplementary guidance on the impact of Pillar 2 on corporate tax incentives to enable countries to assess the efficiency and effectiveness of their incentive regimes to support investment. The PCT Partners will also exchange updates on the progress made by the UN Committee of Experts on Tax Matters, particularly on UN standards such as the taxation of income from automated digital services under Article 12B of the 2021 UN Model Double Taxation Convention between Developed and Developing Countries.

The PCT will continue to disseminate technical guidance in the toolkits through its website, dedicated webinars under the Ask-an-Expert series, and e-learning modules.

## D. WORKSTREAM 3: MEDIUM-TERM REVENUE STRATEGY (MTRS)

### 3.1 Objectives

Medium-term revenue strategy (MTRS) is a comprehensive approach for undertaking tax system reform to increase tax revenues and improve the tax system over the medium term through a country-led, whole-of-government approach. MTRS seeks to align revenue and other tax reform goals with the country's spending and development needs and then to design tax policy, revenue administration, and legal reforms that better meet those needs. MTRS requires ownership at the highest political levels along with the whole-of-government and other stakeholder support. It also provides a means to align the work of multiple CD partners operating in the country to address tax system reform.

Under this workstream, the PCT aims to promote better understanding of the MTRS approach for countries, development partners (including the PCT Partners), and other stakeholders by:

- conducting workshops and events that serve as platforms for developing better appreciation of the MTRS and its four interdependent components as an approach for undertaking comprehensive tax system reform;
- organizing exchanges on experiences in formulating and implementing MTRS in countries that have already embarked on an MTRS;
- sharing the progress countries have made with their MTRS through updates on the dedicated [MTRS resource tab](#) on the PCT website and through this report; and
- collating publicly available resources on the MTRS through the MTRS resource tab.

### 3.2 Activities

Currently, 24 countries are involved in discussing, formulating, and implementing an MTRS. These countries receive extensive support in this effort from the PCT Partners, in particular the IMF and World Bank, which provide hands-on support through their respective country teams. Many countries are already fully engaged in tax policy administration and law reforms that provide a sound basis for adopting a holistic approach integrated with and based on analysis of development spending needs. In some cases, these reforms are supported through intensive engagements financed, for example, under the IMF's Revenue Mobilization Thematic Fund (RMTF) and Managing Natural Resource Wealth Thematic Fund (MNRWTF) or the World Bank's Global Tax Program (GTP). In several cases, country authorities and PCT Partners have discussed and defined linkages between the MTRS and the integrated national financing framework (INFF), which UN member states agreed to put in place in the 2015 Addis Ababa Action Agenda to support countries' national sustainable development strategies. The OECD provides support to some countries by training on international tax, exchange of information, and the Tax Inspectors Without Borders (TIWB) program.

Following is a list of countries at various stages of engagement in an MTRS. More details about the progress made on country MTRSs can be found in Appendix 1.

- *Implementation support:* Egypt, Liberia, Pakistan, Papua New Guinea (PNG), Rwanda, Uganda
- *Early implementation:* Senegal
- *Formulation support:* Albania, Bangladesh, Benin, Ethiopia, Indonesia,<sup>1</sup> Maldives, Sierra Leone, Thailand,<sup>2</sup> and Vietnam

1 Currently, Indonesia is not actively implementing its MTRS.

2 Currently, Thailand is not actively implementing its MTRS.

- *Dialogue pre-formulation:* Cameroon, Jordan, Kenya, Lao People's Democratic Republic, Malaysia, Mongolia, Morocco, and Uzbekistan

### 3.3 Outcomes

Countries such as Egypt, Pakistan, and Rwanda have made progress in their MTRSs and have advanced to the stage of implementation after finalizing their strategy. A few new countries, such as Maldives and Sierra Leone, have embarked on an MTRS journey and are being supported by IMF in formulating their MTRS approach. Some countries have used the MTRS concept to refine and advance certain aspects of their practice toward making tax policy and strengthening revenue administration, without embarking on a full-scale MTRS (examples include Indonesia and Thailand).

### 3.4 Next steps

To promote countries' effective understanding of the MTRS, the PCT Partners will facilitate exchanges among countries through a series of MTRS Roundtables that will enable countries to share their experiences in successfully implementing MTRS reform with other countries that have embarked on or plan to embark on an MTRS. Subject to countries' interest and availability, the PCT will also hold in-country workshops to assist in formulating and implementing an MTRS. Another regional workshop for the Latin American and Caribbean (LAC) region along the lines of the previous workshops held for African, Asian, and East and Central European countries will be explored. The UN will present its INFF program to the PCT Partners and explore its interlinkages with the MTRS.

