

I. COUNTRY REFORM PROGRESS

The IMF has maintained a long-standing engagement with Armenia, providing extensive capacity development (CD) over the years. Significant CD has been necessary to support both past and ongoing program objectives in areas such as public financial management, tax policy and administration, tax gap measurement, monetary and Forex operations, financial programming and policies, and statistics. This assistance has yielded positive results, contributing to stronger ownership, policy changes, and improved outcomes. Additionally, coordination with other donors has facilitated the implementation of structural reforms in health, education, governance, and other social policies.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: The Government of Armenia has requested CD in two areas: (i) assessment of the tax buoyancy of the tax system to provide insights regarding growing sectors of the economy and their shares of tax revenues; and (ii) evaluation of vehicle taxation in the country and advice on alternative tax designs. Additionally, the second activity aims to revise the existing environmental taxes applied to vehicles, as well as reassess the level of fuel excise taxes.

Next Steps: During the Annual Meetings in 2024, the government requested new CD for an introduction of the capital gains taxation; specifically, to explore modalities for implementation and draft the legal formulation of the capital gains tax. This request pertains to a new activity that was not included in the original GPFP proposal, but it was added to the FY25 workplan to maintain agility in meeting CD demand requests.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: The Chairman of the Armenian State Revenue Committee (SRC) has requested an estimation of the gaps in personal income tax (PIT) and Social Security Contributions (SSC). This request was confirmed at the 2024 Spring Meetings. Understanding these gaps will provide crucial insights for the SRC as they work on implementing a PIT declaration, as well as inform their compliance risk management. To achieve this, the SRC will continue to collect withholding tax and data from employers, relying heavily on high-quality data.

The IMF's Fiscal Affairs Department (FAD) conducted a comprehensive scoping mission in September to gain a detailed understanding of the operating context for PIT and SSC. This mission was the first step in ensuring that the gaps in PIT and SSC can be accurately measured. A key part of this mission involved analyzing the available data to measure these gaps.

Next Steps: The next step is to measure the PIT/SSC gaps. The SRC has provided the necessary data, and the findings on the CIT/SSC gaps are expected to be presented to the SRC on December 30, 2024.

III. LOGICAL FRAMEWORK

Country – Armenia		
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 0
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	2 Partially Achieved	The government expressed interest in participating in the buoyancy analysis of the tax system and produce a joined product. The work is currently in progress. The team is working with the government on the analysis. The CD on vehicle taxation was delivered to the government.
RM II: Objective - Strengthened revenue administration management and governance arrangements		Rating - 2
Outcome	Rating	Narrative
Corporate priorities are better managed through effective risk management	2 Partially Achieved	SRC has made very good progress on implementing an international good practice standard compliance risk management (CRM) framework to better manage through effective risk management. However, there is still more to do to have a fully operational international good practice CRM framework.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Conditions/Climate		
RM I: The risk is that external events create a more challenging environment to implement reforms.	Medium	Program execution allows for sufficient flexibility ability to adjust activities in the case of adverse events.
RM II: CD delivery abrupted due to health crisis	High	Plan for virtual delivery
Management and Technical Staff Support and Commitment		
RM I: Low commitment of management and staff in finance and other ministries to adopt and implement fiscal risk management practices.	Low	All past CD projects have evidenced the availability and engagement of qualified staff.
RM II: SRC management and staff take a passive position during CD assignments	Medium	Enhanced communication, aligning CD with SRC priorities
Political Support		
RM I: Lack of political support for reforms.	Low	The IMF's Stand by Arrangement is a strong sign of political support.

Description	Rating	Mitigation Measures
RM II: Political leadership does not motivate the SRC progressing with reforms	Medium	Involve the country team of the IMF's Middle East and Central Asian Department
Resource Adequacy		
RM I: The project is constrained by ministry of finance/SRC staff capability and capacity.	Low	Advice will include a realistic implementation timetable. This would ensure the CD complements the authorities' ongoing work. Staffing options will be explored early in the project.
RM II: Resources available do not allow to address some requested development areas	High	Focus on items with highest impact, plan increase in resource for the next period
Other Risks		
RM I: Emerging risks as the project evolves.	Medium	Continuous monitoring of emerging risks and mitigations developed.
RM II: N/A	N/A	N/A

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I. COUNTRY REFORM PROGRESS

In revenue administration area, the CD program has not yet reached its steady pace, despite numerous advancements in important reform targets. To guarantee more ownership of reforms, discussions are being held to codify authorities' involvement and commitment through previous legal pledges, such as assigning a counterpart to missions and creating a draft reform roadmap and logical framework. To assist authorities with the drafting of the papers, online pre-request discussions and scoping missions are planned. In the PFM area, the project is starting with a November 2024 expert mission, with ownership and expectations strong against the RSF timetable for the design and implementation of climate-sensitive maintenance methodologies.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy
Key Progress in FY25: No activities have taken place yet.
Next Steps: Planned MTRS Review has been postponed to FY26.
RM II: Revenue Module II – Revenue Administration
Key Progress in FY25: The authorities continue to invest in restructuring the tax administration. Notable progress is recorded including enlarging the taxpayer register, increasing on-time filing and payment ratio and extending digital tax ledgers to improve risk management strategies. These improvements are fueled by the implementation of an MTRS, the implementation of which is underway. Benin's customs service has embarked on a major reform initiative. Significant progress has been made, particularly in the computerization of the procedures for granting authorizations for special regimes, as well as the procedures for handling and clearing goods through customs. Despite this progress, continued support will be needed in the monitoring of commitments related to suspensive and exemption regimes, as well as in the management and collection of customs debts. Support is also planned to improve the management and quality of customs data.
Next Steps: Some core prerequisites that call for deepening the programmatic country-centered approach (PCCA) are still missing. Conditions like assigning a counterpart to missions, making a draft reform roadmap, and setting up a logical framework are being discussed. To help the authorities with this, a staff visit is scheduled for December 2024. The staff visit is expected to provide valuable insights and recommendations for moving forward.
SM II: Spending Module II – Managing Public Finances
Key Progress in FY25: No activities have taken place yet, with a first STX mission to take place in November 2024.
Next Steps: The November 2024 expert mission will assist in designing the methodologies for climate-sensitive maintenance of public investment, which should be ready for use in the 2026 budget preparation process.

III. LOGICAL FRAMEWORK

Country – Benin		
RM I: Objective - Improved Tax Policy Design - TPD		Rating - 0
Outcome	Rating	Narrative
Increased/decreased revenue quantity	1 Not Achieved	N/A
Improved distributional fairness across taxpayers due to amended tax rates or base.	1 Not Achieved	No activities have yet taken place and planned MTRS review has been postponed to FY 26.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	1 Not Achieved	N/A
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened	2 Partially Achieved	Preliminary reports suggest that the integrity of the taxpayer base is improving
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	The on-time filing ratio is improving
A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	Preliminary information suggest some advancements.
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	Audit and verification programs have improved in terms of organization and results
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 1
Outcome	Rating	Narrative
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	1 Not Achieved	Activities under this project have not yet started. Staff visit in December 2025 will discuss progress on the project.
Customs control during the clearance process more effectively ensures accuracy of declarations	1 Not Achieved	Information not available. Activities under this project have not yet started. Staff visit in December 2025 will discuss progress on the project.
SM II: Objective – Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 1
Outcome	Rating	Narrative
Strengthened accounting and audit processes	1 Not Achieved	N/A
SM II: Objective – Improve Fiscal Transparency and Reporting - FTR		Rating - 0
Outcome	Rating	Narrative
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender and SDGs	1 Not Achieved	The work on climate-sensitive maintenance methodologies has started but deliverables have not been achieved.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I, RM II, SM II: Resurgence of pandemic hinders CD delivery and changes CD priorities	Medium	Build on progress achieved with remote delivery of CD.
Political Support		
RM I: Reform proposals to reduce tax expenditures may trigger opposition from beneficiaries.	Low	Consultation with relevant internal and external stakeholders to help ensure reflect broad consensus across government.
RM II, SM II: Political instability may slow down and even stop implementation of reforms	Low	Focus on strategic advice and hands-on capacity building to have a more permanent impact. Close consultation with the AFR Department team and the authorities.
Resource Adequacy		
RM II: Resources are misused, nor properly accounted for, do not achieve value for money.	Low	Project resources will be employed in accordance with IMF policies and procedures, including in particular its Travel Policy.
SM II: Capacity on climate-related PFM issues within the MoF and line ministries is too limited to successfully introduce climate-smart PFM.	Low	FAD and AFRITAC West as well as other partners are supporting capacity-building also beyond the scope of this project.
Management and Technical Staff Support and Commitment		
RM I: Close coordination across senior level staff in relevant counterpart agencies (MoF, Economy, tax administration, investment promotion) is critical for delivery.	Low	Using the MTRS process to organize consultations across government agencies to ensure close coordination.
RM II: Continuous rotation of managers and staff undermine the absorptive capacity and provoke permanent discontinuity.	Low	Encourage authorities to implement administrative reforms and closely monitor projects.
SM II: Staff within MoF and line ministries prioritize other tasks linked to ongoing budget work.	Low	Leverage the link with RSF commitments to ensure momentum for the work on climate-related PFM.
Other Risks		
RM II: The reform momentum is highly based on the availability of a modern IT system that can support reform management and implementation	Low	Maintain close coordination and collaboration with other technical assistance providers, especially the World Bank to deliver forcefully a modern IT system.

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I. COUNTRY REFORM PROGRESS

Cabo Verde has maintained macro stability and remains committed to the objectives of the IMF's Extended Credit Facility (ECF) program. Economic activity and policy measures supported increased tax revenues through August 2024 (13 percent y-o-y). Primary expenditure grew by 12.4 percent y-o-y. Slower growth in the wage bill and a fall in other current expenditures also helped contain the overall primary expenditure growth rate. As a result, the primary balance over January-August 2024 registered a surplus of CVE 3,292 million.

The GPFP revenue administration part takes the place of a successful Revenue Mobilization Thematic Fund (RMTF) project aiming to generate significant fiscal impact, especially by supporting the digitalization of an administrative process, strengthening the compliance risk management (CRM) strategy, and guiding VAT reforms (exemptions review, enhanced enforcement on non-compliant taxpayers, and expanding the tax base). In this regard, a joint activity undertaken by the IMF's Fiscal Affairs (FAD) and Legal (LEG) Departments helped draft a modernized value added tax (VAT) bill delivered to the authorities in October 2024. A recent VAT Gap Analysis helped identify areas with higher tax gaps. Previous capacity development (CD) also identified the lack of autonomy as the main weakness in the tax administration, and it was agreed with the authorities that the GPFP project would provide guidance on the transformation of the National Directorate of State Revenue (DNRE) into a Semi-Autonomous Revenue Authority (SARA).

