
2024

January

MONGOLIA

Components: Revenue and Spending

Modules: RM II – Revenue Administration

SM I – Spending Policy

*MONGOLIA***PROJECT SUMMARY**

COUNTRY (S): Mongolia

LEAD DEPARTMENT: FAD

REGION (S): Asia-Pacific

PROGRAM ID: (To be filled out by Secretariat)

PLANNED DATES: Q4 FY24, FY25 – FY27

FUNDING PROGRAM TITLE: GPFP Mongolia

PROJECT MANAGERS:

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ESTIMATED BUDGET \$2,544,863

BUDGET FOR ENDORSEMENT: \$890,556 through FY25

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*MONGOLIA***I. PROJECT PURPOSE**

This project aims to (1) further improve the capacity of Mongolia to secure revenue for growth and development, and (2) assess spending practices and efficiency. The revenue authorities Mongolian Tax Administration (MTA) and Mongolia Customs General Administration (MCGA) have greatly benefitted from IMF capacity development (CD) support, for tax administration modernization under the Revenue Mobilization Thematic Fund (RMTF) since 2017 and for Customs reforms with government of Japan funding since 2019. They expressed keen interest in new CD support during an August 2023 staff visit. The authorities also benefitted from IMF01-funded CD on fuel subsidy reform in 2019, and the Mongolia Article IV staff report points to critical additional areas of expenditure policy needing support, notably in the areas of the public sector wage bill and pensions.

In relation to revenue, the revenue administration module focus will be on (1) securing revenues from the large market;¹ (2) addressing aggressive practices;² (3) improved execution of core revenue administrative functions; (4) improved governance capabilities; and (5) improved capacity to plan and effect strategic change. For MCGA the focus will also include enhanced reform implementation capacity.

In relation to spending, the spending policy module focus will be on (1) better management of the public sector wage bill; (2) elimination of subsidies in energy and food/agriculture to assist transition to a green economy; and (3) identification of reform options for spending adequacy and efficiency.

The three-year project has been discussed with authorities and the medium-term priorities agreed. The estimated budget for this three-year project is \$2,544,863, but endorsement is requested for \$890,556 through FY25. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

¹ The term 'large market' will be used throughout this proposal to include large business groups (including those involved in the extractives sector), high wealth individuals (HWIs) and the corporate groups that they control.

² Aggressive practices are not those confined to the large market and may include customs and VAT fraud, aggressive revenue planning or deliberate mis-valuation or misleading valuation of commodities.

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II. BACKGROUND

Macro-fiscal situation

Mongolia's economy has stabilized from a difficult position in 2022. Projected real GDP growth is expected to be 5.5 percent for 2023. Inflation moderated through the first half of 2023 supported by stronger exports, especially of coal and other minerals, and weaker global food and energy prices although it is still about 12.3 percent. A major copper mine project became fully operational in early 2023 and a supplementary national budget for 2023 introduced large and permanent increases in wages, benefits, and pensions in anticipation large revenue gains from record high coal exports. This speaks to the need for spending policy assessment.

Downside economic risks dominate, including tighter global financial conditions, commodity price volatility, slower growth in the major export market of China, and the risk of further domestic policy slippages. Should a subset of these risks materialize, and the government's ambitious coal export targets fall short, the economic implications could be significant.

Improving institutional governance is a recurring theme with the Government recently dismissing large sections of the leadership of a state-owned coal mining entity and of the Mongolian Customs General Administration (MCGA). Further, the IMF considers that supervision in the financial sector should be strengthened and intensified for high-risk banks and operations, that there should be effective enforcement of governance reforms for State Owned Enterprises and that the draft Whistleblower law should be passed without delay.

Policies to improve the business climate, address corruption and strengthen governance are also considered critical to strengthening economic resilience. Other recommendations from the IMF include that the Minerals Law overhaul should be accelerated, the insolvency framework should be modernized and the anti-money laundering countering the financing of terrorism (AML/CFT) framework should be aligned with Financial Action Task Force (FATF) requirements. All these initiatives will likely impact revenue administration.