The status of countries' progress engaging on MTRS dialogue, formulation, and implementation will be updated annually on the website.

## E. WORKSTREAM 4: RESILIENCE TO AND PREPAREDNESS FOR SHOCKS

### 4.1 Objectives

Under its COVID-19 workstream, the PCT has been sharing the Partners' cutting-edge knowledge resources, blogs and policy papers on tax policy and tax administration responses to COVID-19. The Partners have also exchanged information internally through discussions on their experiences and lessons learned regarding countries' tax-related responses to dealing with the COVID-19 crisis. The PCT has decided to build on this work and identify the scope for the PCT to undertake relevant activities to support countries' responses to some of the other crises the world faces today, including conflict, fragility, and other economic shocks.

### 4.2 Activities

The PCT Partners met on May 4, 2022, to discuss the support Partners' provide to countries in conflict and those facing other crises. The Partners' planned work for countries in conflict in anticipation of reconstruction efforts was also discussed.

The PCT website is being updated to include a dedicated resource tab to collate and to provide access to the Partners' knowledge resources, blogs, papers on tax reform in challenging environments, and compilations of tax policy and administration responses to conflict and other crises.

### 4.3 Outcomes

Outcomes from this forward-looking workstream will be shared in the next reporting cycle. The COVID-19 resource tab, which has until now served as a one-stop shop for the Partners' COVID-19 resources, was accessed 5,241 times, with 3,922 unique page views, from its inception through October 15, 2022. The resources collated on this tab have provided

timely topical information and guidance to governments and policy makers in tackling the particular challenges posed by the pandemic.

#### 4.4 Next steps

The PCT Partners will hold an internal roundtable to consult among themselves and exchange views on existing and ongoing research on the role of taxation in countries dealing with economic and other crises. They will also exchange views on their respective experiences in providing technical assistance to conflict-affected states.

## F. WORKSTREAM 5: STAKEHOLDER ENGAGEMENT, DISSEMINATION, AND INTERNAL EXCHANGES

### 5.1 Objectives

This crosscutting workstream aims to further strengthen the engagement with PCT's stakeholders, including governments, development partners, development banks, regional tax organizations, civil society organizations, academia, media, and the public. It aims to improve dissemination of the PCT products and activities, as well those of its Partners, through the PCT's website, events, workshops, webinars, and conventional and social media outreach. It also aims to foster timely exchanges among the PCT Partners with a view toward coordinating and managing the workplan.

### 5.2 Activities

#### 5.2.1 Regular and ad hoc meetings

The PCT Partners met as planned to allow exchanges at both the technical working level and the senior management level (Principals). The Technical Working Group (TWG),

comprised of senior technical experts from each of the Partners, aims to meet twice a month. Between November 2021 and October 2022, TWG met 22 times to prepare for and execute the PCT's workplan. During these meetings, the TWG members exchanged information and views on the Partners' collaborative activities and updated each other on their institutions' activities and plans. While some of these were regular bi-weekly TWG meetings, others were ad hoc meetings organized to discuss specific issues.

The PCT Principals, senior staff of the PCT Partners at the director level who provide strategic vision and guidance to the PCT work program, met on September 14, 2022, for strategic discussions on the PCT and its role in tax system support, given the recent challenges and developments. The Principals reviewed and approved the PCT's work program and its priorities of tax and environment, international taxation, and MTRS (see Section II A above). They also briefed each other on their respective organizations' priorities.

The Partnership Council is comprised of the PCT Partners and development partners to the PCT (France, Japan, Norway, Switzerland, the Netherlands, and the United Kingdom), along with representatives of other countries and regional tax organizations as observers. The Partnership Council meets once a year and endorses the work plan and budgets for implementing the PCT activities; monitors the progress of these activities; identifies complementarities with other initiatives implemented by other stakeholders working on tax issues; and provides nonbinding advice to the PCT Partners on setting PCT priorities. The Partnership Council meeting took place on November 2, 2021, with the participation of senior ministers/government officials from Egypt, Georgia, Ghana, and India as well as representatives from G24 and Pacific Islands Tax Administrators Association (PITAA). A follow-up meeting of the development partners with the TWG members was held on May 1, 2022, during which the TWG responded to workplan-related suggestions from the development partners.