On the spending side, significant progress has been made in strengthening the macroeconomic fiscal framework within public financial management (PFM). The fiscal risk statement now includes a comprehensive assessment and quantification of fiscal risks posed by natural disasters. Following the approval of the revised public private partnership (PPP) law and the manual that incorporates climate change considerations throughout the entire PPP cycle, efforts will focus on developing a green and resilient project appraisal methodology and capital investment plan to enhance climate-resilient public investment management. The GPFP project will also support undergoing significant reforms in electricity and water sectors to improve the sectors' financial health and to attract private investment. The two scheduled missions on the tariff-setting mechanism will be instrumental in supporting the government in achieving these goals by reducing subsidies and strengthening sector governance.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: An HQ mission reviewed the progress made in the tax administration in the last years, identified areas where CD support will be instrumental and areas where the tax administration can advance without donors' support. FAD and LEG provided a joint CD to update the VAT law, focusing on reducing tax expenditures and modernizing and simplifying the VAT tax administration, based on recommendations from a 2022 FAD Tax Policy mission.

Next Steps: CD will support the CRM strengthening and the digitalization of tax arrears enforcement procedures, focusing on revenue mobilization. GPFP will also support the SARA implementation, which will strengthen and dynamize the tax administration.

SM I: Spending Module I – Spending Policy

Key Progress in FY25: Cabo Verde has embarked on an ambitious reform path in both the electricity and water sectors to attract private investment and address financial sustainability issues. These reforms aim at significant changes in market organization and regulatory regime. Despite support from development partners (World Bank and Lux Dev), capacity challenges to the implementation of reforms remain.

Next Steps: The project will deliver one CD mission per sector to assess the gap between tariffs and costs of service provision and to provide reform options to eliminate it, while protecting vulnerable households. The recommendations are expected to help authorities prioritize actions to increase capacity in the sectors and to contribute to higher predictability and cost-reflectiveness of tariffs thus making the sectors more attractive to private investment.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY25: In 2025, the authorities applied a tool/model to assess and quantify fiscal risks posed by natural disasters. The results have been published in the Fiscal Risk Statement. Cabo Verde was the first country to pilot this model, enabling the authorities to successfully achieve one of the Reform Measures (RMs) of the Resilient Sustainability Facility (RSF) program.

Next Steps: The authorities are committed to continuing the application of the model and incorporating additional climate-related risks into next year's Fiscal Risk Statement. This initiative will enhance the comprehensive assessment of fiscal risks associated with climate change. During FY25, support will be provided to integrate climate considerations into project appraisal and to define a climate-resilient and green capital investment plan.

III. LOGICAL FRAMEWORK

Country – Cabo Verde		
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 1
Outcome(s)	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	No related CD support was provided on this by November 2024.
Corporate priorities are better managed through effective risk management	2 Partially Achieved	DNRE implemented a CRM policy, which is maturing in its first year of use by the institution.
Organizational arrangements enable more effective delivery of strategy and reforms	1 Not Achieved	DNRE is still drafting the bill, which should be completed in 2025 (November 2024).
Support functions enable more effective delivery of strategy and reforms	1 Not Achieved	This outcome is part of the SARA implementation framework (expected by December 2025).
Digital technologies are better aligned with strategic objectives	1 Not Achieved	The CD to support the achievement of this outcome will be delivered in December 2024 (November 2024).

RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	A review of core functions was delivered in FY25, but the recommended measures need to be implemented (November 2024).
A larger proportion of taxpayers meet their filing obligations as required by law	1 Not Achieved	A review of core functions was delivered in FY25, but this outcome requires a set of measures to be implemented through to 2027 (November 2024).
Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	This activity will start next fiscal year (November 2024).
Taxpayer services initiatives to support voluntary compliance are strengthened	1 Not Achieved	The DNRE still has limited IT developers in place to modernize the IT system as needed (November 2024).
SM I: Objective - Strengthen Expenditure Policy Formulation and Design		Rating - 1
Outcome(s)	Rating	Narrative
Reduce subsidies while mitigating impact on vulnerable households	1 Not Achieved	Mission did not take place.
SM II: Objective - Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 2
Outcome(s)	Rating	Narrative
Strengthened fiscal policies, frameworks, institutions, and laws	4 Fully Achieved	The PPP Law and associated manual has been approved. The law and manual include climate considerations.
Strengthened capacity to plan, implement and sustain infrastructure governance	1 Not Achieved	The investment plan including green and climate resilient projects has not been developed yet.
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender, and SDGs	1 Not Achieved	The investment plan including green and climate resilient capital projects has not been developed.
SM II: Objective - Improve Fiscal Transparency and Reporting - FTR		Rating - 1
Outcome(s)	Rating	Narrative
Comprehensive, timely, and high quality fiscal reports	1 Not Achieved	The technical assistance of fiscal reporting has not been done yet.
SM II: Objective - Strengthened Budget Management - PBM		Rating - 2
Outcome(s)	Rating	Narrative
Strengthened medium-term frameworks	1 Not Achieved	TA to enhance capacities and models to forecast key macroeconomics variables and strengthen their links with the debt sustainability analysis and medium-term fiscal framework has not been provided yet.
Strengthened asset and liability management processes	1 Not Achieved	The work with the IMF's Cash Flow Forecasting and Analysis Tool (CFAT) has not started yet.

Strengthened identification, monitoring, and management of fiscal risks	4 Fully Achieved	The fiscal risk statement includes an assessment and quantification of the fiscal risks associated to natural disasters.
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IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM II - External shocks (social, political, economic, etc.) impact government revenue and expenditures.	High	Work with the IMF country teams and other IMF departments to analyze emerging fiscal risks and propose potential fiscal policies to minimize fiscal risks.
RM II - Government revenue measures adversely impact the tax ratio.	Medium	Work with country team and authorities to monitor revenue measures and their impact on the tax ratio and propose reforms to boost the tax ratio.
SM II - External shocks (social, political, economic, etc.) impact government revenue and expenditures	High	Work with the IMF country teams and other IMF departments to analyze emerging fiscal risks and propose potential fiscal policies to minimize fiscal risks.
Political Support		
RM II - Lack of political support to ensure the autonomy needed to mobilize revenue collection.	Low	Focus on strategic advice to enhance government's awareness about the need for autonomy at DNRE. Keep close coordination with the IMF's African Department to facilitate this view.
SM I - The issue of subsidies removal is usually politically sensitive and could trigger some resistance.	High	Highlight the pressing needs in terms of infrastructure and social spending. Reiterate the case that subsidies are an inefficient type of spending.
Resource Adequacy		
RM II - Limited resources to implement reforms.	Medium	Improve governmental awareness of the need to ensure resources to achieve the expected results. Technical capacity is not an issue at DNRE, and the staff is very professional and committed. Even though, especially in IT, there are limited resources impacting results.
Management and Technical Staff Support and Commitment		
RM II - Two different career paths can undermine synergies and challenge some reforms	High	Encourage authorities to implement the unification of the two career paths and closely monitor projects.
SM I - Reform commitment of senior officials is high but weak technical skills among the staff could create obstacles to the implementation of the recommendations	High	Evaluate capacities during CD delivery and propose follow up engagement to train and strengthen it, if needed.

Description	Rating	Mitigation Measures
Other Risks		
RM I, SM I - Slow implementation of reforms	Medium	Aligning reforms timeline with conditions in the field - low capacity and lack of resources. Close monitoring and readiness to adopt necessary changes.
SM II - Other pressures on the ministry of finance can impact capacity for PFM reform	Medium	N/A

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I. COUNTRY REFORM PROGRESS

Cameroon's economy continues to recover gradually. Real GDP growth slowed from 3.7 percent in 2022 to 3.2 percent in 2023 due to domestic and external headwinds, including supply chain disruptions, rising production costs, electricity shortages, and floods. In September 2024, the twelve-month average CPI inflation decelerated to 4.9 percent from 7.8 percent the previous year due to lower food inflation and monetary policy tightening despite the fuel price increase in February 2024. Non-oil revenue increased by about 5 percent year-on-year in June 2024, driven by a solid performance in corporate and indirect taxes despite some stagnation in customs revenue due to a general decline in imports, including fuel.

Non-oil revenue mobilization has increased, however at a slower pace than initial program projections.

Non-oil revenues are projected to reach 13.2 percent of GDP in 2024 against the 14.3 percent of GDP projected at the time of the program request in 2021. Lack of progress on key tax policy reforms, including on the revisions to the 2013 law on investment incentives and on the rationalization of VAT exemptions, have contributed to the weaker performance. The modest improvement in the non-oil revenue mobilization is driven mainly by advances in tax administration, intensified efforts in tax and customs arrears recovery, an increase in stamp duties, and one-off factors. The authorities continue to strengthen the tax and customs administration, including through advancing digitalization, recovering tax arrears, improving compliance, and strengthening integrity at customs.

With GPFP project support, the Cameroon authorities have built technical capacity related to the development of disaster risk financing and national climate action plan through an HQ-based mission completed in September 2024 under Spending Module I. No action was implemented to strengthen revenue administration and public financial management this semester. A first mission will be held in December to recommend improvements to the budget execution processes and the Tax Administration Diagnostics Assessment Tool (TADAT) evaluation will take place in April 2025.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: The authorities postponed the dates of the TADAT assessment to April 2025. Reforms in other areas will only be launched after the TADAT assessment.

Next Steps: TADAT assessment in end-March to April 2025.

SM I: Spending Module I – Spending Policy

Key Progress in FY25: An HQ-based mission took place on September 2-13, 2024. The authorities have built capacity for the planned policy reforms (Reform Measure 2 and 7 of the IMF's Resilience and Sustainability Facility (RSF) program) via disaster risk financing diagnostics and technical guidance on national climate plan (NCP). This capacity development (CD) activity addresses the cross-cutting issues of climate change, coordinating closely with the IMF's Fiscal Affairs Department (FAD) and Monetary and Capital Markets Department (MCM) internally and with development partners including the World Bank, World Food Program and UN Office for Disaster Risk Reduction.

Next Steps: The project will continue to provide virtual technical support needed for the authorities to successfully complete the development and adoption of disaster risk financing strategy and NCP, due April 2025.
SM II: Spending Module II – Managing Public Finances
Key Progress in FY25: This project has not initiated its activities.
Next Steps: The first action to take place will be a mission on budget execution.

