



Amendment to
Project Proposal for

ECUADOR

June 2026

Component: Revenue and Spending

Module: RM-II: Revenue Administration

SM-I: Expenditure Policy

SM-IV: Fiscal and Macroeconomic Tools, Research, and
Analytical Work



PROJECT SUMMARY

COUNTRY: Ecuador

LEAD DEPARTMENT: FAD, ICD

REGION: WHD

PLANNED DATES: FY27-28

PROJECT MANAGERS: Virginia Alonso Albarran (Public Financial Management, FADM2, Lead)

Juan Carlos Benitez (Tax Policy, FADT2)

Miguel Pecho (Revenue Administration, FADR2)

Boele Bonthuis (Expenditure Policy, FADEP)

José Federico Geli Manzano (General Macro and Fiscal, ICDMF)

ESTIMATED BUDGET: US\$ 267,500

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for module SM-IV: Fiscal and Macroeconomic Tools, Research and Analytical Work (completed)	January 2024
AMENDMENT 1/2	Addition of modules RM-I: Tax Policy and SM-II: Managing Public Finances	June 2025
AMENDMENT 2/2	Addition of SM-I: Expenditure Policy, to analyze the fiscal sustainability of the pension system; and RM-II: Revenue Administration component to strengthen the tax gap analysis function and to better integrate it with tax and customs compliance risk management frameworks Addition of SM-IV Fiscal and Macroeconomic Tools, Research, and Analytical Work Fiscal for continuing and expanding support to enhance the macroeconomic framework, introduce nowcasting, and strengthen the forecast and policy analysis system.	June 2026

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ACRONYMS

BCE	Central Bank of Ecuador
CD	Capacity Development
CIT	Corporate Income Tax
CRM	Compliance Risk Management
FAD	IMF's Fiscal Affairs Department
ICD	IMF's Institute for Capacity Development
IESS	Ecuadorian Institute of Social Security (Instituto Ecuatoriano de Seguridad Social)
IPMEC	Macroeconomic Projection Instrument for Ecuador (Instrumento de Proyección Macroeconómica para Ecuador)
MEF	Ministry of Finance and Economy, Ecuador
PIT	Personal Income Tax

I. PART I: PROJECT AMENDMENT PURPOSE (FAD)

Country request and relevance/importance

During the 2026 World Bank -IMF Spring Meetings, authorities requested support from the IMF's Fiscal Affairs Department (FAD) related to tax compliance and pensions system. Specifically in revenue administration, the vice-minister requested support for estimating tax compliance gaps for corporate income tax (CIT) and personal income tax (PIT). As such, the proposed capacity development (CD) activities would support authorities in enhancing the tax gap analysis function of the Revenue Administration of Ecuador and align it with international good practices. On the spending side, the Vice Minister requested support to analyze the pension system, including quick gains and options to increase the sustainability of the system. In 2024, the Ecuadorian pension system spent US\$ 6.3 billion (5 percent of GDP) on pensions. By law, the state is required to cover 40 percent of pension spending of the Ecuadorian Institute of Social Security (Instituto Ecuatoriano de Seguridad Social, IESS). However, even with this state transfer the system is projected to run an actuarial deficit by 2055. The Vice Minister expressed concerns regarding the rising budgetary pressures, both in the short run driven by the legal obligation to cover a significant share of spending and the long run when this state spending in combination with employee and employer contributions will not be enough to cover all expenditures.

Description of Modules

Revenue Administration (RM II): Tax-gap is a measurement tool that identifies both policy and compliance gaps in a country's tax system. The tax gap analysis module of this program will provide a sense of where the revenue leakage is occurring. The analysis, which will be conducted for CIT and PIT, can point to specific industry sectors as representing a higher share of the compliance gap. This allows administrations to target their compliance efforts more effectively. Subsequent tax-gap analysis can provide feedback on the success of treatment strategies taken in the interim, as the goal would be to see a downward trend in the compliance gap.