### 5.2.2 Website and Online Integrated Platform

The [Online Integrated Platform](#) (OIP) is a publicly accessible database on domestic resource mobilization (DRM) activities and projects executed by the PCT Partners. The OIP lists and describes the projects and activities of each of the Partners and enables searches for both country- and regional-level data. The OIP provides interactive, user-friendly tools to aid the user experience. For example, an interactive map provides an overview of the country projects and technical assistance activities of the Partners by clicking on a country on the map. The OIP also affords an organization-based view of activities supporting DRM efforts and insights into current and future opportunities for global collaboration. Since its launch in March 2020, the OIP has been used extensively by experts from the four PCT organizations and beyond. The OIP map or its data was accessed 7,022 times as of October 15, 2022. The last OIP update, in January 2022, features data collected in October and November 2021. The PCT Secretariat is currently working on the next round of data updates, expected to be released in January 2023.

As part of its efforts to improve stakeholder engagement and knowledge dissemination, the PCT website serves as the primary vehicle for transparency and communication on the activities of the PCT and its Partners. From its launch in March 2020 to October 15, 2022, the website had been accessed 152,999 times. The [news](#) and [events](#) tabs on the PCT website share information on upcoming events; recordings, resources, and summaries of recent events; and the activities and achievements of the PCT. Where useful, new tabs have been added to improve navigation. For instance, in the last year the [Tax Tools and Frameworks](#) page has been added. This page affords a high-level overview of the tools and frameworks available to assist in the different stages of tax system reform: diagnostic, design, implementation, and monitoring and evaluation. These tools and frameworks

include those developed by one or more of the PCT Partners or in association with other development partners. The overview and mapping pages offer countries the opportunity to gain high-level understanding of the purpose and scope of each tool and framework, facilitating informed decision making on appropriate mechanisms for each stage of tax system reform.

As mentioned in Section 1.2.1, a dedicated resource page on [tax and climate](#) has also been added.

Finally, to enhance PCT visibility and communication, the PCT sends periodic newsletters to its subscribers, issues press releases through traditional media, and conducts digital and social media outreach through the Partners' digital communication channels.

### 5.3 Outcomes

The PCT as a platform has proved to be an effective vehicle for exchanging views and information on the Partners' responses and their new initiatives among themselves and with other Partners and various stakeholders. The country examples in Appendix 2 demonstrate how PCT and its Partners have been able to forge these collaborations with each other and with other partners, leveraging their respective strengths and avoiding duplication of effort.

Enhanced outreach — covering both inputs into and dissemination of the work of the PCT — is vital to ensuring both the quality and the impact of the PCT's work and to enabling countries to access and use PCT-developed guidance sensitive to their needs and circumstances. To this end, the PCT collects feedback on its toolkits, including through a survey conducted during the Ask-an-Expert webinars, the results of which are presented in Figure 2 (see Section 2.2.1.2).



## 5.4 Next steps

The PCT will continue to update its website resources regularly. In addition, the PCT will collect systematic feedback on the PCT outputs, such as toolkits, from its target audience, addressing their utility and accessibility and users' need for additional guidance through interviews, surveys, and a dedicated webinar for tax incentives.

The next Partnership Council meeting will be held December 5, 2022.

# III. BUDGETARY SUPPORT AND THE SECRETARIAT STAFFING

The PCT Multi-Donor Trust Fund (MDTF) dedicated to support the PCT Secretariat and work program is funded by contributions from Japan, France, Norway, Switzerland, the Netherlands, and the United Kingdom. The majority of the technical activities and analysis, however, continue to be undertaken by the four PCT Partners, funded through each organization's own funding arrangements.

The PCT MDTF will expire in April 2024. The PCT Secretariat and the Partners will explore options for additional funding on a need basis to secure the delivery of the PCT workplan.

# IV. FUTURE STEPS

**Continuation of the PCT.** Recognizing the usefulness of the PCT as a mechanism for exchange and collaboration to support for tax system reform, the PCT Partners have agreed to extend its mandate beyond April 2024. To this end, the PCT and its Partners will develop its future workplan and explore financing options to secure a new mandate for a period of five years beginning May 2024.

# APPENDIX

# APPENDIX 1: UPDATES ON COUNTRIES' MEDIUM-TERM REVENUE STRATEGIES

The progress made on countries' MTRSs is detailed below.

