



Amendment to
Project Proposal for
REPUBLIC OF ARMENIA

June 2026

Component: Revenue

Module: RM-II: Revenue Administration



PROJECT SUMMARY

COUNTRY:	Republic of Armenia	
LEAD DEPARTMENT:	FAD	
REGION:	MCD	
PLANNED DATES:	FY27/28	
PROJECT MANAGERS:	Enriko Aav (Revenue Administration, FADR1, Lead) Charles Vellutini (Tax Policy, FADT1) Natalia Manuilova (Public Finance Management, FADM1)	
ESTIMATED BUDGET	US\$ 543,590	
BUDGET FOR ENDORSEMENT:	US\$ 543,590	
PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for RM-I: Tax Policy and RM-II: Revenue Administration modules	June 2024
AMENDMENT 1 / 2	Update of RM-II: Revenue Administration module to allow TADAT Assessment; addition of SM-II: Managing Public Finances module following IMF-WB 2025 Spring Meetings	June 2025
AMENDMENT 2 / 2	Additional CD capacity to assist with implementation of Revenue Administration CD in line with findings from the TADAT assessment and requests at the IMF-WB 2025 Annual Meetings.	June 2026

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ACRONYMS

CCAMTAC	IMF's Caucasus, Central Asia, and Mongolia Regional Capacity Development Center
CD	Capacity development
CRM	Compliance risk management
FAD	IMF's Fiscal Affairs Department
GovTech	Digitalization in Public Finance
GPFP	IMF's Global Public Finance Partnership
SBA	IMF's Stand-by Arrangement
SRC	State Revenue Committee of Armenia
STX	Short-term expert
TADAT	Tax Administration Diagnostics Assessment Tool
UDI	Universal Declaration of Income
VAT	Value-added tax

I. PROJECT AMENDMENT PURPOSE

Armenia is a long-time recipient of capacity development (CD), with a demonstrated ability to absorb and adopt recommendations. There is currently a window of opportunity for reform and successful CD support because of an end to regional conflict in 2025 and significant political will and leadership at the State Revenue Committee (SRC) of Armenia. The resourcing agreed to during the June 2025 Steering Committee meeting was applied to address Armenia's request for a TADAT (Tax Administration and Diagnostics Assessment Tool) assessment. This TADAT evaluation was conducted in May 2025 on an anticipatory basis coordinated with CCAMTAC, Swedish International Development Cooperation Agency and Expertise France. It assessed the core tax administration capabilities in the SRC, including compliance risk management (CRM) and established new capability baselines. The results helped authorities to clarify priorities for reform and provided greater insight into the CD need and absorption capacity in the SRC. Current amendment proposes a revised CD plan in response.

The TADAT assessment showed improvement in core tax administration and also established new capacity baselines and deeper insight into the authorities' ability to capitalize on CD. These conclusions were based on a comparison to a previous TADAT assessment of the SRC conducted in 2016. The 2025 TADAT highlighted improvements compared to the past tax administration performance and detected opportunities for significant improvements, including addressing large-taxpayer compliance with value-added tax (VAT), and converting more businesses from the shadow economy to registered taxpayers in the formal economy. SRC leadership has incorporated these priorities into a new "Strategic Plan for Tax Administration Reforms" (<https://www.src.am/am/getMenusContents/218>) and requested CD to support improving revenue administration practices.

Revenue administration CD in FY27 will address various administrative issues, including the implementation of a Universal Declaration of Income (UDI). Analysis of impact of UDI reform is envisaged. The CD will also address the registration process, managing large taxpayers, improving filing and payment, and improving SRC's performance. In addition, support to enhancing customs administration cooperation with the tax administration, by improving risk-assessment practices in customs is planned. CD may also address aspects of e-commerce such as small parcels duties and VAT challenges. To shrink the shadow economy, authorities require CD support to adopt machine learning techniques to achieve better and faster tax compliance gap assessments. CD will also help improve governance and strengthen revenue administration processes such as planning and performance management.