Spending (SM I): The pension system analysis will establish baseline spending and revenue estimates and provide reform options to limit state transfers to the IESS for pensions. This analysis will be explicitly linked to the current fiscal position of the government.

The estimated budget for this FAD project amendment is US\$ 160,500, covered within the total budget endorsement request for Ecuador of US\$ 1,276,413.

II. BACKGROUND

Macro-fiscal situation

Ecuador's public expenditures remain elevated at around 40 percent of GDP in 2023–24, reflecting high current spending pressures (wages, pensions, and subsidies) alongside expanded social programs. Social outlays have risen as the authorities broadened cash transfer programs and protected social assistance to shield the vulnerable. Meanwhile, legally obligated transfers to the contributory pension scheme managed by the IESS adds to spending pressures.

IMF estimates indicate that Ecuador's tax revenues are below their potential level, with an estimated gap of around 6 percent of GDP in 2023. However, beyond its magnitude, the most relevant aspect is its evolution over time, with an increasing trend observed since 2015, indicating a progressive deterioration in the country's revenue mobilization capacity relative to its potential. The gap reflects, among other factors, vulnerabilities in the design of the tax system, low levels of tax compliance (explained by a combination of weak tax morale and weaknesses in tax administration), and the interactions between these factors; although the method does not allow for determining how much of the gap is explained by each of them.

Country engagement and alignment to reform priorities

This project has the goal of supporting the authorities to stabilize or reduce government transfers to the pension system while supporting the fiscal sustainability plans outlined under the current IMF program. The project will also support authorities' efforts to build a coherent and structured approach to reforming pensions over time.

Under Ecuador's current IMF-supported program, an Extended Fund Facility, approved in May 2024 and augmented in 2025, revenue mobilization is a central pillar of the fiscal adjustment strategy. The program does not set a single explicit "headline" revenue target in isolation; rather, it embeds revenue mobilization within quantitative fiscal targets (especially the non-oil primary balance) and medium-term tax-to-GDP objectives, supported by specific policy measures.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Ecuador on revenue administration and expenditure policy. FAD CD 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	Strengthen revenue administration management and governance arrangements
Spending	SM-I / Expenditure Policy	Strengthen Expenditure Policy Formulation and Design

A. RM II – Revenue Administration

Scope

The module will provide training to tax officers on a range of methodologies for estimating tax gaps, including both top-down and bottom-up approaches. It will also support the development of the databases required to carry out these estimations and, subject to data availability, will facilitate the estimation of CIT and PIT gaps. The project will leverage ongoing analytical work supported under the GPFP, particularly the Revenue Administration Gap Analysis Program (RA-GAP) work on bottom-up techniques. Specifically, it will explore estimation approaches based on operational audits, addressing sample selection bias through econometric methods, clustering strategies, and expert judgment, as well as approaches based on machine learning. Once completed, the module will aim to integrate the results into tax and customs compliance risk management (CRM) frameworks, thereby supporting the design of targeted compliance improvement plans for both taxes.

Program Objectives

The objective of this project is to strengthen the authorities' capacity to independently estimate tax gaps in a consistent and sustainable manner, and to embed these estimates into regular analytical and operational processes. By building institutional capability - both in terms of technical skills and data infrastructure - the project will support the transition from ad hoc exercises to a systematic tax gap analysis function within the revenue administration. Over time, the project aims to ensure that tax gap

estimates are not only produced, but actively used as a core input into CRM frameworks. In particular, the analysis of tax gaps is expected to inform the identification of high-risk sectors, taxpayer segments, and compliance behaviors, thereby enabling more targeted and evidence-based compliance strategies.

Expected Results (outcomes)

As a result of this CD, authorities will be able to better explain shortfalls of tax revenues and, more importantly, to implement corrective actions for improving revenue performance, provides high-level performance indicators to assess the overall performance of revenue bodies in collecting tax revenues, and supports tax CRM.