## Implementation Support

**Egypt** — The MTRS was approved by the country's Council of Ministers on December 31, 2020. The MTRS document includes chapters on expenditure needs, revenue and other goals setting, tax policy and revenue administration reform options, and legislative measures. The authorities requested IMF support with the implementation of the MTRS. Consequently, the IMF has set up a four-year capacity development support program to assist the authorities in implementing their MTRS. The support program includes a peripatetic long-term advisor. An important part of this support is donor coordination that allows all partners present in Egypt to assist with the implementation, avoiding overlaps or gaps in capacity development.

**Liberia** — Liberia has developed a DRM Strategy with the assistance of the UN. This reform effort is being undertaken outside the MTRS approach. While the DRM Strategy suffered from delays, including due to the COVID-19 pandemic, several important initiatives have been implemented, e.g., modernization of excise taxes (a switch from ad valorem to specific tax rates and use of excise duty stamps), streamlining of certain tax expenditures, consolidating the Liberia Revenue Code, and establishing a pilot project to begin the process of decentralizing property tax administration. FAD's March 2022 mission reviewed progress in the DRM

Strategy Implementation and engaged with the authorities on further domestic revenue mobilization measures, including VAT design and implementation.

**Pakistan** — Pakistan's medium-term revenue strategy (MTRS), based on the five-year strategic reform plans (2021–2025) of the IRS and Customs, was approved in April 2022 by the Federal Board of Revenue. Called the Inland Revenue Strategic Reform plan, the strategy has already begun to be used to implement reforms to improve compliance, strengthen tax administration, build institutional capacity, and strengthen legislative framework. Compliance risk management is expected to be among the first issues tackled.

**Papua New Guinea (PNG)** — The current MTRS for Papua New Guinea is known as the Medium-Term Development Plan III and covers the period 2018–2022. By agreement with the authorities, the IMF's intensive engagement in supporting the MTRS implementation concluded in 2020. Targeted support has since focused on progressing new tax legislation and the organization design of PNG's Internal Revenue Commission (IRC). IRC is also restarting its IT procurement.

**Rwanda** — The MTRS for Rwanda covers FY2023–24 through FY2025–26. The authorities have completed consultation with stakeholders on the MTRS-1 (May–July 2021), and it was approved by the Cabinet in May 2022. Implementation is ongoing.

**Uganda** — Uganda's MTRS, called the Domestic Revenue Mobilization Strategy (DRMS), was concluded in the FY2019-20 and adopted by the Ministry of Finance and the Commissioner of the Uganda Revenue Administration after approval of a costing implementation plan in June 2021. The plan covers the period from 2019–2020 to 2023–2024 and targets an increase in revenue of at least 2.5 percent of GDP over five years. It envisages both tax policy and tax administration measures. On tax policy, it envisions revising excise duties, depreciation rates, and some export levies. On tax administration, the DRMS intends to improve arrears management and tax audits as well as data and information sharing. Over the medium term, the DRMS contemplates revising exemptions, including adopting a new tax expenditure framework and other tax administration measures to improve taxpayer registration, risk modeling, better enforcement and debt collection, and dispute resolution.

### Early Implementation Support

**Senegal** — Senegalese authorities finalized the MTRS document in June 2020, making Senegal the first country in Francophone Africa to prepare one. The main focus of the MTRS is (a) in tax policy, to expand the tax base by reducing tax expenditures and formalizing economic activity, and (b) in revenue administration, to increase the number of taxpayers, broaden digitalization, and tackle fraud.

### Formulation Support

**Albania** — In November 2019, an IMF tax policy and administration mission advised Albania on its MTRS formulation, including tax policy and administration options to reform the tax system and increase the tax-to-GDP level. Unfortunately, the country was affected by an earthquake in late 2019 and by the COVID-19 pandemic in 2020, temporarily stalling progress. The MTRS formulation process was reinvigorated in 2021. Based on the IMF recommendations, the Ministry of Finance and Economy has formulated its

MTRS, which has been reviewed by experts from the IMF. The public consultation of the MTRS has been postponed in light of rapidly increasing price levels, which could have complicated the process.