III. LOGICAL FRAMEWORK

Country – Cameroon		
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 1
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	The TADAT assessment date was postponed to April 2025
Corporate priorities are better managed through effective risk management	1 Not Achieved	Reforms in this area will only be launched after the TADAT assessment in April 2025
Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols	1 Not Achieved	Reforms in this area will only be launched after the TADAT assessment in April 2025
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	Reforms in this area will only be launched after the TADAT assessment in April 2025
Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	Reforms in this area will only be launched after the TADAT assessment in April 2025
SM I: Objective - Improved fiscal policies and institutional frameworks to combat climate change and its impacts (SDG 13) - CLM		Rating - 3
Outcome	Rating	Narrative
Enhanced use of fiscal policy for building resilience to climate and disaster risks.	3 Largely Achieved	FAD supported the underlying diagnostics needed to develop a Disaster Risk Financing Strategy (DRFS) and technical guidance on an NCP. The authorities are to translate the technical inputs into a draft DRFS and NCP and complete their adoption, by April 2025.
SM II: Objective – Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 1

Outcome	Rating	Narrative
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender, and SDGs	1 Not Achieved	No action has been taken on this topic so far.
SM II: Objective – Strengthened Budget Management - PBM		Rating - 1
Outcome	Rating	Narrative
Strengthened identification, monitoring, and management of fiscal risks	1 Not Achieved	No action has been taken on this topic so far.
Strengthened annual budget process, and effective allocation	1 Not Achieved	No action has been taken on this topic so far.
Strengthened budget execution and control processes	1 Not Achieved	No action has been taken on this topic so far.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
SM I: Lack of support from development partners and/or private sector stakeholders in advancing climate policies or reforms	Medium	Coordinate with key development partners and donors present in the country.
Political Support		
RM II: Political is critical to help the tax administration implement the main recommendations of the last Governance Diagnostic Assessment mission (May 2023)	Medium	Remind the authorities to implement the main recommendations with the support of the Country Team
SM I: Lack of support for mission recommendations at the political level	High	Provide inputs to the authorities so they can socialize the reforms with the general public
SM I: Shifting government policy priorities in CD implementation.	Low	FY2025 CD activities have strengthened the authorities' understanding regarding the importance of reform measures on disaster risk financing and national climate plan. Hence this risk is considered low compared to the medium as identified at the time of proposal preparation. Virtual dialogues will continue to ensure that the authorities have technical support needed to successfully achieve Reform Measures 2 and 7 of the RSF program.
SM II: Lack of political support for reforms, Inhibits, requires actions or reforms that are needed for public financial management reform	Medium	Ensure fiscal risk CD is focused on priority areas and engage regularly with ministers and senior management to ensure government ownership of reforms.

Description	Rating	Mitigation Measures
Resource Adequacy		
RM II: Resources are available and secured	Low	N/A
SM I: Lack of means to implement reforms	Medium	Ensure an adequate estimation of resources required for the reform and that the authorities can meet those requirements.
SM II: Insufficient technical capacity and human resources necessary to implement reforms are limited	Medium	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
Management and Technical Staff Support and Commitment		
RM II: Commitment to tax administration reforms has remained solid since the last FAD tax administration mission organized in March 2021.	Low	N/A
SM I: Low capacity to implement recommendations in the Ministry of Finance	High	Build strong relationship with the key counterparts and the Ministry leadership
SM II: Engage with senior management and technical staff pro-actively and explain the importance of improving fiscal transparency	Low	Engage with senior management and technical staff pro-actively and explain the importance of improving fiscal transparency.
Other Risks		
SM II: Multiple donors are providing technical assistance on same topics and gaps, or overlaps may arise as a result.	Medium	Take an active role in engaging with other donors to ensure support is well coordinated.

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I. COUNTRY REFORM PROGRESS

The capacity development (CD) program's implementation is going well. With the tax-to-GDP ratio rising from 7.2 percent in 2022 to 7.6 percent in 2023, the CD program is based on prior digitalization advances (online registration, electronic declaration, electronic payment, and cross-check) and their effects on revenue collection. The CD program is in line with the IMF's Fiscal Affairs Department (FAD) CD Strategy's Key Priority 1, which calls for strengthening the programmatic country-centered approach (PCCA), even though it only includes for now a tax administration component. A CD request was sent to FAD that included information on the (i) scope, (ii) revenue targets, (iii) anticipated impact, (iv) significant milestones, and (v) indicators of execution. To guarantee more ownership of reforms, a draft roadmap and logical framework were created, and a mission counterpart was selected. Additional elements are observed, such as collaborative interventions, improved reform sequencing, increased cooperation with other CD providers, and performance management strategies. The program's goal is to assist the government in meeting its revenue target, which is to raise the tax-to-GDP ratio by 0.5 percent annually.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module II – Revenue Administration
Key Progress in FY25: Important steps have been achieved in two fronts: (i) developing and helping the implementation of a targeted anti-evasion plan, aiming to substantially improve the level of taxpayers' compliance; and (ii) designing a tailored plan to foster the digitalization to improve the way the tax administration interacts with taxpayers. CD activities will focus on supporting the modernization strategy. Next Steps: Three regional advisors—AFRITAC Centre's resident advisors, regional resident advisors, and the digitalization regional advisor—and two short-term experts will help put building block reforms into action by doing activities remotely, going on field missions, and giving trainings. In the next six months, the focus will be on (i) implementing short-term measures to improve revenue collection; and (ii) building and equipping a teleservices tax center in Bangui. These FAD-backed recommendations are meant to strengthen the tax administration management, governance, and functions.

III. LOGICAL FRAMEWORK

Country – Central African Republic		
Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened	2 Partially Achieved	The integrity of the taxpayer base is improving
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	On-time filing ratios are improving

A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	On-time payment ratios are improving over time
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	The design and implementation of audit and verification programs are not completely effective
Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Digital technologies are better aligned with strategic objectives	2 Partially Achieved	E-procedures are at an early stage

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
Resurgence of pandemic hinders CD delivery and changes CD priorities	Very High	Build on progress achieved with remote delivery of CD
Management and Technical Staff Support and Commitment		
Continuous rotation of managers and staff undermine the absorptive capacity and provoke permanent discontinuity	Very High	Encourage authorities to implement administrative reforms and closely monitor projects
Political Support		
Political instability may slow down and even stop implementation of reforms	Very High	Focus on strategic advice and hands-on capacity building to have a more permanent impact. Close consultation with the IMF's African Department team and the authorities
Resource Adequacy		
Resources are misused, not properly accounted for, do not achieve value for money	Low	Project resources will be employed in accordance with IMF policies and procedures.
Other Risks		
The reform momentum is highly based on the availability of a modern IT system that is able to support reform management and implementation	Very High	Maintain close coordination and collaboration with other technical assistance providers, especially the World Bank to deliver a modern IT system.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

The capacity development (CD) program is being successfully implemented as part of the new joint initiative between the IMF's Fiscal Affairs Department (FAD) and AFRITAC Centre on tax administration CD building in fragile and conflict-affected states (FCS). This effort advocates for a program that is more focused on the country. The CD program respects the new framework even though it currently has only a tax administration component. A CD request was sent to FAD that included information on the (i) scope, (ii) revenue targets, (iii) anticipated impact, (iv) significant milestones, and (v) indicators of execution. To guarantee more ownership of reforms, a draft roadmap and logical framework were created, and a mission counterpart from the authority was selected. Other elements, such as collaborative interventions, improved reform sequencing, increased cooperation with other CD providers, and performance management techniques, are observed in accordance with the new delivery model.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: CD activities helped improve the effectiveness of the tax compliance plan. Advancements include better accuracy of the taxpayer database, improved on-time filing and payments ratios and strengthened collaboration and communication between tax and customs administrations for audit purposes.

Next Steps: Next activities will focus on developing a risk management framework to tackle the following gaps that hinder revenue collection. These include (i) the differences between registered taxpayers and economic agents; (ii) the differences between registered taxpayers and taxpayers under the tax department's supervision; (iii) the differences between taxpayers under the tax department's supervision and those who timely file their returns; (iv) the high proportion of credit and nil returns; (v) the high amount of tax arrears; and (vi) the high proportion of unsubstantiated declarations (e.g., unreported business income, unlawful exemption claims, or discrepancies from data crosschecking).

III. LOGICAL FRAMEWORK

Country – Chad		
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened	2 Partially Achieved	The taxpayer base is strengthened

A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	On-time filing ratios are improving over time
A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	On-time payment ratio is improving over time
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	Audit and other verification programs are more effective
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Digital technologies are better aligned with strategic objectives	2 Partially Achieved	Initiatives are taken to foster e-procedures

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM II: Resurgence of pandemic hinders CD delivery and changes CD priorities	Very High	Build on progress achieved with remote delivery of CD.
Political Support		
RM II: Political instability may slow down and even stop implementation of reforms	Very High	Focus on both strategic advice and hands-on capacity building to have a more permanent impact. Close consultation with the IM African Department team and the authorities.
Management and Technical Staff Support and Commitment		
RM II: Continuous rotation of managers and staff undermine the absorptive capacity and provoke permanent discontinuity.	Very High	Encourage authorities to implement administrative reforms and closely monitor projects.
Resource Adequacy		
RM II: Resources are misused, nor properly accounted for, do not achieve value for money.	Low	Project resources will be employed in accordance with IMF policies and procedures.
Other Risks		
RM II: The reform momentum is highly based on the availability of a modern IT system that is able to support reform management and implementation	Very High	Maintain close coordination and collaboration with other technical assistance providers, especially the World Bank to ensure delivery of a modern IT system.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

Domestic revenue mobilization is the cornerstone of the four-year arrangement under the IMF's Extended Credit Facility (ECF) adopted by the IMF Executive Board in June 2023. Comoros is a fragile, small developing state marked by political instability, weak institutions, and government implementation capacity that is substantially weaker than the sub-Saharan African average. The arrangement, which came on the heels of the completion of the Staff-Monitored Program (SMP) in April 2023, is Comoros' first financing engagement with the Fund in 10 years. The program aims to support economic recovery and secure medium-term macroeconomic stability, and debt sustainability based on a credible fiscal consolidation plan, and structural reforms to reduce vulnerabilities in the banking sector, reduce corruption risks, and improve public sector governance and transparency.

Tax-to-GDP ratio in Comoros, which has stagnated at around 8 percent of GDP for several years, is one of the lowest in sub-Saharan Africa. Fiscal performance through end-June 2024 shows some weakness in revenue. Tax revenue in 2024H1 fell by 0.3 percent of GDP y/y mainly driven by a drop in personal and corporate income taxes and excises. The decline reflects in part a base effect as one-off factors, such as the strong post-COVID-19 import demand, had boosted tax revenue in 2023H1. The shortfall also reflected disruptions from the post-elections unrest, the health and weather shocks during the first half of 2024, and the contraction in imports.