B. SM I – Expenditure Policy

Scope

The project will deliver a report assessing the fiscal sustainability of Ecuador's pension system. The report will produce baseline projections of pension spending, contribution revenues, overall balances/deficits, and asset dynamics over the short-, medium- to long term, based on consistent macro-fiscal assumptions using a micro simulation model. The analysis will examine key pension design, demographic, labor market, and macroeconomic drivers; assess the evolution of pension fund assets; and quantify implicit and explicit state liabilities, integrating the results into the broader macro-fiscal framework to identify fiscal risks and budgetary pressures.

Program Objectives

The objective is to provide a rigorous, integrated assessment of the pension system's fiscal outlook and its interaction with public finances, strengthening the analytical basis for policy decisions. The work aims to clarify the magnitude and drivers of pension-related fiscal pressures and support informed discussion of policy trade-offs.

Expected Results (outcomes)

The project will deliver a clear baseline diagnosis of pension system sustainability, including projected deficits and asset trajectories, and a quantified assessment of fiscal risks stemming from the system. Based on this baseline, the project will develop and assess reform options aimed at containing pension-related deficits and limiting the need for state transfers, providing the authorities with a transparent and analytically sound foundation for considering pension reform within the medium-term fiscal framework.

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 GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards 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

Engagement with the tax administration has been very positive. In recent years, the authorities have frequently requested technical assistance in the area of tax administration, notably including the 2024 estimation of the VAT compliance gap, the 2023 Tax Administration Diagnostic Assessment Tool (TADAT) evaluation, the 2022 mission to strengthen large taxpayer management, and the 2019 diagnostic review of the tax code aimed at identifying opportunities for improvement.

FAD's work on pensions will explore a new area and a renewed engagement after a long hiatus on expenditure policy issues, with the last technical assistance on the public sector wage bill provided in 2019.

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 post-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.
- **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 reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's area department and resident representative	RA: Sharing of information, insights, and recommendations.	RA: Status of reforms Expenditure Policy: priorities, recommendations, and status of reforms	Regular, after each mission
World Bank, IDB	Avoiding overlap. Sharing information, insights, and recommendations	Expenditure policy - pension policy	Before and after mission

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
POLITICAL SUPPORT			
RM-II – Revenue Administration	Political support for revenue administration reforms may weaken due to competing fiscal priorities, and sensitivity of compliance measures, potentially leading to delays, reduced ownership, and partial implementation of reforms.	Medium	The project will emphasize early delivery of tax gap estimates and their linkage to compliance interventions, to demonstrate tangible revenue gains and sustain political support.
SM-I – Expenditure Policy	Pension reforms are politically sensitive topics. Coordination with IESS needed.	Medium	To sustain high-level backing, the program will tailor engagement with key decision-makers through strategic communication and regular progress updates on outcomes. Senior authorities are kept closely informed of reform design progress and early results, helping to build consensus and maintain buy-in. Reforms should be sequenced with adequate lead times, allowing policymakers and the public to anticipate changes and muster broad support well in advance.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM-II – Revenue Administration	Limited and uneven commitment from management and technical staff, including capacity constraints, turnover, and competing priorities, may delay implementation and reduce ownership of reforms.	Medium	Strengthen senior engagement; formalize counterpart teams; provide hands-on capacity building; institutionalize knowledge; promote team-based approaches; link analytical work to CRM use; and maintain realistic sequencing and continuous monitoring
SM-I – Expenditure Policy	MEF may find it challenging to have absorptive capacity to implement the CD advice.	Medium	Delivery is calibrated to staff capacity while establishing feedback loops to incorporate staff input and adjust guidance. This tailored approach strengthens commitment by aligning advice with on-the-ground needs and fostering continuous engagement.
RESOURCE ADEQUACY			
RM-II – Revenue Administration	Limited financial, human, and technical resources—due to fiscal constraints, competing priorities, and capacity limitations—may delay implementation and affect the sustainability of reforms.	Medium	Prioritize cost-effective reforms; align activities with revenue objectives; leverage donor support; adopt scalable solutions; strengthen data and IT prioritization; optimize human resources; improve execution capacity; design sustainable solutions; and maintain flexible implementation.
SM-I – Expenditure Policy	Timely data availability and coordination between MEF and social security institute	Medium	Timely transmittal of data and information request. Follow up meeting to discuss request and troubleshoot emerging issues. Ask for contact person at social security institute.