**Bangladesh** — The Bangladesh MTRS process continues to make progress, in both preparation and readiness for implementation, despite challenging COVID-19 constraints. More specifically, the MTRS preparation manifests variable progress across the three MTRS Pillars. These include: (a) the Bangladesh DRM Reforms Mapping (2010–2020) report, which is completed, (b) the technical analyses, which are progressing, and (c) the key stakeholder consultations, which have been constrained by COVID-19. The National Board of Revenue (NBR) plans to update the MTRS document following the consultations, as the COVID-19 situation permits. Responding to the prolonged COVID-19 constraints, the NBR has revised the MTRS Delivery Plan. This plan adopts an agile approach for drafting MTRS preparations, including extensive review and engagement of the NBR officials at all levels, which will substantively complete the MTRS preparation activity and provide a comprehensive, actionable reform agenda across the VAT, income tax, and customs, led by NBR. The MTRS will be a living document and will be updated to take account of emerging reform needs and priorities, including from the analyses and consultations.

**Benin** — A workshop to explain the MTRS framework to the officials from the Benin Ministry of Finance was organized in November 2019, and an MTRS road map was prepared. The MTRS formulation work supported by IMF's FAD includes: (a) a tax administration diagnostic assessment tool (TADAT) assessment (completed in November 2019), (b) a value-added tax (VAT) gap analysis (ongoing), and (c) an evaluation of income tax incentives (completed) to inform the preparation of a rationalization strategy that should feed into MTRS. Discussions for the formulation of a MTRS document are ongoing, with progress slowed since the pandemic outbreak. The process is expected to accelerate during 2023/24.



**Ethiopia** — Ethiopia's government has published its “Ten-Year Development Plan: A Pathway to Prosperity” for 2021–2030. The revenue mobilization goals are to increase tax-to-GDP from 9.2 percent to 18.2 percent over the ten-year period through reform of tax policy and regulations, modernizing the tax system and administration, reforming the tax structure, and combatting illegal trade activities. Mid-point or medium-term plans are under development for the first five years and will consider the IMF's comprehensive advice, including a blueprint of reforms in tax policy and administration to achieve the goals. The medium-term measures for both tax policy and revenue administration are currently under consideration and in the final development phase, with some delays due to bureaucratic considerations.

**Indonesia and Thailand** — While in both Indonesia and Thailand engagements based on the MTRS concept in 2017 have helped shape reforms in tax policy and administration over the past years, the governments are not pursuing a formal MTRS.

**Maldives** — The Maldives MTRS for the period 2023–2028 is currently being formulated, with support from IMF and ADB. Tax system reforms aim to support an ambitious revenue target and comprise tax policy design, tax administration reform, and strengthening of customs administration.

**Sierra Leone** — Sierra Leonean authorities have commenced MTRS formulation and are considering which actions to include in the MTRS. Initial priorities will include enhanced efforts on tax compliance that build on the recent implementation of new information systems. Tax policy reforms were more uncertain as of September 2022, but they are expected to include a tightening of incentives policies and expansion of the GST base (e.g., to gambling).

**Vietnam** — Vietnam's Ministry of Finance is preparing its comprehensive tax reform strategy for 2021–2030 and tax reform plan for 2021–2025 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 the World Bank. The IMF and the World Bank conducted joint missions to support the GDT. The World Bank undertook a tax administration assessment to inform formulation of the Vietnam tax administration reform strategy for 2021–30 and its reform plan for 2021–25, using the DIAMOND tool led by the World Bank to identify strengths, weaknesses, and performance gaps of the GDT. The IMF led a series of virtual technical assistance to help the GDT 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 to provide options for reforms. The government clients will use the inputs from the IMF and the World Bank to develop its tax reform strategies and plans. Although a couple of years ago the authorities expressed interest in framing their reform efforts into the MTRS approach, that interest is currently on hold. The next Financial Plan (2021–25), also supported by the WBG, will develop the baseline revenue objectives that will underpin the MTRS. The development of an MTRS is a part of a larger tax engagement between the WBG and Vietnam, which also includes 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.

## Dialogue Pre-formulation

**Cameroon** — In March 2021, Cameroon's Revenue Administration officials indicated their focus would be on fostering the digitalization process to improve domestic revenue collection. As of September 2022, the authorities are actively considering the MTRS, but the pandemic and political economy context have complicated progress on MTRS formulation and implementation.

**Jordan** — In Jordan, MTRS is seen as a valuable tool for guiding reform efforts and improving the governance of tax system

reform. The authorities have not yet pursued formulating an MTRS document.

*Kenya* — Kenyan authorities committed to an MTRS and with IMF assistance, developed a roadmap to formulate and implement it. In 2021 and 2022, the IMF worked closely with the authorities to develop recommended measures for them to use in formulating their MTRS, a process which is ongoing.