IMF priority areas/ Cross cutting themes

The MTA has a strong GovTech capability. The MTA has requested CD assistance to further develop data analytics capability and its application to big data. They have capacity to absorb more support and even develop an Artificial Intelligence capability in support of a core function such as arrears management. On gender inclusiveness they have an unstated but observable policy of equitable nomination of female staff for international training and development opportunities. The MCGA has also internally promoted several female staff to senior leadership roles. There is good potential to help Mongolia develop on these cross-cutting themes as well as in core revenue administration matters.

Country engagement and alignment to reform priorities

Mongolia has been a long standing highly engaged recipient of IMF revenue mobilization CD support. Both the MCGA and the MTA are actively engaged in institutional reforms that support revenue mobilization. On customs, the government has recently accelerated customs reform and modernization and the new MCGA senior management has requested expanded CD support. A new customs law bill has been submitted to the parliament which enables the MCGA to introduce modern customs procedures and enhance performance. The MCGA confirmed its need for stronger general implementation capacity

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and improved risk-based valuation controls to fully deliver the benefits of the new legislation. For tax administration, the reforms in this project proposal are a continuation of the government's long standing revenue mobilization drive.

The requests for CD support align with Mongolia's long term sustainable development goal (SDG) reform priorities. Mongolia's SDG reform priorities are set out in their Vision 2050 document. The Ministry of Finance (MOF) supports the CD support requested by the MTA and MCGA as the themes align with Mongolia's Stage I SDG objectives including: reduced Government debt and improved debt management by the Government, development of the information technology sector and cross-border trade, improved regional cooperation, improved governance and the ability to implement policy and continued learning and development of civil servants. For the revenue agencies, these SDG objectives align with CD requests to: (1) more effectively secure revenue to fund Government expenditures, (2) develop new multi-year strategic plans, (3) advance to a high data and analytics capability, (4) address operational weaknesses identified in a recent TADAT assessment and to undertake a subsequent TADAT assessment to measure progress, and (5) to effectively implement the new customs law to obtain better revenue, trade security and facilitation.

III. PROJECT LEVEL DESCRIPTION

A. Project Scope

Against this background, the project will provide CD assistance to the MTA and the MCGA on revenue administration, and to the MOF on spending policy. On revenue administration this project aims to deliver increased revenue from the large market through improved filing, payment and reporting, and reduced debt and arrears. It will also provide CD to address revenue loss from aggressive practices and strengthened capacity to deliver in-house staff training and development. The project will also deliver improved capacity to design and implement strategic plans, including the strategic alignment of performance indicators and annual plans to strategic plans. On spending policy, this project proposal aims to cover capacity building training in IMF expenditure priority areas including wage bill reforms to strengthen service delivery while ensuring its affordability, and pensions reform and forecasting. Further details on project scope related to each project component are outlined below.

Module RM II / Revenue Administration

In revenue administration, three critical areas in which Mongolia can benefit from capacity building support have already been identified:

- Strengthened revenue administration management and governance arrangements

The CD support for the development of new strategic plans in the MTA and MCGA, will be practically oriented on 'how' to engage in strategic planning, with an emphasis on the large market. The new strategic plans will also be a reference for other CD assistance partners, will help to set an improved governance environment, and will provide a vehicle for broader thematic improvements such as in gender inclusiveness, *GovTech* and further Customs-Tax cooperation. The CD will make use of existing products, such as the VITARA Strategic Leadership course, where possible.

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There will be a range of integrated supporting and enabling activities such as developing the project management, change management and leadership capabilities of staff to implement changed legislation, establishing operational metrics and more strategic key performance indicators, and strengthening the content of technical training materials for staff. Building on the existing analytics capability of the MTA we propose some advanced CD on a topic where analytics converges with a core function such as arrears management or on-time payment.

