

I. COUNTRY REFORM PROGRESS

Since its inception, significant progress has been made to achieve the project's triple objectives:

- **Advancing analytical capabilities in sophisticated and customized tax gap estimation methodologies, while fostering knowledge exchange among member countries.** (i) Supported by Global Public Finance Partnership (GPFP) funding, the flagship VAT Top-Down Gap Estimation Model (VGEM) has transitioned from an Excel-based model to a Python-based platform. This enhancement strengthens VGEM's robustness and efficiency when handling large datasets and expands its accessibility by introducing a new module within the RA-GAP VGAPx online course. (ii) Beyond the conventional top-down gap estimation approach, significant improvements have been made to the bottom-up methodology. The econometric Heckman two-step bottom-up approach, tested in Armenia, Sweden, Poland, and Moldova, is currently being documented in a technical note under further refinement. Additionally, a machine learning-based bottom-up technique has been developed and evaluated in Moldova, with plans for publication in a technical note and future availability of the machine learning toolkit for download. The pilots in more advanced economies enable the development of techniques for dissemination to emerging market economies (EMEs) and low-income developing countries (LIDCs).
- **Promoting robust interaction with the different stakeholders participating in tax gap estimation.** With support from GPFP funding, the RA-GAP team collaborated with the Addis Ababa Tax Initiative (ATI) to coordinate efforts between Kenya, Namibia, Rwanda, and Uganda for a joint project assessing VAT compliance gaps through a collaborative approach. This initiative is expected to result in the publication of a technical note on revenue mobilization in ATI member countries. In addition, the RA-GAP team participated in a panel discussion during the UNDP Dialogue on Public Finance & SDGs.
- **Supporting IMF member countries in implementing established methods for tax gap estimation.** Under country-specific GPFP projects, the RA-GAP team delivered direct CD support to Nigeria, Botswana, Kenya, Dominican Republic, Moldova, and other individual countries. Besides, a multi-country activity involving Zimbabwe, Namibia, and Uganda will begin in December 2026 under an innovative UN-to-UN agreement between the IMF and UNU-WIDER. This modality will reduce CD costs and aid through a country-centric approach, enhancing collaboration among development partners. In Kenya, the Assisted-Self Assessment VGEM approach was pioneered whereby capacity building is prioritized with the country authorities carrying out major parts of the estimation with guidance from IMF RA-GAP experts.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module IV – Fiscal and Macroeconomic Tools, Research, and Analytical Work | Analytical

Key Progress in FY26: (i) The draft of the Heckman bottom-up tax gap technical note has undergone review and is pending further refinement. (ii) The machine learning bottom-up tax gap technical note has also been reviewed and is currently being refined. (iii) The transition to the Python RA-GAP model is nearing completion.

Previous Progress: The project includes three analytical activities. (i) The development of the Heckman bottom-up tax gap estimation has been piloted in several countries, leading to the creation of a technical note that is currently awaiting results from two countries before being refined based on peer review

feedback. (ii) Machine-learning technical note and toolkit for tax gap estimation have been developed and tested in selected countries and are now under refinement. (iii) The RA-GAP Model Python transition is underway, with most of the coding already completed.

Next Steps: (i) Heckman bottom-up tax gap report finalization awaits final results from two country pilots. (ii) machine-learning technical note will be refined based on reviewers' feedback. (iii) Python RA-GAP model will be tested in country cases, and the online course will be updated.

Revenue Module IV – Fiscal and Macroeconomic Tools, Research, and Analytical Work | Country

Key Progress in FY26: (i) ATI-IMF project has significantly contributed to the key strategic priority KP1, offering a well-coordinated, country-centered capacity development response in a timely fashion. The results of this jointed project have been presented through a technical note at the ATI General Assembly in July 2025. (ii) RA-GAP team members presented online on shadow economy during an ATI event in September 2025.

Previous Progress: (i) The project supported CD and knowledge sharing by using the IMF's RA-GAP tool to assess VAT compliance in Kenya, Namibia, Rwanda, and Uganda. (ii) The RA-GAP team participated in the UNDP Dialogue on Public Finance & SDGs, strengthening stakeholder relations especially with UNU-WIDER to provide targeted tax gap estimation support for IMF country members.

Next Steps: (i) New joint technical assistance was initiated with UNU-WIDER for delivering tax gap assessments. (ii) Publication of the ATI tax gap report is planned.

III. LOGICAL FRAMEWORK

Project – Revenue Administration Gap Analysis Program		
Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Corporate priorities are better managed through effective risk management	3 Largely Achieved	Through multi-country events, authorities can more effectively integrate tax gap analysis with compliance risk management.
Audit and other verification programs more effectively ensure accuracy of reporting	3 Largely Achieved	Through multi-country activities, authorities can more accurately estimate the tax gap and understand revenue leakage by effectively utilizing audit and other administrative data. For the ATI tax gap exercise, Kenya, Uganda, Rwanda, Ecuador, Namibia and Madagascar have updated or initiated VAT gap estimations using the RA-GAP methodology. These estimates are nearing completion.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
External events create a more challenging environment to assess tax gaps or implement tax reform.	Medium	Maintain ongoing engagement with member countries on tax gap estimation and expand outreach to include new countries.
Political Support		
Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhance tax gap analysis or to fiscal reforms.	Low	Liaise with the IMF area departments, to ensure fiscal advice and CD is supported by the analysis of tax gaps and engage regularly with minister of finance and senior management and other key stakeholders to ensure government ownership.
Management and Technical Staff Support and Commitment		
Low commitment of management and staff in the tax administration of other agencies such as statistics agencies to assess tax gaps and implement fiscal reforms.	Low	Integrate tax gap analysis as a component of broader CD projects and leverage project managers' relationships with senior management. Emphasize the importance of tax gap analysis, including the "what" and "how" to issues in tax gap analysis and the linkages to reform strategies.
Resource Adequacy		
Insufficient technical capacity and human resources necessary to assess tax gaps.	Low	Ensure CD plans are well targeted based on capacity and include sufficient capacity building and training elements, including via the online VGAPx course.
Other Risks		
Multiple donors are providing CD on tax gap analysis or overlaps that may arise as a result.	Low	Take a more active role in enhancing cooperation and coordination with other partners, leveraging the planned interactions with different stakeholders participating in tax gap estimation.

V. PROJECT MANAGERS: CONTACT INFORMATION

Project Manager	Module Project Manager	E-mail
Shan Zhong	(All Revenue Administration) Shan Zhong Patricio Barra Aeloíza Supriyo De Soren Pedersen Lucienne Julian	szhong@imf.org pbarraaeloiza@imf.org sde2@imf.org spedersen2@imf.org ljulian@imf.org