



Project Proposal for

Tanzania

January 2025

Component: Revenue

Module: RM I – Tax Policy



PROJECT SUMMARY**COUNTRY:** Tanzania**LEAD DEPARTMENT:** FAD**REGION:** AFR**PLANNED DATES:** FY25/26**FUNDING PROGRAM TITLE:** LTX to Support Strategic DRM Design & Implementation – GPFP RM I&II**PROJECT MANAGERS:** Thomas Benninger (Tax Policy, FADT2, Lead)**ESTIMATED BUDGET** \$ 120,184**PROJECT AMENDMENTS:****PURPOSE****SC APPROVAL****AMENDMENT 1**

Budget-neutral addition of tax policy module to existing Tanzania project

January 2025

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I. PROJECT PURPOSE

The purpose of this project is to enable the IMF's Fiscal Affairs Department (FAD) to provide the authorities of Tanzania with long-term expert (LTX) support in tax policy. The amendment will add a budget-neutral tax policy component to the existing Tanzania project, *LTX to Support Strategic Domestic Resource Mobilization Design and Implementation*.

The LTX is based at the East Africa Technical Assistance Center (AFE) in Tanzania. In initial discussions, the authorities have expressed interest in receiving tax policy support, particularly on revenue forecasting, development and use of microsimulation models and improving the methodology for evaluating tax expenditure. All capacity development (CD) activities are expected to be delivered by the LTX alone and all costs will be borne by the project.

II. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to Tanzania in the area of tax 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 I / Tax Policy	Strengthen Policy Monitoring, Evaluation, and Institutions – TPM

A. RM I – Tax Policy

Scope

FAD will conduct one LTX mission in FY2025 and two LTX mission per year in FY2026-27 focusing on building tax policy capacity, revenue forecasting, building microsimulation models and tax expenditure reporting.

Program Objectives

FAD support should help improve tax expenditure costing, evaluation, and reform; make the revenue forecasting more accurate; and improve the authorities' capacity to evaluate the impact of tax policy changes using microsimulation models.

Expected Results (outcomes)

Expected outcomes of FAD CD are: (i) More evidence-based approach to evaluation of policy changes thanks to availability of microsimulation models; and (ii) Strengthened approach to revenue forecasting, and (iii) Tax expenditure reporting supported by robust methodology.

III. ORGANIZATIONAL ARRANGEMENTS**A. Country Engagement**

The tax policy unit is set up in the Policy Analysis Division (PAD) of the Ministry of Finance located in Dodoma. The PAD will be the main counterpart for the tax policy engagement. The Research and Policy Division in the Tanzania Revenue Authority, situated in Dar es Salaam, can also benefit from some of the capacity building activities.

The PAD also leads the development of the tax policy content of the medium-term revenue strategy (MTRS) that is under development.

B. Delivery Modalities

A regional LTX (tax policy) will visit Dodoma once in FY2025 and twice annually, both in FY2026 and in FY2027. The LTX may also participate in HQ missions where this aligns with the work program.

IV. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM I - Tax Policy	Tax policy reforms might result in social discontent, reducing the authorities' appetite for tax policy reform.	Low	CD engagement anchored in ongoing lending program with the IMF
POLITICAL SUPPORT			
RM I - Tax Policy	Elections in 2026 might result in a deterioration of the openness by the authorities to receive external support.	Medium	Cannot be mitigated
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM I - Tax Policy	Authorities unwilling to share data and models	Medium	Building a relationship with the relationship takes time. Assistance provided from regionally anchored advisor should help.
RESOURCE ADEQUACY			
RM I - Tax Policy	Project only includes support directly from the LTX. Authorities might request assistance on more topics than what the LTX is able to deliver.	High	Budget increase can be requested later on.
OTHER RISKS			
RM I - Tax Policy	NA	NA	NA

V. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY25	FY26	FY27	FY28	FY29	Grand Total
RM II – Revenue Administration						
LTX visits	1	2	2	-	-	4

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM II - Revenue Administration		
Q4/FY25	Field-Based work – FB	Tax policy: Assessment of tax policy capacity, workshop on tax policy principles and tax expenditure evaluation
Q2/FY26	Field-Based work - FB	Tax policy: Review of revenue forecasting methodology
Q4/FY26	Field-Based work - FB	Tax policy: Review of methodology to evaluate tax expenditure
Q2/FY27	Field-Based work - FB	Tax policy: Develop and roll out 1 microsimulation model
Q4/FY27	Field-Based work - FB	Tax policy: Develop and roll out 1 microsimulation model

VI. PROGRAM FINANCIALS

Module	FY 25	FY26	FY27	TOTAL (USD)
Direct Delivery				
RM I - Tax Policy	\$25,533	\$42,523	\$44,266	\$112,322
Trust Fund Management Fee (7%)	\$1,787	\$2,977	\$3,099	\$7,863
TOTAL	\$27,320	\$45,500	\$47,365	\$120,184

This is a budget-neutral amendment that adds a tax policy component to the existing project for Tanzania (LTX to Support Strategic Domestic Resource Mobilization Design and Implementation).

VII. TARGETED LOGICAL FRAMEWORK

A. RM I – Tax Policy

Objective	
Strengthen Policy Monitoring, Evaluation, and Institutions – TPM	
Outcome(s)	Indicator(s)
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	Improved models to evaluate tax policy adopted.