A proposed follow up TADAT assessment in the penultimate year of the project will help to measure the effectiveness of the CD in the operations of the MTA and prepare MTA for its next reform cycle.

Specific outcomes expected are that (1) revenue authorities will have a baseline understanding of core strategy and management arrangements, (2) their capacity for reform will be increased through better strategic management capability, (3) compliance risk priorities will be better managed through improved analytic capability and compliance improvement plans, and (4) improved support for human resource and training practices.

- Strengthened core tax administration functions

The CD will strengthen the core tax administration functions of filing, correct reporting, on-time payment and arrears management. The focus on the large market, as defined, maximizes the security of past revenue mobilization gains and will continue to support further improvements in domestic resource mobilization. Improved cooperation between the Customs and Tax authorities in relation to large importers and exporters is advantageous for securing revenue and facilitating trade, especially in relation to the imports and exports of the extractive industries sector.

The CD assistance around filing, payment, arrears management and correct reporting will be captured in better compliance improvement plans, including better workflow, performance and outcome metrics. These metrics will align with metrics embedded in the new medium-term strategic plans, creating improved strategic alignment.

Specific outcomes expected under this objective are: (1) a larger proportion of taxpayers meet their filing obligations as required by law; (2) a larger proportion of taxpayers meet their payment obligations as required by law; and (3) audit and other verification programs more effectively ensure accuracy of reporting.

- Improved customs administration functions

For Customs, CD will focus on compliance risk management (CRM) with the improving metrics evidenced in better quality selectivity for valuation controls, including improved IT capability for the MCGA. The expected overall impact is to strengthen the applied execution CRM capability in both leading revenue organizations.

Specific outcomes expected are that (1) audit and anti-smuggling programs more effectively ensure enforcement of customs laws, (2) the customs control processes during the clearance process more effectively ensures accuracy of declarations, and (3) trade facilitation and service initiatives better support voluntary compliance.

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For the revenue component overall progress will be evidenced through the production of relevant strategic and operational plans, alignment of operational metrics to strategic metrics, regular measurement of achievements against those metrics, and conventional tax-to-GDP ratios.

Module SM I / Spending Policy

A scoping mission in FY25 Q1 will enable a refined set of CD on spending policy issues to be carried out in the context of a potential medium-term engagement with the MoF. However, two critical areas in which Mongolia can benefit from capacity building support have already been identified:

- Strengthening the management of the Public Sector Wage bill

A workshop will assist the Mongolian authorities in their efforts to strengthen the management of the government wage bill. Specifically, the workshop will provide capacity building training, enabling the MoF to determine the level and composition of government compensation and employment and weigh policy options to ensure adequate and sustainable wage bill spending. In coordination with other FAD divisions, this CD will also strengthen MoF's capacity to review the budgeting, execution, control, and reporting procedures of the government personnel record and the payroll file.

- Pension reforms and forecasting

A workshop on pension reforms will provide training to support MoF's efforts to restore financial sustainability while protecting the pension system's equity and poverty alleviation objectives. The training will enable the authorities to carry out projections of public pension spending over the medium term to facilitate their integration into medium-term budget frameworks.

The project will make use of the Revenue Administration and Spending modules as outlined below,

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM II / Revenue Administration	• Strengthened revenue administration management and governance arrangements (SDG 17.1) • Strengthened core tax administration functions (SDG 17.1) • Improved customs administration functions (SDG 17.1)
Spending	SM I / Spending Policy	• Strengthen Expenditure Policy Formulation and Design • Strengthen Policy Evaluation and Institution Building

B. Country Engagement

Mongolia has a strong track record of absorbing and applying CD, and this is expected to continue. Under the Revenue Mobilization Thematic Fund (RMTF) (FY18 to FY24), the MTA demonstrated strong ownership of CD, fully or substantially achieving 86.8 percent of all milestones, increasing tax revenue by 59.7 percent and climbing to a tax-to-GDP ratio of 26.9 percent, but fluctuating. The strong ownership is also observed in customs, fully or substantially achieving 81.8 percent of milestones and improving revenue collection by 21 percent between 2020 and 2022 under the Japan Special Account (JSA) (FY21 to FY24). The 2019 CD on fuel subsidy reform advised the authorities on the adoption of an automatic fuel product pricing mechanism with price smoothing, identified the fiscal

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implications of implementing such a mechanism, and built capacity through presentations and a workshop on the design of an energy pricing reform strategy.