Broadening the tax base and modernizing the tax payment system must be accelerated. The use of data from the SIGIT-SYDONIA interconnection has enabled the tax administration, with support from the IMF's Fiscal Affairs Department (FAD), to identify new taxpayers and several potential fraud cases. Within this framework and through new data sources (electricity and water suppliers, targeted census, etc.), the tax administration intends to increase the number of large and medium-sized taxpayers by 20 percent over the course of 2025. Combating the use of fraudulent tax identification numbers (TINs), in collaboration with the General Directorate of Customs, will also help the General Directorate of Taxes limit tax evasion and facilitate the recovery of tax arrears, which have been growing steadily over the years. Efforts to broaden the tax base, such as the tax administration establishment of new tax offices across the country, are in progress.

Customs administration reforms can unlock substantial revenue potential. Weekly meetings on customs operations across the three Islands, improved monitoring of the application of tariff specification codes on key revenue-generating imports, strengthened risk management and audit selection, and ongoing training of customs officers have helped maintain customs revenue despite the drop in import volumes. With support from IMF HQ and AFRITAC South (AFS), the customs administration has completed the arrears report identifying taxpayers with outstanding customs duties under the suspensive regimes as of June 30, 2024. To consolidate gains in revenue mobilization and trade facilitation, the customs administration should continue to strengthen core customs procedures, including, inter alia, deactivating in SYDONIA all TINs not recognized by the tax administration, and strengthening processes for monitoring exemptions and suspensive regimes in SYDONIA.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration
Key Progress in FY25: <i>Tax.</i> New taxpayers have been identified and a program of controls drawn up using data from the interconnection of tax (SIGIT) and customs (SYDONIA) IT systems and database, and a large and medium taxpayers compliance improvement plan was developed jointly with AFS. The number of active large or medium taxpayers have increased by 5 percent at end June 2024. <i>Customs.</i> Assistance to fully implement the tariff in SYDONIA was provided and a joint mission with AFS to help to identify customs duties arrears from suspensive regime and set up a task force to collect them before the end of 2024. Next Steps: <i>Tax.</i> Support the implementation of the tax audit and tax base expansion plan and help define the scope of the electronic invoicing project. <i>Customs.</i> Help for strengthening the monitoring of suspensive regime and exemption in SYDONIA, including the handling and payment recording of oil products.

III. LOGICAL FRAMEWORK

Country – Comoros		
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized.	1 Not Achieved	In view of the very limited capacity of the tax administration, priority has been given for the time being to strengthening essential functions, including broadening the tax base.
Corporate priorities are better managed through effective risk management.	2 Partially Achieved	A compliance improvement plan targeting large and medium-sized taxpayers is in place.
Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols.	1 Not Achieved	In view of the very limited capacity of the tax administration, priority has been given for the time being to strengthening essential functions, including broadening the tax base.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) – TAD		Rating - 2
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened.	2 Partially Achieved	As a result of census work in the field and the cross-referencing of information and data with customs, new taxpayers have been taxed and registered in the tax authorities' database. The number of active large or medium taxpayers have increased by 5 percent at end June 2024.
A larger proportion of taxpayers meet their filing obligations as required by law.	2 Partially Achieved	Large and medium taxpayer's TCA and PAYE withholding returns submitted at due date increased slightly during the first semester of 2024.

A larger proportion of taxpayers meet their payment obligations as required by law.	2 Partially Achieved	The number of large and medium taxpayers paying TCA and PAYE withholding increased slightly during the first semester of 2024.
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 2
Outcome	Rating	Narrative
Customs control during the clearance process more effectively ensures accuracy of declarations.	2 Partially Achieved	Implementation of the tariff in the IT customs system is in progress.
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws.	2 Partially Achieved	A task force has been set up and trained, jointly with AFS, to collect arrears due to special regimes, before the end of 2024, as part of achieving the ECF program structural benchmark.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM II: The tax administration is located on three islands with little means of communication. It poses problems in terms of information sharing, work supervision and financial reporting.	Medium	Engaged with the staff of the local branch of tax administration located in Ndzuwani and Mwali. Ensure CD plans include sufficient training for the two islands' staff.
Political Support		
RM II: Lack of political support for reforms inhibits resources being allocated that are needed to enhance the performance and restore the credibility of the tax administration.	Medium	Engage regularly with the Minister to ensure ownership of reforms. Ensure CD on revenue is focused on the ECF program and engage with the IMF's African Department team to align structural benchmarks with the CD recommendations.
Management and Technical Staff Support and Commitment		
RM II: Commitment by the DG has been gained but that of his staff is still weak. Several regional appointments, and reform's ownership by managers on the two of three islands is still low.	Medium	Engage pro-actively with management and technical staff, including in Ndzuwani and Mwali, and explain the importance of the tax administration reform plan and strengthening tax risk management.
Resource Adequacy		
RM II: Insufficient technical capacity and human resources necessary to implement reforms are limited.	High	Ensure CD plans include sufficient training and prioritize CD to risk areas where resources are limited.
Other Risks		
RM II: Multiple donors are providing intense technical assistance on tax area and contradictory recommendations, or overlaps may arise as a result.	Low	Take an active role, with the support of the IMF local office, in engaging with other donors to ensure support is well coordinated or organize joint missions.
RM II: Supervision of work on the other two islands is inadequate, due to the lack of interconnection of the IT systems and the influence of local authorities.	High	Ensure that the IT system (SIGIT) is interconnected, a clear job description is developed and the local authority is regularly engaged during CD missions.

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I. COUNTRY REFORM PROGRESS

Tax policy reforms aim to simplify the tax system and focus on (i) tax expenditures, (ii) excise taxes, (iii) non-tax revenue (revenue collected by line ministries), (iv) parafiscal charges (revenue collected by administrative bodies), and (v) provincial taxes. At this stage, the central government has produced reports on tax expenditures since 2019. They are updated annually, include fuel tax expenditures, and are included in the annex to the budget. The provinces of Kinshasa, Kongo Central and Haut-Katanga have also updated or produced estimates in the past year. The authorities have also agreed to include significant excise increases on beer and cigarettes in the 2025 budget, but much work remains to simplify the system, which is still cluttered by unusual excise taxes (e.g., soap). Efforts to codify non-tax revenues are long and tedious and involve the legal synthesis of thousands of pages of various legal texts, but the authorities have put together a local working group supported by a short-term expert with the IMF's Fiscal Affairs Department (FAD), and the work advances slowly but systematically: environment and mines have been completed this year, and the hydrocarbons sector is well advanced. It is expected that the codification will be completed no earlier than the end of 2026 and more likely in 2027. Efforts to rationalize parafiscal charges have had a limited impact, as inventorying them remains a challenge. This should be helped with a new decree to be passed by end-2025 (World Bank program trigger), but progress is likely to remain slow until then. Finally, starting the harmonization of provincial taxation was conditional on a range of conditions to be met and aligning a complex ecosystem of stakeholders. This has been done following the September 2023, May 2024 and September 2024 missions, and it is expected that this drafting work will hit the road in the next few months, as the authorities will create a dedicated working group.

In the area of revenue administration, the capacity development (CD) program is delivered under the new joint initiative between the IMF's Fiscal Affairs Department (FAD) and AFRITAC Central on tax administration CD building in fragile and conflict-affected states (FCS) that calls for deepening the programmatic country-centered approach (PCCA). A CD request was extended to FAD detailing the (i) scope, (ii) revenue objectives, (iii) expected impact, (iv) key milestones, and (v) implementation indicators. A counterpart to missions was appointed and a draft reform roadmap and logical framework are developed to ensure better ownership of reforms. In line with the new delivery model, other components including joint interventions, better sequencing of reforms, greater collaboration with other CD providers and performance management approaches are experienced.

Overall, the risks on this CD project remain high, given complex economic and political environments, as well as significant administrative and political interferences.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: In the first half of FY 2025, the authorities completed the update of the central government's tax expenditures assessment, and three provinces produced a tax expenditure estimate. Drafting of non-tax revenue was completed regarding environment, mines and (most of) hydrocarbons. Excise taxes should be increased in the 2025 budget for cigarettes and beer, as per FAD's recommendations. A modus operandi was agreed on for provincial tax reforms.

Next Steps: In the second half of 2025, FAD will (i) support the review of the Excise Code to eliminate superfluous categories (e.g., soap); (ii) provide remote support to the tax expenditure assessment; (iii) support analytical work on VAT tax expenditures to prepare a rationalization plan; (iv) keep supporting the preparation of a draft text on non-tax revenue; (v) prepare a draft text on the four main provincial taxes (i.e., property taxes, rental income, excise taxes, and tax on cars).

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: In revenue administration, several remote CD activities helped identify measures to safeguard revenue in the short and medium term. A new framework has been developed for strengthening tax administration capacity in fragile states to improve revenue collection and address ongoing problems the tax department faces.

Next Steps: Next activities will focus on strengthening core business tax administration function. Over the next six months, two short-term experts and three regional advisors—the digitalization regional advisor, regional resident advisors, and AFRITAC Centre resident advisors—will provide intensive support to lay the foundation for the creation of a multiyear strategic reform plan that builds on the shortcomings found in the most recent Tax Administration Diagnostics Assessment Tool (TADAT) evaluation.