*Lao People's Democratic Republic* — Ongoing MTRS discussions with Lao authorities have shaped reforms on strengthening the tax and customs administration to enhance revenue mobilization. These efforts might serve as a stepping stone toward a potential future MTRS.

*Malaysia* — An IMF MTRS workshop in early 2020 included discussions on the concept and steps for MTRS formulation and implementation. Malaysia's Ministry of Finance established an MTRS Steering Committee to pursue the MTRS, but plans were put on hold because of the COVID-19 pandemic. In 2022, Malaysia's Fiscal Outlook included an article on "Medium-Term Revenue Strategy: A Call for Revenue Reforms in Malaysia." Discussions to revamp the formulation of the MTRS are ongoing.

*Mongolia* — Reforms in the tax administration have been informed by initial dialogue about the MTRS approach. The government has not yet embarked on a process of formulating an MTRS.

*Morocco* — During the 2019 IMF revenue administration missions to Morocco, the Secretary General of the Ministry of Finance and the Director General of the Tax Administration showed a keen interest in proceeding with an MTRS approach, and it was agreed that the IMF would take the lead. The Minister of Finance has not yet confirmed an interest in proceeding.

*Uzbekistan* — Uzbek authorities have embarked on an MTRS, and the MTRS Strategy Note is expected to be finalized soon. The focus of the MTRS is, with respect to tax administration, medium-term reforms to (a) develop taxpayer services; (b) advance the digital transformation of the tax administration; (c) create equal conditions for businesses; and (d) fight corruption and enhance capacity building. Work is pending to confirm expected revenue yields based on the MTRS.

## APPENDIX 2: EXAMPLES OF PCT AND OTHER PARTNERS' COORDINATION

This Appendix contains examples of the clear dynamic between the PCT and other development partners' work, illustrating how the collaboration and coordination between participants takes place.

### BOX 2.A.

#### PCT and Other Partners' Support to Ghana

**Development Partners.** African Development Bank (AfDB); African Tax Administration Forum (ATAF); European Union (EU); Foreign and Commonwealth Development Office (FCDO); Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ); His Majesty's Revenue and Customs (HMRC) in the UK; International Organization for Migration (IOM); KfW-Development Finance Netherlands; Norwegian Agency for Development Cooperation (NORAD); OECD (including Global Forum), Swiss State Secretariat for Economic Affairs (SECO); UN; United States Agency for International Development (USAID); and World Bank (WB).

A donor coordination forum is in place in Ghana: The United Kingdom's FCDO leads the forum, and the GIZ provides secretariat services and coordinates development partners. The forum meets with the authorities twice a year to discuss progress and resolve emerging issues. GIZ maintains a matrix of development partners and their respective areas of support. The forum has also developed a Framework Agreement for Development Partner Engagement and Engagement with the government of Ghana.

With support from the Revenue Mobilization Trust Fund (RMTF), the Ghana Revenue Authority (GRA) established the Transformation Program Office (TPO), which includes a unit for development partner coordination. The unit coordinates the development partners and the respective areas of support to GRA.

The IMF Resident Representative, based in Accra, represents the IMF on this forum, with project managers at IMF HQ providing inputs on technical matters related to the Fund's CD support programs. The IMF's CD, supported through the RMTF, is complemented by CD from Africa

**BOX 2.A.****PCT and Other Partners' Support to Ghana**

Technical Assistance Center (AFRITAC) West 2 (based in Ghana), with joint and complementary activities. In addition to participation in the multilateral donor coordination forum, IMF project managers coordinate CD bilaterally with other development partners where the support provided aims to achieve similar broad outcomes. Examples include (i) close collaboration with the World Bank on the development of performance and policy actions for a Sustainable Debt Finance Program with the Ministry of Finance; (ii) working with the HMRC on the development and delivery of the data analytics program; (iii) ongoing collaboration with FCDO on risk management (FAD developed the institution-wide risk management framework and FCDO draws on that to provide support to the GRA on compliance risk management); (iv) collaboration on the development and implementation of a change management strategy with a consultancy firm engaged by GRA; (v) liaising with the KfW Development Bank on the development of an IT Training Institute; and (vi) coordinating with the World Bank on technical assistance on improving excise taxation.