C. Delivery Modalities

The CD delivery comprise a blend of in-person and remote engagements likely trending towards more remote delivery over the course of the project. In the earlier years or when a new topic is being discussed, there will be in-person or hybrid (mixed in-person and remote) delivery of CD. In later years of the project and in follow-up on key topics, there will be more use of remote delivery techniques. Mongolia no longer requires the intensive support of a resident long-term advisor but will be provided with intensive support through HQ desk reviews and staff missions, in-person and remote STX assignments, peer engagement and interactive learning workshops. To help strengthen institutional memory, improve staff development and to assist the successful development of the MTA and MCGA as robust revenue agencies, this project does propose retaining a locally engaged translator and interpreter who has substantial experience in supporting revenue administration CD. 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, inspect STX work, 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.
- **Interactive Learning and Workshops** preparation and delivery of synchronous learning activities and/or technical advice delivered in-person or remotely. Includes structured content learning activities and workshops to impart training and assist in the development of timelines and a harmonized action plan to implement the reforms.
- Desk reviews to provide staff input and feedback on the implementation of the reforms.
- **Peer-to-peer engagement**, Facilitation of peer-to-peer engagements, through which officials from beneficiary country learn from peers in another country, under the supervision of and with complementary guidance from Fund staff or experts.
- **Locally engaged interpreter / translator / assistant** to support the HQ desk reviews and support and other HQ-based interactions with authorities under the revenue or spending components.

D. Coordination / Cooperation

Mongolia is receiving FAD CD through several financing vehicles which, in the case of revenue administration, has long been coordinated under a one-country-one-project approach. The MCGA and MTA are currently receiving FAD CD through the RMTF, government of Japan (JSA) and donors to the IMF's Caucasus, Central Asia and Mongolia Technical Assistance Center (CCAMTAC) and the MOF recently received CD on fuel subsidy reform through IMF01 funding. Appropriate linkages with the existing CD programs are defined using the IMF's result-based management (RBM) framework. When designing specific country-based activities and workplans, this program will seek to define the emerging challenges in an integrated and coordinated manner. The JSA will also continue to provide funding for regional CD activities, including those involving Mongolia.

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There has been close cooperation with other CD development partners through the IMF-led initiative of the Mongolian Technical Assistance Group (MTAG), an operational level group comprising IMF, Asian Development Bank (ADB), Japan International Cooperation Agency (JICA) and the Organisation for Economic Cooperation and Development (OECD) representatives. MTAG has allowed for multi-lateral and bi-lateral regular exchange of information and discussion of areas of support. As other development partners working with either revenue or spending components are identified (e.g. Korea International Cooperation Agency (KOICA), World Bank) they are invited to the MTAG. The MTAG assists in avoiding operational duplication and in identifying synergies and sequencing of operational CD amongst development partners.

MTAG insights were used in developing this proposal. At a high-level the IMF CD is to support the capability of Mongolian revenue agencies to secure compliance of the large market sector. The next strategic plans for the MTA and MCGA, to be developed with IMF CD assistance, will also set a framework for other CD development partners. The ADB has a focus on improved risk-assessment capabilities for the large market which integrates well with this proposal. JICA have a focus on the small and medium market, which is a complement to the IMF focus. The OECD engagements are on international tax matters, which is their strength, and which can define the upper limit of the IMF support for large market compliance.

