

I. COUNTRY REFORM PROGRESS

The high-level theme of capacity development (CD) under this program has been to more reliably secure revenue from the large taxpayer segment, including high wealth individuals, and address aggressive tax planning. The government unexpectedly commenced tax policy reform in December 2024, and the CD requests have changed to provide assistance in relation to the policy/legislative matters and preparation for implementation. In addition, the government has forced the need for structural changes to both the tax and customs administrations. Forward CD may be about change management as much as technical revenue capabilities, with additional potential engagement on spending topics.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY26: CD engagements were reshaped as a result of the unexpected decision of the government to initiate tax reform across value-added taxes (VAT), personal income tax (PIT), corporate income tax (CIT) and tax administration powers. Much CD shifted to HQ desk reviews of draft legislation and enhanced direct HQ virtual CD in relation to other government reforms, like reducing the size of the civil service by 9 percent and placing rules in place about organizational structures, meaning that the Mongolian Tax Administration (MTA) and Mongolian Customs General Administration (MCGA) have had to also undertake structural redesign. The direct “coaching” CD modality has proven to be effective in providing assistance, but this re-prioritization has diverted CD effort from the large market revenue mobilization focus originally intended. Coordination continues with colleagues from the IMF’s Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC), the Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), and Organisation for Economic Cooperation and Development (OECD), with Korea International Cooperation Agency (KOICA) and the World Bank now also invited on customs administration matters.

Previous Progress: The MTA has continued to make use of the previous coaching CD assistance for large taxpayers’ revenue mobilization, although the most recent CD has been on the legislative and related topics noted in key progress.

Next Steps: The MTA is still making good progress with detailed milestones and the MCGA have also adopted a detailed milestones approach. The political economy in Mongolia is more volatile, and both the MTA and MCGA may be focused on navigating the environment and may even request CD to do so.

SM I: Spending Module I – Spending Policy

Key Progress in FY26: Attempts to engage with the authorities on expenditure policy topics have been complicated. Currently, there are no past or ongoing activities in this area. During the 2025 Annual Meetings, the authorities indicated that they might be interested in receiving support on pensions and the wage bill. The World Bank has been heavily involved in pensions and close coordination will be necessary.

Previous Progress: N/A

Next Steps: Coordinate with the World Bank and reach out to contact persons at the authorities’ side.

III. LOGICAL FRAMEWORK

Country – Mongolia		
RM II: Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
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	4 Fully Achieved	First formal milestone will be the finalization of the 2025-2028 strategic plan.
Corporate priorities are better managed through effective risk management	4 Largely Achieved	Oct 2025: 2025-2028 Strategic Plan approved. 2025 Large Taxpayer CIP approved
Support functions enable more effective delivery of strategy and reforms	2 Partially Achieved	Not yet due. First formal milestone will be in late 2025 following the staff survey for that year.
More independent, accessible, effective and timely dispute resolution mechanisms adopted.	1 Not Achieved	Earliest milestone is March 2026.
RM II: Objective – Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their filing obligations as required by law	3 Largely Achieved	VAT return rates for large taxpayers are improved but are not yet consistently at 90 percent on time. Full year 2025 data for all return types will not be known until early 2026.
A larger proportion of taxpayers meet their payment obligations as required by law	3 Largely Achieved	VAT return rates for large taxpayers are improved but are not yet consistently at 90 percent on time. Full year 2025 data for all return types will not be known until early 2026.
Audit and other verification programs more effectively ensure accuracy of reporting	3 Largely Achieved	First formal milestone will be CIPs created for 2025 calendar year.
RM II: Objective – Strengthened core customs administration functions		Rating - 0
Outcome	Rating	Narrative
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	1 Not Achieved	Still establishing benchmarks.

Customs control during the clearance process more effectively ensures accuracy of declarations	1 Not Achieved	Still establishing benchmarks.
Trade facilitation and service initiatives better support voluntary compliance	1 Not Achieved	Still establishing benchmarks.
SM I: Objective – Strengthen Expenditure Policy Formulation and Design - EPD		Rating – 1
Outcome	Rating	Narrative
Public expenditure is fiscally sustainable and efficient	1 Not Achieved	No GPFP-funded work has been scheduled so far.
SM I: Objective – Strengthen Policy Evaluation and Institution Building - PEI		Rating - 1
Outcome	Rating	Narrative
Authorities have an understanding of opportunities to enhance the adequacy, efficiency, and sustainability of public expenditure	1 Not Achieved	No GPFP-funded work has been scheduled so far.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM II: Civil unrest could affect the delivery of CD	Low	Regular communication with the IMF's Asia and Pacific Department country team, particularly on the timing and the scope of the CD delivery. Mitigation measures will be closely coordinated with the country office and the authorities.
SM I: Risk that difficult external conditions (weak Chinese recovery, geoeconomic fragmentation) cause delay in implementing expenditure reforms	Medium	CD will take into account these external conditions in technical advice.
Political Support		
RM II: There has generally been political support for CD. The political economy can sometimes be volatile, causing the authorities to prioritize rapid changes in government decisions.	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. Tax policy reform announced in December 2024. Positive engagement between ministry of finance and IMF.
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
SM I: Risk of limited buy-in of some relevant part of government, even if there may be strong buy-in from main counterpart	Low	Reiterate the importance of including all relevant key government stakeholders in the project from the beginning.

Description	Rating	Mitigation Measures
Management and Technical Staff Support and Commitment		
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. Positive engagement with the new Commissioner in October 2024.
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. Continues to be a risk.
SM I: Risk that staff turnover in the ministry of finance may affect institutionalization of analytical capacity	Low	Encourage authorities to adequately archive and disseminate CD material (technical reports, workshop materials, etc.) within and beyond the ministry.
Resource Adequacy		
RM II: The small size of the institutions leads to enhanced risk of institutional memory loss from staff departures and underdeveloped staff training.	Medium	One of the CD deliverables is to assist in delivering contemporary and past CD content into an in-house online training and delivery platform. Ongoing risk.
SM I: Risk of challenges in increasing expenditures to achieve high performance on key social and economic outcomes	Medium	Spending adequacy in some areas will have a greater chance of being achieved if spending efficiency and reallocation measures are undertaken in line with CD under this project.
Other Risks		
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. MTAG operating adequately.

V. PROJECT MANAGERS: CONTACT INFORMATION

Project Manager	Module Project Manager	E-mail
Michael Hardy	Michael Hardy (Revenue Administration) Boele Bonthuis (Spending Policy)	MHardy@imf.org BBonthuis@imf.org