

## I. COUNTRY REFORM PROGRESS

The Mongolian Tax Administration (MTA) has been the main capacity development (CD) beneficiary in Mongolia under the GPFP. The basics of core tax administration and revenue collection are being executed well and should continue to improve. For the MTA to develop further, it needs to increase its strategic planning, performance management and governance capabilities. To protect revenue, while the MTA receives CD assistance in leadership and governance skills, we will also retain a CD focus on large taxpayers.

An innovative approach comprising a HQ CD mission and remote delivery “coaching” CD directly from HQ was used to help MTA develop a review mechanism for evaluating their 2021-24 strategic plan achievements and create a new 2025-28 strategic plan. This hybrid approach was adopted to help MTA transition from a full time in-country resident long-term expert (LTX) to an increasingly self-reliant status. CD planned for the second half of FY25 will focus on improved risk assessment of large taxpayer groups and the execution of compliance actions on large taxpayer groups.

GPFP-funded work on with the Mongolian Customs General Administration (MCGA) has not yet commenced as work funded by Japan under the JSA program is still being completed in the first half of FY25.

## II. PROJECT DELIVERY HIGHLIGHTS

### RM II: Revenue Module II – Revenue Administration

**Key Progress in FY25:** The MTA have started a succession process following the departure of the Commissioner, Deputy Commissioner and Head of the Tax Administration and International Tax Department (the main liaison with the IMF’s Fiscal Affairs Department (FAD)) due to political career, ill health and promotion to head of another agency, respectively.

A new Commissioner has been appointed and the head of internal audit, an experienced officer, has taken over as the main FAD liaison. The transition has been smooth with the coaching CD supporting this. The MTA appears on track to meet the revenue expectations established by the Ministry of Finance (MoF) for the year. There is stability in the remainder of the senior leadership cohort.

The MTA is completing a review of their 2021-24 strategic plan and developing a 2025-28 strategic plan. The strategic planning process is expected to strengthen the governance capabilities of the MTA as well as setting baselines from which to assess future progress across all areas of tax administration. The strategic planning process will also set in motion the creation of subsidiary plans such as for compliance improvement, supported by the related risk assessment and compliance risk management (CRM) processes so that the MTA can secure adequate revenue while undertaking some internal reforms, such as in dispute resolution.

**Next Steps:** During the second half of FY25, MTA will focus on executing the new strategic plan with a sharper focus on securing the revenue from the large taxpayer segment. GPFP-funded work will commence with the MCGA.

### III. LOGICAL FRAMEWORK

| Country – Mongolia                                                                                                                                                                            |                |                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------------------------------------------------------------------------------------|
| RM II: Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM                                                                                |                | Rating - 0                                                                                      |
| Outcome                                                                                                                                                                                       | Rating         | Narrative                                                                                       |
| Authorities have a baseline understanding of the current state of the government's revenue administration, management, and governance arrangements and core revenue administration operations | 1 Not Achieved | Not yet due. First formal milestone will be the finalization of the 2025-2028 strategic plan.   |
| Corporate priorities are better managed through effective risk management                                                                                                                     | 1 Not Achieved | Not yet due. First formal milestone will be CIPs created for 2025 calendar year.                |
| Support functions enable more effective delivery of strategy and reforms                                                                                                                      | 1 Not Achieved | Not yet due. First formal milestone will be late 2025 following the staff survey for that year. |
| More independent, accessible, effective and timely dispute resolution mechanisms adopted.                                                                                                     | 1 Not Achieved | Not yet due.                                                                                    |
| RM II: Objective – Strengthened core tax administration functions (SDG 17.1) - TAD                                                                                                            |                | Rating - 0                                                                                      |
| Outcome                                                                                                                                                                                       | Rating         | Narrative                                                                                       |
| A larger proportion of taxpayers meet their filing obligations as required by law                                                                                                             | 1 Not Achieved | Not yet due. First formal milestones due by February 2025 for January 2025 VAT returns.         |
| A larger proportion of taxpayers meet their payment obligations as required by law                                                                                                            | 1 Not Achieved | Not yet due. First formal milestone due by February 2025 for January 2025 VAT returns           |
| Audit and other verification programs more effectively ensure accuracy of reporting                                                                                                           | 1 Not Achieved | Not yet due. First formal milestone will be CIPs created for 2025 calendar year.                |
| RM II: Objective – Improved customs administration functions (SDG 17.1) - CAD                                                                                                                 |                | Rating - 0                                                                                      |
| Outcome                                                                                                                                                                                       | Rating         | Narrative                                                                                       |
| Audit and anti-smuggling programs more effectively ensure enforcement of customs laws                                                                                                         | 1 Not Achieved | No GPFP-funded work has yet commenced with the Mongolian Customs General Administration (MCGA)  |
| Customs control during the clearance process more effectively ensures accuracy of declarations                                                                                                | 1 Not Achieved | No GPFP-funded work has yet commenced with the MCGA.                                            |
| Trade facilitation and service initiatives better support voluntary compliance                                                                                                                | 1 Not Achieved | No GPFP-funded work has yet commenced with the MCGA.                                            |

#### IV. RISK ASSESSMENT

| Description                                                                                                                                                                                                                          | Rating | Mitigation Measures                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>External Climate/Conditions</b>                                                                                                                                                                                                   |        |                                                                                                                                                                                                        |
| RM II: Civil unrest could affect the delivery of CD                                                                                                                                                                                  | 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. |
| <b>Management and Technical Staff Support and Commitment</b>                                                                                                                                                                         |        |                                                                                                                                                                                                        |
| RM II: Management commitment to implement recommendations could reduce with a change of Tax Commissioner from January 2024                                                                                                           | Low    | The scoping of the focus on the large market helps to ensure sustained commitment.                                                                                                                     |
| RM II: Management and staff may be reluctant or unable to implement reform without training and support in planning, project management, and change management.                                                                      | Medium | The proposed CD includes change management capability.                                                                                                                                                 |
| <b>Political Support</b> <small>discuss issue/risk</small>                                                                                                                                                                           |        |                                                                                                                                                                                                        |
| RM II: 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    | 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: A new Customs law will not be approved by parliament.                                                                                                                                                                         | Low    | 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                           |
| <b>Resource Adequacy</b>                                                                                                                                                                                                             |        |                                                                                                                                                                                                        |
| RM II: The small size of the institutions leads to enhanced risk of institutional memory loss from staff departures and under-developed staff training.                                                                              | Medium | One of the CD deliverables is to assist deliver contemporary and past CD content into an in-house online training and delivery platform.                                                               |
| <b>Other Risks</b>                                                                                                                                                                                                                   |        |                                                                                                                                                                                                        |
| RM II: Multiple donors are providing technical assistance on fiscal risk topics. Gaps or overlaps or contradictory recommendations may arise.                                                                                        | Low    | Take an active role via the Mongolian Technical Assistance Gathering (MTAG) operational coordination forum to engaging with other donors to ensure CD support is well coordinated.                     |

#### V. PROJECT MANAGERS CONTACT INFORMATION

| Project Managers      | Module PM             | E-mail                                             |
|-----------------------|-----------------------|----------------------------------------------------|
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