IV. RISK ASSESSMENT AND MITIGATION

General or Module	Description	Risk Probability	Risk Impact	Mitigation Measures
External climate/conditions				
General	Civil unrest could affect the delivery of CD.	Low	Low	Regular communication with AD country office particularly on the timing and the scope of the CD delivery. Mitigation measures will be closely coordinated with the country office and the authorities.
Political Support				
General	There has generally been political support for CD. A National election in June 2024 may involve blame being attributed to the IMF for any unpopular policies. The authorities are more reluctant to engage on policy matters.	Low on tax administration Medium on tax policy matters	Medium	Ensure fiscal risk CD is focused on priority revenue and spending areas and engage regularly with Ministers and senior management to ensure government ownership of reforms.
RM II / Revenue Administration	A new customs law will not be approved by parliament.	Medium	Low	Ensure the need for customs reform and modernization is widely accepted. The project will continue providing positive messages for reform and modernization.
Management and Technical Staff Support and Commitment				
RM II / Revenue	Management commitment to implement recommendations	Medium	Low	The scoping of the focus on the large market helps to ensure

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General or Module	Description	Risk Probability	Risk Impact	Mitigation Measures
Administration	could reduce with a change of Tax Commissioner from January 2024			sustained commitment.
RM II / Revenue Administration	Management and staff may be reluctant or unable to implement reform without training and support in planning, project management and change management.	Medium	Medium	The proposed CD includes change management capability
SM I / Spending Policy	Limited engagement and buy-in from management and technical staff for implementing expenditure policy reforms.	Medium	Medium	Foster strong stakeholder engagement through regular communication and workshops. Develop tailored sessions that relate reforms to specific national contexts and goals.
Resource Adequacy [Module level]				
RM II / Revenue Administration	The small size of the institutions leads to enhanced risk of institutional memory loss from staff departures and under-developed staff training.	Medium	Medium	One of the CD deliverables is to assist deliver contemporary and past CD content into an in-house on-line training and delivery platform.
SM I / Spending Policy	Technical capacity and human resources necessary to implement reforms are limited.	Medium	Medium	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
Other risks [module or country]				
RM II / Revenue Administration	Multiple donors are providing technical assistance on fiscal risk topics. Gaps or overlaps or contradictory recommendations may arise.	Low	Medium	Take an active role via the MTAG operational co-ordination forum to engaging with other donors to ensure CD support is well coordinated.
SM I / Spending Policy	Multiple donors are providing technical assistance on expenditure topics and gaps, or overlaps may arise as a result.	Low	Medium	Take an active role in engaging with other donors to ensure support is well coordinated.

V. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY24, Q4	Total for FY25	Total for FY26	Total for FY27	Grand Total
RM II / Revenue Administration					
HQ-led CD mission (incl. LTX)	-	1	3	1	5
HQ Desk reviews or support	-	3	4	3	10
STX visits (incl. LTX)	-	5	5	5	15
Staff or other visit	-	1	-	1	2
Interactive Learning	-	1	-	1	2
SM I / Spending Policy					
Staff or other visit	-	1	-	-	1
Interactive Learning	-	2	-	-	2