III. LOGICAL FRAMEWORK

Country – Democratic Republic of the Congo		
RM I: Objective - Improve Tax Policy Design - TPD		Rating - 2
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	2 Partially Achieved	Work is progressing opportunistically in each of the five fields covered by this CD program. Tax expenditures work has reached most of its objectives; excise rates are scheduled to increase in the 2025 budget, but too many products remain subjects to excise taxes; drafting of non-tax revenue progresses steadily; work on provincial taxation is starting after much coordination efforts; but the rationalization of parafiscal charges currently faces political headwinds.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened	2 Partially Achieved	The integrity of the taxpayer database is improving
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	On-time filing ratios are improving over time
A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	On-time payment ratios are improving over time

Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	Audit and other verification programs are more effective
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IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I: Pandemic / Coups	High	Build on progress achieved with remote delivery of CD.
RM II: Resurgence of pandemic hinders CD delivery and changes CD priorities	Very High	Build on progress achieved with remote delivery of CD.
Management and Technical Staff Support and Commitment		
RM I: Staff instability in the local working groups and significant bureaucratic interference	Very High	Ensure that IMF consultants work with maximum flexibility in case of local blockages (i.e., share maximum information with the consultant). Use structural benchmarks to enforce commitments, if possible
RM II: Continuous rotation of managers and staff undermines the absorptive capacity and provokes permanent discontinuity.	Very High	Encourage authorities to implement administrative reforms with a stable internal environment and closely monitor projects.
Political Support		
RM I, RM II: Political instability may slow down and even stop implementation of reforms	Very High	Focus on strategic advice and hands-on capacity building to have a more permanent impact. Close consultation with the IMF's African Department team and the authorities.
Resource Adequacy		
RM I: Consultants supporting the working group may be overbooked	Medium	Diversify the pool of consultants.
RM II: Resources are misused, nor properly accounted for, do not achieve value for money.	Low	Project resources will be employed in accordance with IMF policies and procedures, including in particular its Travel Policy.
Other Risks		
RM I: Bureaucratic and industry resistance to reforms (notably on health excise taxes).	Medium	Mobilize other donors (World Health Organization, World Bank). Use structural benchmark, if possible
RM II: The reform momentum is highly based on the availability of a modern IT system that is able to support reform management and implementation	Very High	Maintain close coordination and collaboration with other CD providers, especially the World Bank to deliver a modern IT system.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

The tax-to-GDP increased from 9.4 percent to 10.2 percent between 2022 and 2023, reflecting recent progress in the Congolese Tax Administration (DGID). However, the overall performance of the DGID still needs to improve as challenges still need to be addressed. The tax component of the capacity development (CD) program discussed with the authorities during the March 2024 scoping mission is in line with the IMF's Fiscal Affairs Department's (FAD) CD Strategy's Key Priority 1, which calls for strengthening the programmatic country-centered approach (PCCA). It has yet to be implemented as part of the new FAD-AFRITAC Centre joint initiative for tax administration capacity development (CD) building in "fragile and conflict-affected states" (FCS), which is based on the following principles: (i) prior country request, (ii) stakeholders engagement, (iii) integration and synergies of interventions, (iv) sequencing of reforms, (v) collaboration with other partners, and (vi) monitoring and evaluation of reform projects.

To contain spending on fuel subsidies, the authorities have increased gasoline and diesel prices by 30 percent between December 2022 and December 2023. However, with a fiscal cost estimated at 4.5 percent of GDP in 2022, and 2.5 percent of GDP in 2023, subsidies remain a huge drag on Congo's public finances. Structural changes to the current fuel price structure and the sector's governance are needed to sustainably reduce spending on subsidies, restore sectoral efficiency, and effectively raise revenues from domestic consumption. Following FAD CD mission in June 2024, the authorities are working on reforming their regulated fuel price formulas and are drafting relevant legal documents to improve transparency and effectiveness of tax collection on fuel consumption, with the objective to finance key development policies, including the ramping up of social assistance programs.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: CD activities helped improve the DGID's capacity reform by advising on strengthening the strategic plan and updating the action plan to address the most pressing issues, including compliance risk management and digitalization implementation plan.

Next Steps: Subject to the GPFP decision funding, FAD's next CD activities, in conjunction with AFRITAC Centre, will focus on addressing the VAT non-compliance gap and strengthening digitalization.

SM I: Spending Module I – Spending Policy

Key Progress in FY25: CD activity has helped identify major issues in estimating and reporting subsidy spending, including large producer subsidies accruing to sectoral state-owned enterprises. It also stressed the inherent inequity of subsidy spending, particularly on diesel and jet fuel. The authorities are taking steps to tackle these issues, encouraged by the country team who took on board FAD CD recommendations in their ongoing program.

Next Steps: The authorities are welcoming a follow-up workshop on fuel pricing best practices (funding aligned for FY26). Subject to GPFP funding decision, an assessment of the country's difficulties in ramping up spending on social assistance programs (CD mission) should be the next priority, in coordination with the World Bank.

III. LOGICAL FRAMEWORK

Country – Republic of Congo		
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	The strategic plan has been elaborated. However, it has yet to be institutionalized.
Digital technologies are better aligned with strategic objectives	2 Partially Achieved	The current IT system has yet to be improved to support the core functions better
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	On-time filing ratios are improving over time.
A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	The current ratio is below expectations.
The integrity of the taxpayer base and ledger is strengthened	2 Partially Achieved	The taxpayer base has improved
Taxpayer services initiatives to support voluntary compliance are strengthened	2 Partially Achieved	The DGID is at the initial stage of initiatives to support voluntary compliance
SM I: Objective – Strengthen Expenditure Policy Formulation and Design - EPD		Rating - 2
Outcome	Rating	Narrative
Reduce subsidies while mitigating impact on vulnerable households	2 Partially achieved	Discretionary increases in fuel prices have helped contain subsidy spending More structural reforms are needed to sustainably phase out subsidies An in-depth assessment of current social assistance system is needed

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM II, SM I: Resurgence of pandemic hinders CD delivery and changes CD priorities.	Low	Build on progress achieved with remote delivery of CD.
Political Support		
RM II, SM I: Political instability may slow down and even stop implementation of reforms.	High	Combine/focus on strategic advice and hands-on capacity building to have a more permanent impact. Close consultation with the AFR Department team and the authorities.
Management and Technical Staff Support and Commitment		
RM II: Continuous rotation of managers and staff undermine the absorptive capacity and provoke permanent discontinuity.	High	Encourage authorities to implement administrative reforms with medium-term view and closely monitor projects.
SM I: Staff instability in the local working groups and significant bureaucratic interference	High	Ensure that IMF consultants work with maximum flexibility in case of local blockages (i.e., share maximum information with the consultant). Use structural benchmarks to enforce commitments, if possible.
Resource Adequacy		
RM II, SM I: Resources are misused, nor properly accounted for, do not achieve value for money.	Low	Project resources will be employed in accordance with IMF policies and procedures.
Other Risks		
RM II: N/A	N/A	N/A
SM I: Political interference on specific policies (e.g., excises)	Medium	Mobilize other donors (World Health Organization, World Bank). Use structural benchmark, if possible

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

There has been significant cooperation with Djibouti under this project. Authorities have demonstrated a strong interest in, and commitment to, assessing various options for tax policy reforms. Although few of our recommendations have resulted in legislative changes to date, our analysis and advice have proven impactful and continue to be deliberated at the highest levels of government. For instance, our concerns regarding the tax provisions in the new draft investment code have been taken seriously, leading to the project being referred back for further technical work. Looking ahead, reforms are anticipated to gradually emerge in the coming years, particularly concerning core taxes (such as VAT and wage tax) and institutional elements related to tax policy-making (including the establishment of a tax policy unit and enhancements in tax expenditure reporting).

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: The project has achieved great traction with Djiboutian authorities. Our counterparts are engaged and committed to working alongside us in exploring areas of reform. Moreover, our analysis and recommendations are being shared with, and considered by, officials at the highest level including the Ministers and Secretary Generals of Budget and Finance. While few legislative amendments have been introduced to date, several of our recommendations are being actively considered and are positively influencing ongoing debates.

Next Steps: Two activities are planned for the second half of FY25; one to assist with reforms that could be debated during the upcoming *Assises Nationales sur la Fiscalité* (GPFP-supported) and another on tax expenditures reporting (through METAC).

III. LOGICAL FRAMEWORK

Country – Djibouti		
RM I: Objective - Improve Tax Policy Design - TPD		Rating - 2
Outcome	Rating	Narrative
Increased/decreased revenue quantity	2 Partially Achieved	As of now, reforms are being considered but few have been formally enacted. This is not uncommon for tax policy reforms. It is worth acknowledging, however, that our concerns regarding the tax provisions in the new draft investment code have been taken seriously, leading to the project being referred back for further technical work.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	2 Partially Achieved	As of now, reforms are being considered but few have been formally enacted. This is not uncommon for tax policy reforms. Forthcoming budgets will help shed light on the extent to which authorities are committed to raising revenues as assisted by our CD.

Improved distributional fairness across taxpayers due to amended tax rates or base	2 Partially Achieved	As of now, reforms are being considered (e.g., to the wage tax schedule, setting-up a new tax policy unit) but few have been formally enacted. For the VAT, professional services are now <i>de facto</i> registered businesses irrespective of turnover, consistent with our recommendations. Forthcoming budgets will help shed light on the extent to which authorities are committed to raising revenues as assisted by our CD.
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IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I: World economy, security in the region, etc.	Medium	Factor authorities' priorities into our work program and remain flexible in delivering the workplan.
Political Support		
RM I: Obtain needed leadership from Budget and/or Finance Ministers and sufficient buy-in from the whole government to enact meaningful reforms in the National Assembly.	Very High	Engage constructively with high-level officials to ensure that they appropriate themselves of options and that their views are considered and factored into the analysis. Work closely with country team.
Management and Technical Staff Support and Commitment		
RM I: Buy-in and commitment by our direct counterparts at the Budget Ministry.	Medium	Engage constructively with high-level officials to ensure that they appropriate themselves of reform options and that their views are considered in the analysis.
Resource Adequacy		
RM I: Resource adequacy in Budget ministry, including number of staff and skillset.	High	Sequence CD and reform proposals to align with country capacity. Offer complementary CD in the form of follow-up engagements or support in legal drafting. Coordinate closely with the revenue administration division.
Other Risks		
RM I: N/A	N/A	N/A

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I. COUNTRY REFORM PROGRESS

The East African Community (EAC) is currently made up of eight Partner States: Burundi, Democratic Republic of Congo (since July 2022), Kenya, Rwanda, Somalia (since March 2024), South Sudan, Uganda, and Tanzania.

The Treaty for the establishment of the EAC provides that Partner States shall harmonize their tax policies with a view to removing tax distortions for a more efficient allocation of resources within the Community. Similarly, the Common Market Protocol provides that Partner States shall progressively harmonize their tax policies and laws to remove tax distortions to facilitate free movement of goods, services and capital and to promote investment within the EAC. Finally, the East African Monetary Union Protocol provides for harmonization and coordination of fiscal policies and avoidance of harmful tax competition. The EAC Council of Ministers approved a Domestic Tax Harmonization Policy in May 2019, which calls for tax harmonization through Council directives.

In 2023, the EAC Council of Ministers revised timelines for the establishment of the East African Monetary Union from 2024 to 2031. The Sectoral Council of Finance and Economic Affairs meeting in May 2023 observed that, although progress has been made in the implementation of the prerequisites including the macroeconomic convergence criteria, implementation was far behind timelines. Capacity development (CD) support from the IMF's Fiscal Affairs Department (FAD) can contribute to furthering the convergence ambitions of Partner States.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: (i) Draft excise directive agreed at working level and sent to EAC Ministers for approval in May 2024. Ministers asked the EAC Secretariat for additional economic analysis. This is to be provided to Ministers by May 2025, at which time it is anticipated that the directive would be approved. (ii) Revised model tax treaty and multilateral tax treaty agreed at working level and sent to EAC Ministers for approval in May 2024. Model tax treaty was approved; multilateral tax treaty is going through a legal scrub. FAD delivered a workshop in October 2024 on tax treaty negotiation skills. (iii) Value added tax (VAT) directive: FAD organized a first workshop in August 2024, at which EAC Partner States agreed on an outline for the directive.