The authorities have a high capacity to absorb CD assistance. Deepening FAD engagement through a more robust CD program can build on the existing momentum created by focused and motivated SRC staff with a proven ability to make good use of the CD they receive. CD assistance in technical capabilities will also be enhanced by strengthening leadership capabilities.

A blended approach will be used for CD delivery. FAD will deliver CD by engaging short-term experts (STX) either in person or virtually, through virtual and in person support from HQ, and via the authorities engaging in regional peer-learning opportunities coordinated with the IMF's Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC). The latter will be virtual unless there is sufficient justification for in-person engagement.

Description of Modules

The amendment covers the revenue administration module, which includes tax and customs administration. Strengthening revenue administration management and governance and core tax administration functions will be applied on UDI; taxpayer registration; improved filing and payment performance by large taxpayers; addressing the shadow economy through improvements in risk management, taxpayer service, and compliance, but also the use of planning and performance measures. Improved customs administration will apply to risk assessment, including customs-tax cooperation, and possibly addressing aspects of e-commerce such as the small parcels duties and VAT challenges. CD will be provided through assignments of STX—either in person or virtually; supported by HQ staff; and via the engagement with the authorities through regional peer-learning coordinated with CCAMTAC. The latter will be mainly virtual. The proposed CD assistance on tax compliance gap will provide a three-way benefit of (1) the tax gap analysis itself; (2) applied CD in machine learning (a GovTech capability); and (3) support in addressing the shadow economy.

The estimated budget for this project amendment is US\$ 543,590, covered within the total budget endorsement request for Armenia of US\$ 1,604,296 through FY28.

II. BACKGROUND

Macro-fiscal situation

The macro-fiscal objectives for Armenia relate to strengthening medium- to long-term resilience, including fiscal strengthening. As a recently conflict-affected state they are dealing with refugee

challenges as well as regional fiscal shocks and regional challenges associated with the ongoing conflict in Ukraine. The more recent developments in the middle east are likely to provide challenges as around 10–11% of Armenia's imports (in 2025) transited via Iran, based on Armenian Center for Socio-Economic Studies (ACSES) estimates using Meghri crossing data, in addition to the pricing flow-through of oil supply disruptions on supplies of goods generally. A more modernized tax administration can ensure better compliance by taxpayers and suppress the shadow economy. These are operational components to advance the macro-fiscal objectives set out in the current IMF Stand-by Arrangement (SBA). The SBA objectives were reaffirmed in an Article IV mission undertaken in September 2025.

Country engagement and alignment to reform priorities

The country authorities responsible for revenue administration, in the SRC, have shown strong positive engagement with recent IMF CD support. The SRC had made excellent preparations for the 2025 TADAT assessment, and the assessment showed substantial improvement over a previous TADAT assessment undertaken in 2016. The current chair of the SRC is a former deputy minister of finance and there is evidence of good support for reform of the capabilities of the SRC from the chairman and from the Ministry of Finance. The SRC initiated some of their own work to make improvements to their administrative capability using the 2025 TADAT assessment results and amended their strategic plan accordingly. The staff of the SRC attend multi-country trainings and seminars, such as arranged by the Joint Vienna Institute (JVI) and CCAMTAC. This demonstrates positive engagement with the Fund, which seems to indicate a culture of learning and development with the SRC, such that CD assistance is likely to be effectively acted upon.

IMF priority areas / cross-cutting themes

There will be GovTech assistance under this proposal at least in the form of applied use of machine learning in tax gap assessments. There is the potential for other GovTech assistance in the field of CRM depending upon a more detailed analysis of the needs and capabilities of the SRC in this area. The utilization of the data from the UDI will also open up opportunities for GovTech-related CD and research including assessing the impact of the UDI reform with conclusions for informing Fund's CD advice on the topic to the wider IMF membership.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Armenia in the area of revenue administration. CD provided by the IMF's Fiscal Affairs Department (FAD) will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM II / Revenue Administration	- Strengthened revenue administration management and governance arrangements (especially as applied to UDI, planning and performance measures) - Improved customs administration functions (especially as applied to risk assessment, e-commerce and customs-tax cooperation) - Strengthened core tax administration functions (especially as applied to UDI, shadow economy and large taxpayer compliance)

A. RM II - Revenue Administration

Scope

Ongoing overall focus on increased domestic resource mobilization with an expanded scope to also improve risk management and compliance effectiveness in the customs administration and a sharpened focus on some tax administration functions. Key identified tax administration functions are as follows: registration integrity (related to UDI), CRM, improved compliance capability and quality, human resource management, applied GovTech solutions in support of tax gap assessment, VAT compliance by large taxpayers, and tackling issues related to the shadow economy.

