

I. COUNTRY REFORM PROGRESS

Revenue administration reform continued to advance, anchored by the Mongolia Tax Administration's (MTA) 2025–2028 Strategic Plan, which provides a clearer basis for sequencing improvements in taxpayer services, compliance risk management, digitalization, and integrity. Building on earlier IMF support, the authorities have also taken steps to sharpen compliance management—most notably through approved compliance improvement plans (including for large taxpayers)—while recognizing that performance against core filing and payment expectations remains uneven and will require sustained follow-through and better use of risk-based approaches to translate plans into results.

On the customs side, the authorities are using recent engagement and dialogue with FAD to clarify priorities for strengthening enforcement and governance, with particular emphasis on risk management and selectivity to better target noncompliance and smuggling risks, alongside continued work toward a modernized legal framework. IMF engagement has supported a more joined-up perspective across tax and customs and reinforced the importance of clear reform milestones, internal controls, and integrity measures to sustain progress. Coordination with other development partners remains active to help ensure that advice on modernization and reform sequencing is consistent and mutually reinforcing.

In expenditure policy, we engaged closely with the Ministry of Finance and the Ministry of Family, Labor, and Social Protection to assess key challenges in wage bill management and pensions. This work helped highlight persistent fiscal pressures from wages, as well as high pension spending and unfinished reforms that risk undermining benefit adequacy. Building on this initial engagement, the authorities have requested further support to strengthen technical capacity, including work on public pay structures, performance incentives, and lessons from international pension reforms. Future efforts will draw on GPFP resources and continue close coordination with the World Bank, particularly on pension reform.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY26: During the reporting period, FAD support helped the authorities maintain momentum on priority tax and customs reforms, with strong progress against agreed milestones and strengthened working relationships with the new MTA Commissioner. The authorities also benefited from timely, supplementary policy and administration advice to inform the government's emerging tax reform agenda. Coordination remained strong across FAD and with key partners (including LEG on AML, CCAMTAC, and ADB/JICA/KOICA/OECD), supporting a more coherent overall reform effort.

Previous Progress: FY25 and earlier engagement established the technical foundations and reform direction, which this period's work leveraged to advance implementation and respond quickly to new policy priorities. Some elements were deferred to sequence reforms appropriately and align timing with the authorities' readiness and capacity constraints.

Next Steps: Over the next six months, support will focus on TADAT assessment in tax administration to set the new strategic direction in revenue administration reform. Work will also continue in customs modernization. The activities will be held in close alignment with other development partners.

SM I: Spending Module I – Spending Policy

Key Progress in FY26: FAD engaged with the Ministry of Finance (MoF) and the Ministry of Family, Labor, and Social Protection (MFLSP) and delivered activities to provide a strategic assessment of wage bill management and pension issues. These activities were funded with internal IMF resources to maximize synergies and leverage GPFP resources for deeper engagements. The wage bill remains a source of fiscal pressures, with wage decisions being fragmented and weakly anchored in the budget or MTFF; pension spending is high for a young population and the implementation of past reforms remains incomplete and risk to deliver inadequate benefits.

Next Steps: Following the missions on wage bill and pensions, the authorities requested further support to develop technical capacities leveraging GPFP resources. The requests cover revising public pay scales, examining options to implement performance pay, and reviewing international experiences in the implementation of pension reforms. Coordination closely with the World Bank, particularly on pension reform, will continue.

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	The MTA 2025-2028 Strategic Plan was approved and posted in October 2025. The authorities can now proceed with systemic improvement of taxpayer service, risk management, digitalization of tax administration, and improving integrity.
Corporate priorities are better managed through effective risk management	2 Partially Achieved	Compliance Improvement Plans were approved in February 2025, including for large taxpayers. However they could be further improved and should be effectively operationalized.
Support functions enable more effective delivery of strategy and reforms	2 Partially Achieved	Progress is ongoing, as MTA continues to implement IMF advice to reform support functions.
More independent, accessible, effective and timely dispute resolution mechanisms adopted.	1 Not Achieved	Progress on discussions with MOF or MOJ is ongoing, regarding the possibility of a specialist tax tribunal or court to hear tax disputes arising from Large taxpayers.

RM II: Objective –Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	VAT return rates for large taxpayers are not yet consistently at 90 percent on time.
A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	VAT return payments rates (by number or by value) for large taxpayers are not yet consistently at 85 percent on time. Other values need to be confirmed.
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	The performance values need to be confirmed during further CD engagement.
RM II: Objective –Strengthened core customs administration functions – CAD		Rating - 1
Outcome	Rating	Narrative
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	2 Partially Achieved	Building on the joint customs tax field-based engagement, the authorities have clarified priorities for strengthening enforcement, with particular emphasis on improving risk management and selectivity to better target noncompliance and smuggling risks. The June 2025 staff visit highlighted the need to re-energize implementation through clear milestones and to reinforce integrity and internal controls as part of the broader reform agenda.
Customs control during the clearance process more effectively ensures accuracy of declarations	1 Not Achieved	No GPFP-funded work this year.
Trade facilitation and service initiatives better support voluntary compliance	1 Not Achieved	Same as above.
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	Building on wage bill and pension activities financed with internal IMF resources, the authorities are considering options to contain wage bill pressures and increase the long-term sustainability of pensions.
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	2 Partially Achieved	The activities on wage bill and pensions provided a set of options to contain wage bill pressures and increase the long-term sustainability of pensions. The authorities requested further support to revise pay scales, examine options to implement performance pay, and review international experiences in the implementation of pension reforms.
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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 APD 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. Positive engagement between ministry of finance and IMF.
RM II: A new Customs law will not be approved by parliament.	Low	Engage regularly with Ministers and senior management of customs to provide advice helping overcome the obstacles to adoption of the law.
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.
Management and Technical Staff Support and Commitment		
RM II: Management commitment to implement recommendations could reduce with a change of Tax Commissioner.	Low	The scoping of the focus on priority reforms helps to ensure sustained commitment. Keep positive engagement with the new Commissioner.
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	Include support on change management capability in MTA.
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.

Description	Rating	Mitigation Measures
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	Assist in delivering contemporary and past CD content into an in-house online training and delivery platform.
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
Enriko Aav	Enriko Aav (Revenue Administration) Boele Bonthuis (Spending Policy)	EAav@imf.org BBonthuis@imf.org