Next Steps: For the VAT directive, FAD to compare existing domestic legislation and provide analysis of potential impacts from the proposed directive. FAD and the IMF's Legal Department (LEG) will jointly prepare a first draft of the VAT directive. The analysis and draft directive will be discussed at a second workshop, the timing for which is to be determined.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: On tax harmonization, the draft council directive for the harmonization of legislation on tax procedures and administration was completed with FAD and LEG support. EAC Partner States are still reviewing the draft council directive for approval. Regarding compliance risk management (CRM), two CD activities (workshops) were conducted so far. With FAD support, EAC partner states developed a roadmap to enhance EAC Partner States' capabilities on international tax administration based on FITAS self-assessments. In addition, EAC Partner States agreed to create a Community of Practice (led by the Kenya Revenue Authority, KRA) to establish a forum where tax officers can engage in continuous exchange

of knowledge and experiences with peers and experts and explore emerging trends and approaches on international tax administration.

Next Steps: Guided by the IMF team, Partner States will continue expanding their knowledge of CRM fundamentals and apply them for managing international tax risks. The key milestone will be the development of a Risk Matrix containing risk, description, cause, indicators, sources of information, likelihood of occurrence, consequence, overall rating, compliance strategy, among others. Depending on the availability of tax data, the IMF team will develop an RDF calculator for forward-looking compliance planning.

III. LOGICAL FRAMEWORK

Country – East African Community		
RM I: Objective - Improved tax and non-tax revenue policy (SDG 17.1) - TXP		Rating - 3
Outcome	Rating	Narrative
Increased/decreased revenue quantity due to amended tax rates or base	3 Largely Achieved	Draft excise directive completed and sent for approval to the EAC Ministers in May 2024. They requested further economic analysis. The EAC Secretariat is conducting this analysis and anticipates returning to Ministers to again seek approval in May 2025. Revised model tax treaty and multilateral tax treaty agreed at working level and sent to EAC Ministers for approval in May 2024. Model tax treaty was approved; multilateral tax treaty is going through a legal scrub. FAD delivered a workshop in October 2024 on tax treaty negotiation skills. VAT directive: FAD organized a first workshop in August 2024, at which EAC Partner States agreed on an outline for the directive.
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols	2 Partially Achieved	The draft council directive for the harmonization of legislation on tax procedures and administration was completed with FAD and LEG support. EAC Partner States are still reviewing the draft council directive.
Corporate priorities are better managed through effective risk management	3 Largely Achieved	The project developed a roadmap to enhance EAC partner states' capabilities on international tax administration based on FITAS self-assessments. In addition, EAC partner states agreed to create a Community of Practice (led by Kenya's KRA) to establish a forum where tax officers can engage in continuous exchange of knowledge and experiences with peers and experts and explore emerging trends and approaches on international tax administration.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I: Impact of Ukraine war.	High	Time the implementation appropriately; less aggressive policy changes.
RM II: Impact of Ukraine war and conflict in Gaza.	Low	Time the implementation appropriately.
Political Support		
RM I: All member states must agree to the harmonized framework	High	Hold workshop to address concern; less aggressive policy changes.
RM II: All member states must agree to the harmonized framework. Political instability at the member states' level may slow down and even stop implementation of reforms.	Medium	Close consultation with the IMF's African Department (AFR) and government authorities. Hold workshops to increase buy-in at officials' level.
Management and Technical Staff Support and Commitment		
RM I: None.	Medium	Assist with external analysts who support technical people.
Resource Adequacy		
RM I: None	Medium	Assist with external analysts who support technical people.
RM II: Although the current EAC Secretariat leadership is strongly in favor of this project, there are no policy experts at the Secretariat.	Medium	Hold workshops to ensure minimum level of policy expertise
Other Risks		
RM I: None	Low	Not required.
RM II: Timeliness: The team fails to achieve the milestones and deliver the expected outcomes on time and project fails.	Medium	Timeliness: The project will be delivered and monitored by IMF staff and experienced HQ experts. The Steering Committee will be kept informed and consulted on possible changes.
RM II: Sustainability: Reform fatigue may weaken commitment.	Medium	Sustainability: Regular high-level engagement.
RM II: Security: Certain EAC states are fragile or conflicted states. This may prevent normal technical assistance activities.	Medium	Security: Use of alternative modes of CD delivery, such as remote assistance, and delivery of workshops in more secure member countries or outside the region.

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I. COUNTRY REFORM PROGRESS

Public financial management (PFM) and tax policy are key components of the reform strategy supported by the IMF-approved a 48-month Extended Fund Facility (EFF) for Ecuador, providing \$4 billion in access since May 2024. The program aims at stabilizing the economy, safeguarding dollarization, fiscal sustainability, social safety nets, financial resilience, and governance. The project, on its PFM module, aims at improving treasury management, budget execution control, arrears' control and fiscal risks management. Partial progress has been achieved in the first months of the project on Treasury planning and budget execution processes, while discussion on tax policy reform continues.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy
Key Progress in FY25: The team has been supporting the government to improve tax policy design through comments to reform proposals via the IMF area department. Next Steps: Support the government to strengthen their capacity to identify tax broadening measures through cost-benefit analysis of tax expenditures.
SM II: Spending Module II – Managing Public Finance
Key Progress in FY25: In the period August-September 2024, two missions focused on improving budget execution processes for investment, cash planning methodology and arrears' control strategy. An Excel based cash plan was prepared with an improved methodology, as well as a methodology for reducing budget rigidities related to earmarking of financing sources, and assistance to prepare an arrears' prevention and clearance strategy. Next Steps: The rest of the FY25 will focus on (i) the extension of 2024 budget to 2025 and associated financial planning; (ii) improving budget execution control and treasury processes; (iii) assisting on the implementation of the PFM Law on commitment control; and (iv) fiscal risks management (one HQ mission and short-term expert missions are planned until April 2025).

III. LOGICAL FRAMEWORK

Country – Ecuador		
RM I: Objective - Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 1
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	1 Not Achieved	Capacity development (CD) activities have not started yet. During 2024 Annual Meetings, authorities expressed interest for support with a comprehensive evaluation of tax expenditures.

SM II: Objective - Strengthened Budget Management - PBM		Rating - 2
Outcome	Rating	Narrative
Strengthened identification, monitoring, and management of fiscal risks	2 Partially Achieved	Discussions with the newly created Fiscal Risks unit have started and the project will deliver on fiscal risks in the second part of the FY25.
Strengthened asset and liability management processes	2 Partially Achieved	A mission delivered on a methodology on revenue and expenditure forecast on cash basis and helped coordination among departments to prepare the treasury financial plan. In the remainder of the fiscal year, other assistance is planned on the financial plan and better linkage to budget preparation and execution.
Strengthened budget execution and control processes	2 Partially Achieved	The project started with a mission on improving budget execution processes by eliminating rigidities on the financing source alignment that may improve investment spending execution. It also assisted on the arrears' strategy. Next steps will include implementation of the PFM Law on budget quotas and enhanced budget preparation, execution and treasury operations.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
N/A	N/A	N/A
Political Support		
RM I: Increased political instability and security concerns could make passing critical legislation more uncertain	Medium	Closely work with the IMF's Resident Representative to monitor the political environment and timely identify risks. Maintain regular high-level meetings in parallel to the engagement with senior management and technical staff to keep momentum for reforms. Support the government with stakeholders' consultations.
RM I: Elections in February 2025 may prompt delays in politically sensitive reforms	Low	Consult with IMF country team to assist authorities in recognizing the relevance of reforms and preparing policy options before the elections. Renew contact with the new authorities after elections and prepare a visit.
SM II: Elections in February 2025 may prompt delays in politically sensitive reforms.	Medium	Consult with IMF country team to assist authorities in recognizing the relevance of reforms and preparing policy options before the elections. Renew contact with the new authorities after elections and prepare a visit.

Description	Rating	Mitigation Measures
Resource Adequacy		
N/A	N/A	N/A
Management and Technical Staff Support and Commitment		
RM I: Competing demands for key staff's attention might result in low engagement on tax policy measures	Low	Discuss with authorities to establish clear priorities
SM II: Competing demands for key staff's attention might result in low engagement on tax policy measures and PFM	Low	Discuss with authorities to establish clear priorities.
Other Risks		
N/A	N/A	N/A

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I. COUNTRY REFORM PROGRESS

Ethiopia's Extended Credit Facility (ECF) arrangement with the IMF was approved on July 29, 2024. It is aimed at supporting the authorities' Homegrown Economic Reform Agenda (HGER). The authorities continue to demonstrate progress and political commitment to reforms under the HGER, aimed at addressing macroeconomic imbalances, restoring external debt sustainability, and laying the foundations for inclusive, private-sector-led growth. Approval of the National Medium Term Revenue Strategy (NMTRS), developed with input from the IMF's Fiscal Affairs Department (FAD) in September 2024, augers well for the reversal of the declining trend in revenue to GDP, which has been experienced in the last couple of years. Steps to modernize monetary policy, mobilize domestic revenue, enhance social safety nets, strengthen state-owned enterprises, and anchor financial stability continue. Foreign exchange market functioning is improving, albeit still with inefficiencies, while uncertainties about the path of the exchange rate, market functioning, and inflation expectations continue to affect behavior.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy
Key Progress in FY25: Ethiopia has approved its NMTRS. The authorities have been contacted about initiating work on the project but have not yet responded. Next Steps: For the remainder of FY25, work is expected to focus on supporting implementation of the NMTRS (joint with Revenue Administration), providing advice on the taxation of capital markets, and working with the authorities on a revision to the income tax proclamation. FAD will continue to reach out to the authorities in order to initiate this work. The regional tax policy advisor plans to visit Addis Ababa in January 2025 to take stock of existing capacity on tax policy formulation, identify gaps, and develop a work program.
RM II: Revenue Module II – Revenue Administration
Key Progress in FY25: Ethiopia has approved its NMTRS. A Tax Administration Diagnostic Assessment Tool (TADAT) evaluation was carried out to further refine revenue administration measures in the NMTRS. A decision has been taken to develop the revenue administration IT system in-house. Next Steps: Engagement will continue to determine what assistance is required in the development of an implementation plan for the NMTRS. Capacity development (CD) will continue to address the gaps identified in the TADAT.

III. LOGICAL FRAMEWORK

Country – Ethiopia, The Federal Democratic Republic of		
RM I: Objective - Strengthen Policy Monitoring, Evaluation, and Institutions – TPM		Rating - 1
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	1 Not Achieved	Oct 2024 - CD delivery has not yet started.