Program Objectives

The CD support will be expected to increase the institutional strength of the SRC. This can be measured ex-post using TADAT indicators, estimating any improvements to tax-to-GDP performance, correlated with improved institutional strength. This CD assistance will be aligned to areas of development identified by the SRC as a result of the 2025 TADAT and prioritized in consultation between the SRC and FAD.

The CD assistance will also be strongly contextualized in either assisting efforts to improve VAT compliance by large taxpayers or to address the shadow economy.

Expected Results (outcomes)

The expected results are measured improvements in specific areas of core tax or customs administration capabilities (e.g., registration integrity, compliance effectiveness, human resource development, CRM, customs-tax cooperation, digital capability, etc.).

Overall institutional strengthening, including the tax-to-GDP impacts, can be measured by use of the TADAT and other metrics. Specific capabilities which can be measured by TADAT will be measured against those metrics with the intention of moving the capabilities towards a sound 'B' level in the 2019 TADAT framework. For CD in areas not measured by TADAT metrics, RA will work with the authorities to create other progress indicators.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this Global Public Finance Partnership (GPFP) project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement toward these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

This amendment reflects ongoing strong engagement of the SRC with revenue administration CD, allowing for an expansion to now include customs administration, to expand the intensity of CD on tax administration within the absorptive capacity of the SRC, and to create an opportunity for peer learning engagements with regional peers, in cooperation with CCAMTAC. The regional peer learning engagements are likely to be in the form of communities of practice in key topics. The most likely topics are audit capability and CRM. The execution of communities of practice also allows CD assistance to the SRC to be indirectly made available to other administrations in the region, expanding the effective impact

of GPFP donors. For example, as successfully deployed in other contexts, representatives from multiple administrations may be invited to participate in a (virtual or in-person) learning discussion on a topic such as audit techniques for the shadow economy. It may not be relevant to all administrations and administrations are not obliged to participate.

B. Delivery Modalities

CD will comprise of a mix of remote and in person activities. Virtual deliveries will be used to provide efficiencies to in person support, including pre-engagement meetings and follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX)** visits to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration. The STX assignments are expected to be a mix of field-based, virtual and hybrid.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the particular technical subjects.
- **Peer-to-peer (P2P):** Engagements, in the form of communities of practice, and in partnership with CCAMTAC will be designed for project beneficiaries to exchange their views and experiences on key areas of tax administration practice. Any community of practice or similar engagements will need to respect national sensitivities which can vary over time.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's Middle East and Central Asia Department country team and IMF Resident Representative	Disclosure and coordination of FAD activities. Support of any benchmarks under SBA or similar. Engagement on Article IV or similar reviews.	Revenue Administration	Each mission, otherwise bi-annual or as needed more frequently.
CCAMTAC	Disclosure and coordination of FAD activities. Coordination on communities of practice.	Revenue Administration	Each mission, otherwise bi-annual or as needed more frequently.
European Commission	Exchange of information on broad areas of CD engagement to avoid duplication and facilitate coordination	Revenue Administration	Each mission, otherwise bi-annual or as needed more frequently.
World Bank, Asian Development Bank, Swedish Tax Administration, Expertise France.	Exchange of information on broad areas of CD engagement to avoid duplication and facilitate coordination	Revenue Administration	At least annually

Note: The SRC is an integrated revenue authority responsible for both tax and customs administration. CD on matters such as Customs-Tax cooperation may include assistance on better relevant internal cooperation and coordination within the SRC.