VI. PART II: PROJECT AMENDMENT PURPOSE (ICD)

Country request and relevance/importance

The authorities of Ecuador requested a successor phase of technical assistance on macroeconomic frameworks at the 2025 World Bank -IMF Annual Meetings. The request reflects the need to move from a developed analytical framework to a fully operational forecasting and policy analysis system that can be used regularly in official projection rounds by the Ministry of Finance and Economy of Ecuador (MEF) and the Central Bank of Ecuador (BCE).

This support is relevant because Ecuador's macroeconomic policy framework operates under dollarization and therefore requires strong coordination between fiscal, external, monetary, and real-sector projections. A unified forecasting system is important to ensure that official macroeconomic scenarios are internally consistent, operationally reproducible, and useful for policy decisions, macroeconomic programming, and communication with senior management.

The proposed amendment continues and expands prior support under this module covered by an earlier macroeconomic frameworks project. The new phase will focus on operationalizing the macroeconomic projection tool, strengthening the production of no-policy-change, baseline, and macroeconomic risk scenarios, introducing near-term forecasting methods, and reinforcing forecast processes, documentation, and communication practices.

Description of Modules

Under this module, the IMF's Institute for Capacity Development (ICD) will support Ecuador in strengthening macroeconomic forecasting and policy analysis capacity through a successor engagement centered on the operational use of the *Instrumento de Proyección Macroeconómica para Ecuador* (IPMEC). The project will help the MEF and BCE move toward a unified forecasting process that supports official macroeconomic rounds and strengthens the consistency of policy analysis across institutions.

The technical assistance will be structured around three workstreams: (i) completing the operationalization of IPMEC and strengthening medium-term baseline and scenario processes; (ii) introducing near-term forecasting and nowcasting capacity; and (iii) strengthening governance,

communication, documentation, and sustainability routines so that forecast rounds become repeatable and embedded in the policy cycle.

This amendment seeks GPFP endorsement for US\$107,000 allocation in FY27 to support a more immediate focus on operationalizing nowcasting techniques under this ICD technical assistance project for Ecuador.

VII. BACKGROUND

Macro-fiscal situation

Ecuador entered 2025 after a sharp contraction in 2024, and the recovery surprised on the upside as the year unfolded. While early program messaging pointed to a modest rebound, by late 2025 the outlook had shifted toward a stronger recovery supported by domestic demand, record non-oil exports, and sizable external surpluses that helped rebuild reserve buffers.

The IMF-supported program has provided the main macroeconomic anchor during this period, with emphasis on fiscal sustainability, liquidity buffers, and macro-financial stability. Under these conditions, the credibility of the macroeconomic baseline and the explicit treatment of macroeconomic risks have become increasingly important for policy planning, liquidity management, and policy communication.

Dollarization raises the premium on a coherent macroeconomic framework. With limited adjustment instruments, Ecuador's forecasting process must rely on a shared set of external assumptions and internally consistent projections across the real, fiscal, monetary, and external sectors. This increases the value of a unified forecasting system that can support official rounds and strengthen coordination between the MEF and BCE.

Country engagement and alignment to reform priorities

Previous CD in this area (2022–2025) produced a functioning macroeconomic framework, but further work is needed to integrate it fully into official forecast rounds and policy processes. This proposed follow-on CD is therefore aimed at moving from a working analytical tool to an operational forecasting and policy analysis system, with stronger routines for coordination, scenario design, documentation, and communication.

More specifically, previous CD delivered a calibrated framework, automation modules, and documentation, and helped strengthen analytical capacity and coordination between the MEF and BCE. This proposed CD will focus on operational adoption, especially in the March and September forecasting rounds, and on addressing remaining institutional and process gaps that still limit the regular use of the tool.