RM I: Objective - Improve Tax Policy Design – TPD		Rating - 1
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	1 Not Achieved	Oct 2024 - CD delivery has not yet started.
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM		Rating - 1
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	1 Not Achieved	MTRS draft approved in September 2024. Still engaging authorities on next move, which should include developing an implementation plan.
Corporate priorities are better managed through effective risk management	1 Not Achieved	Yet to agree mission dates with authorities.
Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	Authorities prioritized a TADAT assessment to inform reforms.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I, RM II: The security situation and effects of the world economic and security conditions pose a risk to domestic revenue mobilization (DRM) efforts.	Medium	Ensure sufficient flexibility in program execution and allow for ability to adjust activities in the case of adverse events.
Political Support		
RM I, RM II: Coordination between Ministry of Finance (MoF) and Ministry of Revenues (MoRS) on MTRS has improved.	High	Seek support from the country team to coordinate meetings between MoRs and MoF and engage staff in both Ministries to ensure government ownership of reforms with the big picture in mind.
Management and Technical Staff Support and Commitment		
RM I: Low commitment of management and staff in finance ministry to adopt and implement tax reform measures.	Very High	Engage with senior management and technical staff proactively to strengthen their capacity to manage reforms for achievement of desired strategic outcomes.
RM II: Minister of Finance showed commitment to supporting implementation of ITAS.	Medium	Continue providing CD support and engaging authorities in a coordinated way.
Resource Adequacy		
RM I: Insufficient technical capacity; human resources necessary to make use of new tools.	Very High	Ensure CD plans include sufficient capacity building and training elements (including train-the-trainers approach) and prioritize CD to

Description	Rating	Mitigation Measures
		priority or highest risk areas where resources are limited.
RM II: Minister of Finance showed commitment to supporting implementation of ITAS.	Medium	Continue providing CD support and engaging authorities in a coordinated way.
Other Risks		
RM I, RM II: Delays in putting in place active and effective governance structures for NMTRS between the MoF and MoRS are a threat to the country's DRM efforts.	Very High	Engage the IMF Resident Representative and other development partners to assist in coordinating between the MoF and MoRs to ensure timely implementation of the NMTRS.
RM I, RM II: Overlaps may arise as multiple donors are providing technical assistance on fiscal risk topics and gaps.	Medium	Take an active role in engaging with other donors, especially the World Bank, to ensure support is well coordinated.

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I. COUNTRY REFORM PROGRESS

The authorities have a National Development Strategy and remain committed to their economic reform agenda. The Gambia's development aspirations are supported by an Extended Credit Facility (ECF) arrangement that commenced in January 2024. Domestic revenue mobilization is essential to ensuring fiscal policy remains sustainable and able to finance large social and developmental spending needs, protect the most vulnerable, and limit debt vulnerabilities.

Detailed capacity development support has assisted the authorities across a range of tax policy issues. This includes modernizing the value-added tax so that it adapts to new business and consumption models (e.g., digital services). Capacity development (CD) support has also focused on strengthening local capability in tax policy analysis, and on helping to identify tax expenditures that could be candidates for reform, such as in the area of investment tax incentives. CD support also extends to supporting the authorities to develop a wider domestic revenue mobilization strategy which will guide revenue mobilization efforts.

Strong engagement and relations with key officials have meant the project has manageable risks.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: The project has achieved reasonable progress. The authorities benefited from detailed advice on reforming their investment tax regime and improving the taxation framework for the tourism sector which has now been largely incorporated in the draft Domestic Revenue Mobilization Strategy (DRMS). Remote engagement has guided the authorities in drafting their DRMS (a structural benchmark under the IMF program).

Next Steps: Further support (in-person) on the DRMS formulation and tax expenditure assessment is expected in early 2025, subject to available GPFP funding.

III. LOGICAL FRAMEWORK

Country – The Gambia		
RM I: Objective - Improve Tax Policy Design - TPD		Rating - 2
Outcome	Rating	Narrative
Increased/decreased revenue quantity	2 Partially Achieved	While the authorities have made rather modest progress towards improving tax revenue, they have intensified their efforts towards preparing a DRMS, formulated policy towards investment tax incentives and enhanced taxation of the tourism sector, all expected to result in higher tax revenue collections.

Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	2 Partially Achieved	The draft DRMS places a strong emphasis on reducing economic distortions and addressing externalities — through enhanced investment tax incentives, better use of excise taxation, modernized VAT and a suite of other tax measures expected to be adopted in the medium term. While no concrete legislative action has been yet undertaken, the authorities have advanced their work on revising the GIEPA Act and plan to work on rationalization of other tax expenditures.
RM II Objective - Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 2
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	2 Partially Achieved	The authorities continue building their tax policy unit capacity and placed a strong emphasis in their draft DRMS on increasing these efforts. The draft DRMS is a clear manifestation of an improved approach to tax reform formulation.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I: Risk of external events creating a more challenging environment to implement reforms.	Medium	Ensure sufficient flexibility in project execution and allow for ability to adjust activities in the case of adverse events.
Political Support		
RM I: Lack of political support for reforms inhibiting required actions or resources being allocated away from the reforms, stalling progress in formulating, and implementing reforms.	Medium	A Fund coordinated approach with the country team to help track progress, get political support for reforms, and resolve key obstacles to sustained revenue performance.
Management and Technical Staff Support and Commitment		
RM I: Low commitment of management and staff in finance and other ministries to adopt and implement recommended reforms.	Medium	Engage with senior management and technical staff pro-actively and explain their role in driving reforms. Ensure frequent engagement to maintain momentum and rekindle commitment where needed.
Resource Adequacy		
RM I: Insufficient technical capacity and human resources necessary to implement reforms are limited.	Low	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited, in line with country engagement strategy.

Other Risks		
RM I: Multiple donors providing technical assistance, leading to overlaps and/or conflicting advice.	Low	Under the leadership of the country team take an active role in engaging with other donors to ensure support is well coordinated.

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I. COUNTRY REFORM PROGRESS

Growth remains strong at 7.6 percent in 2024, inflation is low at 1.3 percent, and fiscal buffers are healthy. The fiscal deficit is projected at 2.5 percent of GDP in 2024, adhering to the fiscal rule. The tax-to-GDP ratio is projected to increase to 25.7 percent of GDP in 2024. A modest fiscal adjustment over the medium term would be important to build sufficient buffers under the fiscal rule and create room for productive spending.

The project's timeline has been impacted by the political situation and the suspension of the IMF program. While progress has been made in preparing the Medium-Term Revenue Strategy (MTRS), it has not yet been finalized. Despite these challenges, (i) the policy dialog on taxation on the mining sector continues, grounded technical support delivered by the project in May-July 2024; (ii) work on the taxation of capital markets will continue in FY25, as requested by authorities during the 2024 Annual Meetings.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: Capacity development (CD) on mining taxation was delivered between May and July 2024. Mining, particularly of gold, copper, and manganese is a key economic sector in Georgia, yet revenues have been low by international standards. The mission's key recommendations were as follows: (i) replace the specific fee structure with a low, ad valorem, price-based royalty on sales, proposing rates of 5 percent for gold and 2.5 percent for copper and manganese; and (ii) introduce a progressive royalty on operating profits, with three bands defined by increasing profit margins, featuring rates ranging from zero to 25 percent of operating profits. These recommendations were discussed with the Ministry of Finance (MoF) and the National Agency of Mineral Resources of Georgia (NAMR) and were broadly well received. Policy discussions are ongoing.

Next Steps: A follow-up activity to the 2016 IMF intervention on capital markets taxation has been requested and is being delivered in FY25 (November 2024-January 2025). Counterparts are the National Bank of Georgia and the MoF. Key policy topics are exemptions on withholding taxes for listed securities.

III. LOGICAL FRAMEWORK

Country – Georgia		
RM I: Objective - Improve Tax Policy Design - TPD		Rating - 2
Outcome	Rating	Narrative
Increased/decreased revenue quantity	2 Partially Achieved	Changes recommended by the 2024 mission on fiscal regimes for mining (switch to ad valorem royalties; introduce a profit-based progressive royalty) not implemented yet. The policy discussion with authorities continues.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I: Risk that external events create a more challenging environment to implement reforms.	Medium	Program execution allows for sufficient flexibility ability to adjust activities in the case of adverse events
Political Support		
RM I: Lack of political support for reforms.	High	The IMF's Standby-by Arrangement and the related MTRS are suspended.
Management and Technical Staff Support and Commitment		
RM I: Low commitment of management and staff in finance and other ministries to adopt and implement fiscal risk management practices	Medium	Past CD projects have evidenced the availability and engagement of qualified staff.
Resource Adequacy		
N/A	N/A	N/A
Other Risks		
N/A	N/A	N/A

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I. REFORM PROGRESS

Background to the Revenue Administration Governance and Integrity Assessment (RAGIA)

This tool provides a standardized approach to governance and integrity assessments in revenue administration. It covers tax and customs administrations, as well as matters arising in administering natural resource taxes (NRT) and for revenue administration in special economic zones (SEZ). It provides a basis for review of the administrations and is not a policy assessment tool.

The RAGIA builds upon an approach developed by the IMF's Fiscal Affairs Department (FAD) at Online Annex 2.3 of the April 2019 *Fiscal Monitor* (Annex 2.3). This described key features of a governance framework for revenue administration.¹ Annex 2.3 adopted a wide concept of governance. Assessments of governance vulnerabilities would include but are not limited to those arising from corruption, which are difficult to demonstrate due to their hidden nature. Governance reforms would not be restricted to legal or regulatory areas but are also reflected in processes, systems and procedures implemented by strong and effective institutions. Examining broader governance weaknesses across laws, business processes and systems, and institutional matters, can support an assessment of the severity of potential integrity breaches and the approach for addressing these weaknesses.

The RAGIA tool maintains this broader view of governance vulnerabilities. The assessment is intended to highlight legal, organizational, policy and operational matters in tax and customs administration and in their human resources, financial management and oversight functions, that are risks to good governance and integrity in the administrations.

Importantly, an assessment of these governance and integrity weaknesses does not establish a conclusion of improper or corrupt conduct in the administration of taxes and customs. Rather, a systematic assessment using the RAGIA framework is intended to highlight the governance and integrity-related risks that need to be mitigated. They inform a dialogue for the design of measures to reduce vulnerabilities and the likelihood of integrity failures.

II. PROJECT DELIVERY HIGHLIGHTS

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

Key Progress in FY25: The RAGIA framework is very close to pre-testing finalization. Six Governance and Integrity Measurement Areas (GIMAs) have been developed. Within each GIMA there are multiple Governance Features (GFs – 42 in total) and within each GF there is at least one measure but as many as four (60 evidence-based measures). The RAGIA framework has been transferred to an Excel spreadsheet for ease of scoring – the scores of which are driven by “yes/no” answers to each of the elements identified for each evidence-based measure. Additionally, a guidance note has been developed to explain the usage

¹ IMF: Fiscal Monitor, *Curbing Corruption*, April 2019 and Online Annex 2.3, *Key Features of a Good Governance Framework in Revenue Administration*.

of RAGIA and it includes references to governance and integrity vulnerabilities reported publicly with respect to revenue administration.