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM II - Revenue Administration	CD delivery interrupted due to health crisis. Significant regional (border) tension.	Medium	Known techniques for virtual engagement and delivery of CD, if needed.
POLITICAL SUPPORT			
RM II - Revenue Administration	Political leadership has not always motivated the SRC to progress with reforms.	Low	If needed, engage the IMF's Middle East and Central Asia country team to assist in securing additional political support.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM II - Revenue Administration	SRC management and staff previously took a passive position during CD assignments, but this has not been observed recently.	Low	Low risk assessment, so we accept the risk. If authorities become passive, we can tailor mitigation, including proportionately reduced CD or active management of log frame milestones.
RESOURCE ADEQUACY			
RM II - Revenue Administration	Resources available do not allow the SRC to address some development areas. Resource adequacy has generally improved between 2021 and 2024, although some skills (e.g., analytics) present challenges in all administrations.	Low	Focus CD on those matters that do not have resource constraints. If needed, direct CD to the process of how to overcome skilled resource constraints.
OTHER RISKS			
RM II - Revenue Administration	Multiple donors are providing technical assistance on RA reforms, which may result in overlaps	Low	Seek out the participation of other donors for coordination meetings.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
HQ led CD mission	1	-	1
STX visits	4	4	8
Staff visits	-	1	1
Workshops (inc. during HQ and remote CD)	2	2	4
TOTAL	7	7	14

Note:

- In-person delivery was chosen in most instances to facilitate the detailed interaction with the authorities or the new engagement in customs administration.
- Remote delivery was chosen in several instances because of better suitability for regional peer learning, or to reduce costs.
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First Year Workplan

Timing	CD Modality	Proposed Topics of CD
RM II - Revenue Administration		
Q1/FY27	Field-Based work - FB	Tax HQ Mission (e-commerce small parcels) overlapping with Customs Risk and Valuation
Q1/FY27	Field-Based work - FB	Customs: Risk and Valuation
Q2/FY27	Field-Based work - FB	Tax: Compliance Risk Management (CRM)
Q2/FY27	Field-Based work - FB	Tax: Audit Quality and Effectiveness
Q3/FY27	Field-Based work - FB	Customs / Tax: Customs-Tax Cooperation
Q3/FY27	Duty station-based Work - DS	Tax: Large Taxpayer Filing and Payment
Q4/FY27	Virtual workshop	Coordinated with CCAMTAC – Customs risk assessment

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM II - Revenue Administration	334,861	173,167	508,028
Trust Fund Management Fee (7%)	23,440	12,122	35,562
TOTAL	358,301	185,289	543,590

Note: The estimated budget for this project is US\$ 543,590 and endorsement is requested for the full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM II – Revenue Administration

Objective: Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM	
Outcome(s)	Indicator(s)
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	Key performance indicators established, regularly reported and monitored
Corporate priorities are better managed through effective risk management	Improved monitoring and evaluation of compliance risk mitigation activities (TADAT POA2-5)
	Improved identification, assessment, ranking and quantification of compliance risks (TADAT POA2-3)
	Better identification, assessment and mitigation of institutional risks (TADAT POA2-6)

Objective: Improved customs administration functions (SDG17.1) - CAD	
Outcome(s)	Indicator(s)
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	A larger share of trade controlled progressively through a properly designed post clearance audit program

Objective: Strengthened core tax administration functions (SDG 17.1) - TAD	
Outcome(s)	Indicator(s)
Audit and other verification programs more effectively ensure accuracy of reporting	Appropriate range of tax audits and other initiatives used to detect and deter inaccurate reporting and fraud (TADAT 2015 POA6-16/TADAT 2019 POA6-19)
A larger proportion of taxpayers meet their payment obligations as required by law	On-time payment ratio improved (TADAT 2015 POA5-14/TADAT 2019 POA5-17)
The integrity of the taxpayer base and ledger is strengthened	Knowledge of taxpayer base and potential taxpayers improved through robust taxpayer registration policies and procedures (TADAT POA1-2)