The project is aligned with the authorities' reform priorities in three areas: improving the coherence of official macroeconomic programming, strengthening the integration of policy measures into the macroeconomic baseline, and reinforcing forecasting governance and communication practices. It is also aligned with the needs of the IMF-supported program, especially with respect to credible macroeconomic baselines (a pre-condition to realistic fiscal paths), and structured economic risk analysis.

VIII. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes support to Ecuador in Fiscal and Macroeconomic Tools, Research, and Analytical Work. This amendment will support the operationalization of the macroeconomic projection framework and strengthen forecasting and policy analysis capacity within the strategic objectives presented in Table 2.

Table 2. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM-IV / Fiscal and Macroeconomic Tools, Research, and Analytical Work	- Introduce near-term forecasting and nowcasting capacity at MEF and BCE, enabling staff to construct, backtest, and operate nowcasting models for GDP and key demand-side components, using high-frequency indicators. - Integrate nowcast-based signals into the regular forecast cycle, so that current-year projections used in official rounds are anchored to the latest available high-frequency data rather than relying solely on annual extrapolation. - Update forecasting documentation, workflows, and communication materials to incorporate nowcasting routines, including indicator catalogs, data-ingestion protocols, update governance rules, and briefing templates that reflect near-term signals.

A. SM IV – Fiscal and Macroeconomic Tools, Research, and Analytical Work

The scope of this module is to support the MEF and BCE in consolidating and operationalizing a unified macroeconomic forecasting and policy analysis system. The module will build on the existing macroeconomic projection tool developed under the previous technical assistance project and will focus on its regular use in official forecasting rounds.

The technical assistance will cover the production of no-policy-change, baseline, and macroeconomic risk scenarios; improvements in cross-sector consistency across real, fiscal, monetary, external, and oil blocks; the introduction of near-term forecasting methods; and the strengthening of documentation, reproducibility, and communication practices. The project will also support between-mission work, structured postmortems, and capacity transfer to ensure that the forecasting process becomes more structured and less dependent on ad hoc practices or individual staff knowledge.

Program Objectives

First, introduce near-term forecasting and nowcasting capacity at MEF and BCE, enabling staff to construct, backtest, and operate nowcasting models for GDP and key demand-side components, using high-frequency indicators.

Second, integrate nowcast-based signals into the regular forecast cycle, so that current-year projections used in official rounds are anchored to the latest available high-frequency data rather than relying solely on annual extrapolation.

Third, update forecasting documentation, workflows, and communication materials to incorporate nowcasting routines, including indicator catalogs, data-ingestion protocols, update governance rules, and briefing templates that reflect near-term signals.

These objectives are part of a broader technical assistance project that also covers the operationalization of the macroeconomic projection tool, IPMEC, and the strengthening of the medium-term macroeconomic forecasting process, funded separately. Should traction in FY27 warrant it, additional technical assistance activities in FY28 would aim to consolidate the full operating model across multiple forecast cycles and formalize sustainability and transfer arrangements.

Expected Results (outcomes)

The activities are expected to deliver the following results:

(Linked to Objective 1) MEF and BCE staff construct, backtest, and begin operating nowcasting models for GDP and its main demand-side components. By the end of FY27, staff are expected to independently produce and interpret nowcast updates, including indicator selection, data transformation, vintage control, and reconciliation of short-term signals with annual paths.

(Linked to Objective 2) Nowcast outputs are integrated into at least one official baseline round (April 2027). The authorities use the nowcast to improve the short-term anchor of the baseline, with a real-time dashboard showing latest signals against the prevailing projection. This strengthens the transition from high-frequency data to the annual forecast embedded in IPMEC.

(Linked to Objective 3) Staff at MEF and BCE use the updated materials—indicator catalogs, data-ingestion templates, update governance rules, and revised briefing formats—to execute at least one nowcasting cycle and produce a management briefing without direct guidance. The materials are tested and refined through use in the April 2027 forecast round.