The World Bank, in partnership with ATAF has been supporting the GRA with technical training on transfer pricing and international tax issues. The World Bank has also delivered technical assistance on tax gap analysis and a Technical Note on Property Tax Reform. In addition, the Bank's Ghana Economic Management Strengthening (GEMS) Project supported GRA to implement a data warehouse, common reporting standards (CRS), and support infrastructure. Future work by the World Bank would include analytical work to review health taxes and the excise duty regime; implementation of a fiscal governance framework on tax expenditures; and a program for results budget support (PFoR) linked to improved public resource mobilization efforts. The joint OECD/ UNDP Tax Inspectors Without Borders Initiative has initiated four programs in Ghana, one of which is also in collaboration with ATAF. These TIWB programmes build on the technical training on transfer pricing, providing additional support as the training is implemented in live audits.

Via *Revenue Statistics in Africa*, the OECD, the African Union Commission (AUC), and the ATAF collaborate with Ghana (in particular the Ghana Statistical Service) to enhance the country's capacity to collect comprehensive, detailed, and comparable statistics on its tax and non-tax revenues. Ghana is also a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes. Ghana and the Global Forum's Secretariat delivered a pilot technical assistance program supported by the UK Foreign, Commonwealth & Development Office that enabled construction of Ghana's EOI infrastructure while aligning its legal framework and practice with the international standard. Another round of technical assistance helped Ghana put in place the building blocks required for exchanging financial accounts information automatically, which it began in 2019. It also included the secondment of a staff member of the GRA to the Global Forum Secretariat, with the support of the Swiss State Secretariat for Economic Affairs (SECO), as a

**BOX 2.A.****PCT and Other Partners' Support to Ghana**

means of building a sustainable capability on EOI. The Global Forum Secretariat also supported Ghana's effort to implement a beneficial ownership register. A collaborative approach ensures there is no overlap, duplication of CD, or wasted scarce CD resources. Each development partner has a clear understanding of its role, which makes the sequencing and timing of CD delivery easier and more efficient. IMF's Fiscal Affairs Department (FAD) has also developed and delivered a reform management dashboard. This dashboard is refreshed and maintained to provide such information as what development partners are actively engaged, their contact information, details of CD and training activities, project start and end dates, and a table of project milestones.

**BOX 2.B.****PCT and Other Partners' Support to Maldives' MTRS**

**Development Partners.** Asian Development Bank (ADB), IMF, OTA (US Treasury), OECD (including Global Forum), UN, and WB. Development of the Maldives' medium-term revenue strategy (MTRS) had its genesis early in 2022 when ADB, IMF, and Maldivian authorities agreed to a collaborative development approach. The World Bank and USAID counterparts subsequently joined the discussions. A joint tax administration diagnostic assessment tool (TADAT) was completed with ADB joining the IMF-led assessment team. Shortly thereafter, a joint working session with Ministry of Finance officials on the MTRS development plan took place. IMF staff experts in public financial management, expenditure policy, and tax policy were involved in these early discussions, as were ADB counterparts. The IMF-ADB team then held a virtual collaborative MTRS familiarization workshop comprising a wide range of officials from various Maldives agencies in preparation for a multidisciplinary MTRS formulation mission. The mission, led by the IMF, comprised IMF experts in tax policy, tax and customs administration, and legislative drafting, and included ADB counterparts in these areas. The MTRS mission helped define a MTRS roadmap and action plans. The authorities are now formulating their MTRS for the period 2023–2028, with close support from the IMF and ADB. The MTRS envisages switching tax policy from a heavy reliance on customs duties toward a more broad-based goods and services tax, as well as an externality-correcting excise regime; it also includes plans to improve the progressivity of the tax system through income tax and property tax reforms. Associated legal reforms include the introduction of an Excise Act and proposed repeal of the Special Economic Zones (SEZ) Act. On the tax administration side, informed by the TADAT assessment, the MTRS proposes institutional strengthening reforms, particularly in the areas of data management and compliance risk management. In the area of

**BOX 2.B.****PCT and Other Partners' Support to Maldives' MTRS**

customs, MTRS reforms target risk-based approaches for post clearance audits, improvements in data analytics, and introduction of processes for e-commerce business models. While the MTRS is still in the formulation stage, early signs indicate good progress, supported by strong collaboration and coordination from development partners.