Table 3. First year workplan

Timing	CD Area	CD Delivery	Proposed Topics of CD
RM II / Revenue Administration			
FY24 – Q4	Follow Up	STX (FB)	Tax: Response to VAT Invoice Fraud – CIP (RMTF funded)
FY24 – Q4	Follow Up	STX (FB)	Tax: Managing Large Taxpayer Audits – CIP (RMTF funded)
FY24 - Q4	Preparatory	STX (Remote)	Tax: AI Use case analysis (RMTF funded)
FY25 – Q3	Customs	HQ	Customs: Strategic Planning Capability and Diagnostic (JSA funded)
FY25 – Q1	Compliance	STX (FB)	Customs: selectivity for valuation control (JSA funded)
FY25 – (Q1-Q4)	HQ Review (Tax)	HQ (Remote)	Tax: Mentoring authorities, Follow up on STX-delivered CD
FY25 – Q1	HQ-Led (Tax)	HQ (FB)	Tax: Strategic Planning Capability and Diagnostic
FY25 – Q1	Peer Learning	Peer Learning (FB), 2 x PAX	Tax: Arrears Management @ JVI or similar
FY25 – (Q1-Q4)	Interactive	Locally Engaged (LE)	Facilitate communications between HQ and authorities. Conversion of materials to be used in training and development.
FY25 – Q3	Compliance	STX (Remote)	Customs Tax Cooperation
FY25 – Q3	Follow Up	STX (Remote)	Tax: Arrears Management
FY25 – Q4	Compliance	STX (FB)	Customs: implementation for valuation control
FY25 – Q4	Compliance	STX (FB)	Tax: Extractives Industry Audit Techniques

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Timing	CD Area	CD Delivery	Proposed Topics of CD
SM I / Spending Policy			
FY25 – Q1	Scoping Mission— Staff Visit	HQ (FB)	EP: Explore with authorities multiple topics for medium-term engagement
FY25 – Q2	Workshop—STX- short	STX (FB)	EP: In-person, hands-on training on public wage bill reform and forecasting
FY25 – Q3	Workshop	HQ staff (FB)	EP: Public pensions spending reform and forecasting

VI. PROGRAM FINANCIALS

	FY25	FY26	FY27	TOTAL (USD)
Direct Delivery	832,295	872,896	673,185	2,378,376
Module RM I - Tax Policy	0	0	0	0
Module RM II - Revenue Administration	665,498	872,896	673,185	2,211,579
Module SM I - Spending Policy	166,797	0	0	166,797
Module SM II - Managing Public Finances	0	0	0	0
Subtotal	832,295	872,896	673,185	2,378,376
Trust fund management fee (7%)	58,261	61,103	47,123	166,486
TOTAL	890,556	933,999	720,308	2,544,863

The estimated budget for this three-year project is \$2,544,863, but endorsement is requested for \$890,556 through FY25. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

ANNEX I. REVENUE MODULE II – REVENUE ADMINISTRATION

A. Program Objectives

The Revenue Administration component of the program will help Mongolia to strengthen reform management and governance, strengthen core tax administration functions and improve customs administration. More specifically the project will help Mongolia to secure the revenue gains won in recent years and to further secure domestic revenues through a focus on the 'Large Market' and addressing aggressive practices. The program will provide tools required to set an improved strategic plan, establish operational level plans aligned to the strategic direction, better execute risk mitigation responses, establish and monitor improved performance indicators, improve institutional memory and staff development and start to demonstrate regional leadership. The specific objectives and outcomes for this project as outlined in the targeted logical framework tables below.

In particular, CD activities will focus on:

- Developing improved medium-term strategic plans of MTA and MCGA, from January 2025, to underpin clearly aligned annual operational plans, including aligned performance indicators and effectiveness metrics;
- Developing improved institutional memory and staff capability in governance, leadership, management and operational skills, through better use of in-house training and human resource development capabilities;
- Reinforcing foundational capabilities in filing, reporting and payment management, including arrears management, especially as applicable to large market entities;
- Developing mitigation responses, including enhanced customs and tax administration cooperation, to aggressive behaviors such as VAT frauds and mis-pricing, non-transparent pricing of commodities, customs fraud and diversion control in duty relief regimes;
- Implementation capacity building of anticipated new customs law containing modern customs management procedures, and
- Validation of development progress and effectiveness through the use of tools such as gap analyses and TADAT.

B. Expected Results (outcomes)

Successful implementation of the Revenue Administration module will be indicated by:

- Over 80 percent of program milestones fully or substantially achieved;
- Demonstrable alignment in medium-term strategic and annual operation plans;
- Improved TADAT assessment outcomes relative to last TADAT assessment;
- Improved tax to GDP ratio; and
- Leadership of a regional event in revenue administration.