IX. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

Country engagement under this module will center on close collaboration with the MEF and BCE, which jointly own the forecasting process and are the principal counterparts for this technical assistance. The engagement will focus on supporting the joint forecasting team, supervisory counterparts, and technical operators responsible for macroeconomic programming and policy analysis.

The project will remain closely coordinated with the IMF's Western Hemisphere Department, given the relevance of the forecasting framework for surveillance and for the ongoing IMF-supported program. Coordination with other IMF departments, including FAD and the Statistics Department where relevant, will also be important to ensure consistency across macroeconomic, fiscal, and statistical workstreams.

B. Delivery Modalities

CD will comprise a mix of in-person and remote activities. In-person delivery will be used at key technical stages, especially when the objective is to support integrated forecasting rounds, strengthen cross-agency coordination, conduct hands-on workshops, and engage directly with senior management. Remote delivery will be used to maintain continuity between missions, troubleshoot technical issues, review outputs, follow up on action items, and support structured between-mission exercises.

The following CD activities will be delivered as a package:

- Headquarters-led missions and staff visits to support key forecasting rounds, review progress, provide strategic guidance, and engage with technical and senior counterparts.
- Virtual missions and remote technical sessions to advance model refinement, support scenario design, troubleshoot operational issues, and maintain implementation momentum between missions.
- Bi-weekly technical virtual engagements to support follow-up work, monitor commitments, review outputs, and sustain collaboration across the MEF and BCE.
- Targeted training, replication drills, and post mortems to strengthen staff capacity, reinforce reproducibility, and reduce reliance on parallel spreadsheet-based workflows.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
WHD	Sharing of information, policy context, and reform priorities	Macroeconomic outlook, program consistency, surveillance needs, and alignment of technical assistance with country priorities	Regular
MEF	Joint implementation and operational coordination.	Macro programming, forecast baseline integration, forecasting processes, data inputs, and policy communication	Continuous
BCE	Joint implementation and operational coordination	Macroeconomic forecasting, external and monetary projections, model operation, and scenario analysis	Continuous
FAD	Information sharing and technical coordination	Baseline forecast consistency and macroeconomic risks (especially with the FAD PFM TA workstream).	Continuous
STA	Information sharing and technical coordination	Statistical assumptions relevant to macroeconomic forecasting.	As needed

X. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	Changes in the broader macroeconomic environment, including fiscal pressures from social demands, uncertainty around revenue measures, and weak medium-term budgeting practices, may shift the authorities' attention toward short-term firefighting and away from establishing a structured macro-forecasting framework.	Medium	1) Regularly update senior management with TA outcomes (core team presentations, analysis, etc.). 2) Quickly link TA outputs to other policy-relevant workflows.
POLITICAL SUPPORT			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	Changes in strategic focus or leadership priorities may reduce support for introducing a forward-looking macro-framework, affecting resource allocation and timelines.	Medium	1) Regularly update senior management with TA outcomes (core team presentations, analysis, etc.). 2) Quickly link TA outputs to other policy-relevant workflows.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	Limited staff time, competing operational commitments, and uneven technical skills may slow progress in developing and integrating the forecasting framework in policy decision.	Medium	Maximize the use of asynchronous work by ensuring the right mix of blending delivery is implemented.
RESOURCE ADEQUACY			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	High staff turnover. Insufficient access to key data sources, IT capabilities, or adequate staffing could hamper timely implementation of the framework and its regular updating.	Medium	Constant documentation of procedures and tools. Minimize recourse to external IT providers. Tilt balance of tool complexity and simplicity towards simplicity.
OTHER RISKS			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	No other relevant identified risks.	Low	Periodically update risk assessment.