The implementation of the MTRS will complement existing highly targeted support on international taxation. The OECD/UNDP Tax Inspectors Without Borders initiative has begun three programs with Maldives to improve the country's audit and tax crime investigation capacity. In addition, the Global Forum on Transparency and Exchange of Information for Tax Purposes provided technical assistance to Maldives for the implementation of the international tax transparency standards (exchange of information on request and automatic exchange of financial account information). It also assisted Maldives in strengthening its information security management. Following the technical support it received, Maldives started its first automatic exchange of financial account information in 2022.

**BOX 2.C.****PCT Partners' Support to Peru**

The National Superintendency of Customs and Tax Administration (SUNAT), the Ministry of Economy and Finance (MEF), the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum), the Organisation for Economic Co-operation and Development OECD, the World Bank Group (WBG), and the IMF, have successfully worked together to enhance domestic resource mobilization in Peru. They collaborate to help Peru fight tax avoidance and evasion by adopting international standards on tax transparency and exchange of information, strengthening Peru's international tax framework, and improving compliance risk management.

**Transparency and Exchange of Information.** Peru benefited from the Global Forum's capacity-building program in implementing the standards on exchange of information on request (EOIR) and automatic exchange of financial account information (AEOI). The Global Forum and the WBG provided joint technical assistance on Information Security Management (ISM) implementation to SUNAT to help prepare Peru for its Global Forum assessment, which was necessary for Peru to be cleared for reciprocal AEOI exchanges. In this context, a technical assistance team visited Lima in January 2018 to undertake an initial diagnosis of SUNAT's ISM systems. Subsequently, with the Global Forum and WBG input, an AEOI implementation project was implemented, with detailed recommendations to improve SUNAT's ISM arrangements. Teams from the Global Forum and the

**BOX 2.C.****PCT Partners' Support to Peru**

World Bank also visited Peru in February 2019 to carry out an EOIR mock assessment. This provided a gap analysis of the legal framework and its implementation in practice to prepare Peru for its peer review. As a result, Peru improved its rating to “largely compliant” in 2020. Peru now has activated AEOI with 68 jurisdictions and has received and processed information from 40 jurisdictions on more than 57,000 Peruvian citizens with financial accounts abroad. In one case, nearly US\$8 million was recovered through use of EOI. Technical assistance continues to be provided on AEOI (use of data and administrative compliance).

**Transfer Pricing and BEPS.** Since 2013, Peru has benefited from a long-term technical assistance program on transfer pricing and other issues related to the fight against base erosion and profit shifting (BEPS) under the framework of the OECD Tax and Development Program and the WBG International Tax Program. The technical assistance program, delivered jointly by the OECD and the WBG, entailed advice on joining the Inclusive Framework; support for capacity development on BEPS challenges, including training workshops; review of legal and policy frameworks to identify existing gaps and provide recommendations; and practical assistance on transfer pricing tax audits, including through a Tax Inspectors Without Borders (TIWB) program from 2016 to 2017. This support helped align Peru’s transfer pricing regime with international standards to address transfer pricing manipulations by multinational enterprises (MNEs) operating in its territory, and to tax adjustments resulting from transfer pricing audits of more than US\$120 million in 2018 and US\$226 million in 2019.

**Compliance risk management.** In parallel to the international tax work above, the IMF, with support from the Swiss State Secretariat for Economic Affairs (SECO), has been providing technical assistance (TA) in revenue administration. Several FAD TA missions assessed SUNAT’s institutional strengthening, including a TADAT mission in 2017. SUNAT has implemented most of the IMF recommendations related to planning, strategic indicators, management control, information management, tax administration risk management, VAT control, organizational arrangements, and trade facilitation. The main achievements of this joint effort between SUNAT, SECO, and the IMF include:

(i) *Compliance Risk Management (CRM):* Since 2012, SUNAT has developed and strengthened its CRM framework, starting from scratch to achieve one of the most developed in the region. Key elements underpinning this success were three SECO projects that provided a steady stream of short-term expert (STX) visits, IMF HQ-led missions, international conferences, and a study seminar in Chile.



**BOX 2.C.****PCT Partners' Support to Peru**

(ii) *VAT control model, including VAT refunds:* SUNAT's VAT control improvements are a solid example of the benefit of having in place a comprehensive CRM framework. As part of the SECO projects and its CRM strategy, SUNAT developed a compliance improvement program (CIP) to reduce the historically high VAT gap, from 33.7 percent (average 2012–2020) to 28.0 percent in 2021. The CIP included developing/strengthening systems, processes, and procedures, and making prioritized risk-based decisions on treatment measures to mitigate VAT compliance risks.