C. Targeted Logical Framework – REVENUE ADMINISTRATION

Objective	
Improved customs administration functions (SDG 17.1)	
Outcome(s)	Indicator(s)
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	Effectiveness of the fight against fraud and smuggling increased
	Legal base, procedures and capacities strengthened to exchange information with the tax department, other government agencies and foreign customs
Customs control during the clearance process more effectively ensures accuracy of declarations	Rate of physical inspections decreased
	Risk-based control selectivity applied more consistently
Trade facilitation and service initiatives better support voluntary compliance	Customs laws, regulations, and guidelines simplified and easily accessible
Objective	
Strengthened core tax administration functions (SDG 17.1)	
Outcome(s)	Indicator(s)
A larger proportion of taxpayers meet their filing obligations as required by law	Management of filing compliance improved (TADAT 2019 POA4-13)
	On-time filing ratio improved (TADAT 2015 POA4-10/TADAT 2019 POA4-12)
A larger proportion of taxpayers meet their payment obligations as required by law	Management of tax arrears improved (TADAT 2015 POA5-15/TADAT 2019 POA5-18)
	On-time payment ratio improved (TADAT 2015 POA5-14/TADAT 2019 POA5-17)
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)
	Sound methodologies used to monitor the extent of inaccurate reporting and tax gaps (TADAT 2015 POA6-18/TADAT 2019 POA6-22, RA-GAP results)

Objective	
Strengthened revenue administration management and governance arrangements (SDG 17.1)	
Outcome(s)	Indicator(s)
Authorities have a baseline understanding of the current state of the government's revenue administration, management, and governance arrangements and core revenue administration operations	Procedures for internal and/or external review of revenue administration management, governance, and operations are established to produce baselines and identify opportunities for improvement
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
	Strategic and operational plans prepared and adopted
Corporate priorities are better managed through effective risk management	Better mitigation of risks through a compliance improvement program (TADAT POA2-4)
Support functions enable more effective delivery of strategy and reforms	Improved human resources strategies and practices to support the tax administration (TADAT 2019 POA2-7)

ANNEX II. SPENDING MODULE I – SPENDING POLICY

D. Program Objectives

The Expenditure Policy Module will start with a scoping mission to assess the authorities' areas of spending-related priorities for capacity development, toward formulating a medium-term CD engagement on a suite of key topics. While this scoping mission will be a key starting point for potential medium-term CD on spending issues, the two topics are already identified as critical in the Mongolian context, on which CD will focus in the first two fiscal years, are the public wage bill and pensions spending:

- CD will assist in authorities' efforts to carry out analysis necessary to determine how to rationalize, and enhance the management of, the government wage bill. It will provide technical guidance on reviewing government compensation and employment, necessary for arriving at policy options to contain wage bill pressures.
- CD will also strengthen MoF's technical capacity to assess reform options of public pension systems to retain financial sustainability while protecting their underlying equity and poverty alleviation objectives. This will involve conveying techniques for projection of public pension spending over the medium term to facilitate their integration into medium-term budget frameworks.

E. Expected Results (outcomes)

Successful implementation of the Expenditure Policy module will be indicated by expenditure policy actions implemented that accord with sound expenditure policy principles. These actions are also expected to be in line with the aims of Mongolia's *Vision 2050*.

F. Targeted Logical Framework – SPENDING POLICY

Objective	
Strengthen Expenditure Policy Formulation and Design	
Outcome(s)	Indicator(s)
Public expenditure is fiscally sustainable and efficient	Primary spending, in percent of GDP
Objective	
Strengthen Policy Evaluation and Institution Building	
Outcome(s)	Indicator(s)
Authorities have an understanding of opportunities to enhance the adequacy, efficiency, and sustainability of public expenditure	Authorities are able to evaluate impact of different expenditure policy options