XI. PART III: CD DELIVERY PLANS - FAD AND ICD

Table 3. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
RM-II – Revenue Administration			
HQ led CD mission	1	-	1
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	1	-	1
Subtotal	2	-	2
SM-I – Expenditure Policy			
HQ led CD mission	1	-	1
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	-	-	-
Subtotal	1	-	1
SM-IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work			
HQ led CD mission	2	-	2
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	-	-	-
Structured virtual support	1	-	1
Subtotal	3	-	3
TOTAL	6	-	6

Note:

- The delivery plan for SM-IV module shows the present funding request, which is limited to the subset of activities proposed for GPFP endorsement at this stage. However, the project full technical path comprises additional activities through FY28.
- The mix between remote and in-person delivery was chosen to optimize the outcomes of the project and was based on *the* nature of the required work—a combination of short, high-intensity tasks with long, short-intensity virtual engagements.

Table 4. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM-II – Revenue Administration		
Q3/FY27	Duty station-based Work - DS	Tax: Top-down tax gap estimation for CIT
Q4/FY27	Field-Based work - FB	Tax: Bottom-up tax gap estimation for PIT
Q1/FY28	Workshop	Tax: CRM and tax gap estimation
SM-I – Expenditure Policy		
Q1/FY27	Field-Based work - FB	Pensions: pension system sustainability analysis
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work		
Q1/FY27	Duty station-based Work - DS	Phased refinement of IPMEC calibration and core properties NPC and baseline rounds, governance/documentation practices Replication of Spring 2026 round and post mortem.
Q3/FY27	Duty station-based Work - DS	Nowcasting foundations and initial GDP nowcasts.
Q4/FY27	Field-Based work - FB	Nowcasting backtesting. Integration into March 2027 baseline

XII. PROGRAM FINANCIALS – FAD AND ICD

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM-II – Revenue Administration	150,000	-	150,000
SM-I – Expenditure Policy	150,000*	-	150,000
SM-IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	100,000	-	100,000
SM-II – Managing Public Finances	-150,000*	-	-150,000
Subtotal	250,000	-	250,000
Trust Fund Management Fee (7%)	17,500	-	17,500
TOTAL	267,500	-	267,500

Note: *Budget for SM-I Expenditure Policy is a reallocation from SM-II Managing Public Finances, which has had a lower-than-expected execution rate. Therefore, the net estimated budget for this project is US\$ 267,500, and endorsement is requested for the full amount. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

XIII. TARGETED LOGICAL FRAMEWORK – FAD AND ICD

A. RM-II – Revenue Administration

Objective: Strengthened revenue administration management and governance arrangements (SDG 17.2) - RAM	
Outcome(s)	Indicator(s)
Corporate priorities are better managed through effective risk management	Improved identification, assessment, ranking and quantification of compliance risks (TADAT POA2-3)

B. SM-I – Expenditure Policy

Objective: Strengthen Expenditure Policy Formulation and Design - EP	
Outcome(s)	Indicator(s)
Public pension system sustainability is enhanced while ensuring the adequacy of retirement income	Public pension expenditure, in percent of GDP

C. SM-IV – Fiscal and Macroeconomic Tools, Research, and Analytical Work

Objective: Develop capacity in macroeconomic forecasting and policy analysis to support policy decision making and communications - MFR	
Outcome(s)	Indicator(s)
Authorities have a baseline understanding of their existing forecasting and analytical capabilities and opportunities for improvement.	Diagnostic/scoping produced a baseline workplan of CD engagement, including a tentative timeline for the CD project, indicative schedule for training and TA missions, and expected key outcomes and deliverables.
Improved analytical skills, and better macroeconomic forecasting and policy analysis capacity.	Relevant staff demonstrates the capability to independently operate the MPT and other auxiliary analytical models and tools.
Decision-making process is well-structured, streamlined, and documented, and associated roles and responsibilities are well-defined.	Macroeconomic Projection Tool (MPT) is developed in the form of an Excel-based macroeconomic framework for forecasting and policy analysis, respecting accounting relationships Fully operational nowcasting models and tools are developed
Decisionmakers understand the structure and function of the Macroeconomic Projection Tool (MPT), and use staff's MPT-based analysis and forecast in the policy formulation process	Forecasting team regularly interacts with policymakers