Next Steps: The RAGIA framework needs to be tested in several pilot countries. This testing can be as part of a broader IMF governance assessment diagnostic mission or as a stand-alone assessment undertaken during a revenue administration mission. Once enough pilots have been conducted, the RAGIA will inevitably need adjustment before being placed into production. In addition, the guidance note will also need expansion to provide guidance on evidence that is required or the types of conversations that need to be conducted with the authorities to support assessment decisions.

III. RISK ASSESSMENT

Description	Rating	Mitigation Measures
Political Support		
Lack of political support for assessing governance and integrity inhibits required actions or resources being allocated that are needed for enhancements to fiscal risk management institutions and practices.	Very High	Ensure fiscal risk capacity development (CD) is focused on priority areas and engage regularly with ministers and senior management to ensure government ownership of reforms.
Management and Technical Staff Support and Commitment		
Low commitment of management and staff in finance and other ministries to adopt and implement governance and integrity good practices.	Medium	Engage with senior management and technical staff proactively and explain the importance of strengthening governance and integrity within revenue administration.
Resource Adequacy		
Insufficient technical capacity and human resources necessary to implement governance and integrity reforms are limited.	Low	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or high-risk areas where resources are limited.

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I. COUNTRY REFORM PROGRESS

The project's focus on income tax reform complements the new value added tax (VAT) and excise statutes developed under the previous revenue mobilization thematic funds (RMTF) project and will encompass both a repeal and replace income tax reform and the fiscal frameworks for mining and petroleum. Progress on the income tax legislative reform agenda has been blocked by the President's December 2023 dismissal of the National Assembly, but work has continued on capacity development (CD). An October 2024 mission conducted a diagnosis of the current mining fiscal regime, recommended reform options, and built capacity of staff from the Ministries of Finance and Natural Resources to analyze and design mining tax policy.

Digitalization reforms are the centerpiece of the revenue administration reforms, supporting the modernization of core functions while improving governance with transparent and accountable work processes and improved management. The Guinea-Bissau tax administration was totally paper-based at the onset of the pandemic. The government agreed to a proposal by the IMF's Fiscal Affairs Department (FAD) to pilot a Minimum Viable Product (MVP) of a website for electronic filing and payments. Named Kontaktu, the MVP was developed and deployed remotely and became the backbone of a digital transformation in tax administration. The digital transformation has been instrumental in revenue mobilization and enhancing performance, transparency, accountability, and resilience to pushbacks. The resulting growth in domestic tax collections surpassed Customs revenue for the first time in the country's history and has been maintained for three consecutive years.

Despite some challenges in the Customs administration's capacity to absorb CD, significant progress has been made since 2021. Key achievements include revised procedures for granting duty exemptions and monitoring the end-use of exempted goods, which enabled successful ex-post controls starting in 2023, enhancing compliance and efficiency. Recent efforts have focused on training Customs officials in national and regional legislation, as well as Customs clearance procedures. A key milestone was the development of an electronic training platform, approved in October 2024, with full deployment planned for May 2025.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: The October 2024 mission recommendations included the repeal of all fiscal provisions from the Mining Code and the development of Mining Code regulations for royalty rates, mineral valuation procedures, and state participation. There is a high risk that lack of capacity will hamper implementation of the mission's recommendations, and that ongoing renegotiations for the phosphate project will not be favorable to government.

No legislative progress on a repeal and replace income tax reform has been possible, as President Umaro Sissoco Embalo issued a decree in December 2023 closing down parliament. The Minister of Finance, however, did finally issue a Ministerial Order on October 31, 2024 that VAT legislation approved by the National Assembly in 2022 -- and developed with RMTF support -- would be implemented as of January 1, 2025.

Next Steps: The step forward on implementing a modernized VAT allows the focus to turn in mid-2025 to the income tax reform initiative being supported by the GPFP, as the Directorate General of Contributions and Taxes (DGCI) lacks the capacity to consider income tax reforms concurrently with VAT implementation.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: Tax revenue collection, other than cashew revenue, is on track to meet the government targets. Heavy reliance has been placed on the tool developed by FAD for tax administration in fragile states (Kontaktu), which is the backbone of tax administration reforms and has supported the digitalization of the tax administration. Ongoing actions are the design of modules for installment payments and tax arrears collections. The GPFP has also supported preparations for the VAT implementation, which was announced for implementation in January 2025. No activity in the customs area in the first half of FY25. Regarding the customs component of the project, the Customs Directorate has been provided with CD under a bilateral project financed by Japan through to October 2024. Only from calendar year 2025 will CD be provided under this GPFP project.

Next Steps: Tax administration – the decision to commence VAT in January 2025 was announced on October 31, 2024, without adequate timing for a communication campaign, training, and final testing. This will require a total focus on VAT implementation given the lack of capacity. Continued support for the development and implementation of a digital platform for the induction and ongoing training of customs officers, and the development of content for this platform and customs procedures manuals is planned for the last quarter of FY25.

III. LOGICAL FRAMEWORK

Country – Guinea-Bissau		
RM I: Objective – Improve tax policy design - TPD		Rating - 2
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures.	2 Partially Achieved	Income tax policy direction and natural resource scoping activities in January 2024 resulted in: an improved understanding of tax competitiveness in relation to supernormal profits in the mining sector, and productive discussions on the framework for a modernized income tax statute. A requirement to not renew tax incentives provided to CIMAF (Guinea-Bissau plant of Moroccan cement producer) was included in conditionality related to the IMF's Extended Credit Facility. These negotiated incentives were inconsistent with the Investment Code and their expiry in July 2025 is a welcome contribution to the denormalization of negotiated incentive packages; revenue losses from tax exemptions provided to CIMAF are estimated at 1.4 percent of GDP since 2017. An October 2024 mission conducted a diagnosis of the current mining fiscal regime, recommended reform options, and built capacity of staff from the Ministries of Finance and Natural Resources to analyze and design mining tax policy. There is a high risk that lack of capacity will hamper implementation of the mission's recommendations, and that ongoing renegotiations of the phosphate project will not be favorable to government.

RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	1 Not Achieved	Support not started as elections will probably see changes in senior management (November 2024).
Corporate priorities are better managed through effective risk management	2 Partially Achieved	Digitalization has supported increased CRM in the small taxpayers' segment and in arrears collection and installment payments (November 2024).
Effective implementation of a new tax or modernized legislation	1 Not Achieved	The authorities still need to decide the commencement date for the VAT implementation (November 2024).
Support functions enable more effective delivery of strategy and reforms	1 Not Achieved	The Parliament has been closed since the beginning of 2024, and legislation is key to achieve this outcome (November 2024).
The participants value this training	3 Largely Achieved	A prototype of the platform has been developed and made available to customs for testing. Three training modules have already been developed, including one on customs clearance.
Digital technologies are better aligned with strategic objectives	3 Largely Achieved	The DGCI has benefited from intense modernization using Kontaktu, which allowed domestic collections to surpass customs collections for three years in a row, the first time in history.
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	1 Not Achieved	Despite an automated tool to enforce timely filing is in place, the DGCI still needs to monitor compliance (November 2024).
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	The design of a new module to enforce tax arrears collections commenced in October 2024, intending to automate as far as possible the current manual process of tax arrears collection (November 2024).
Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	Not started yet.
Taxpayer services initiatives to support voluntary compliance are strengthened	1 Not Achieved	The high turnover of senior staff, with poorly qualified senior managers has hindered the achievement of this outcome (November 2024).
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 1
Outcome	Rating	Narrative
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	2 Partially Achieved	First controls on the end use of exempt goods were initiated. Post clearance audit has yet to be implemented.
Customs control during the clearance process more effectively ensures accuracy of declarations	1 Not Achieved	To be implemented.

Foreign trade operators better comply with their reporting and payment obligations	1 Not Achieved	An FAD mission in October 2024 provided advice on this issue and worked together with customs staff to draft SOPs and new regulations on customs clearance and cargo control procedures for imports and exports.
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IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I, RM II: External shocks (social, political, economic, etc.) impact government revenue and expenditures.	High	Work with the IMF country teams and other IMF departments to analyze emerging fiscal risks and propose potential fiscal policies to minimize fiscal risks.
RM II: Government revenue measures adversely impact the tax ratio.	Very High	Work with country team and authorities to monitor revenue measures and their impact on the tax ratio and propose reforms to boost the tax ratio.
Political Support		
RM I, RM II: Political instability and/or lack of political support may slow down and even stop reforms.	Very High	Close consultation with the country team to assist authorities in recognizing the relevance of reforms.
RM II: DGA and DGCI's control being negotiated by political parties.	Very High	Strategic advice and hands-on capacity building to have a more permanent impact.
Management and Technical Staff Support and Commitment		
RM I, RM II: Patronage and cronyism in senior staff appointments.	Very High	Establish a merit-based selection process to hire senior staff.
RM II: High turnover of senior staff (11 DGs in six years) induces a lack of ownership and slows down the reforms.	Very High	Encourage authorities to implement reforms and closely monitor and discuss with them the status of reforms implementation. Investing in digitalization can minimize the risks once the upcoming authorities can review policies but are not able to change what is implemented in IT systems in the short term.
Resource Adequacy		
RM II: Deficient transparency and accountability in the tax administration.	High	Development of reform projects approved by higher-level authorities, with clear objectives, outcomes, and milestones monitored by these authorities.
RM II: Cronyism and nepotism in hiring low-capacity and unskilled staff.	Very High	Establish a merit-based selection process to hire staff and ban the appointment of interns. Training of unskilled staff and displacement of low-capacity staff.
Other Risks		
RM I: Overlap of reforms with other development partners	Low	Coordinate reforms with major development partners
RM I, RM II: Slow implementation of reforms	Low	Aligning reforms timeline with conditions in the field - low capacity and lack of resources. Close monitoring and readiness to adopt necessary changes.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

For the time being, no activities have taken place within the framework of the GPFP, mainly for reasons relating to the administrative organization of the missions, but in view of the authorities' urgent request, an agreement has been reached with the IMF's Caribbean Regional Technical Assistance Center (CARTAC) to fund the project's planned prior activities, which were to draft the main implementing regulation for the new tax code due to be enforced on October 1, 2024. For this reason, progress has been made by the authorities to achieve a critical outcome.

The IMF's Fiscal Affairs Department (FAD) experts, funded by CARTAC, helped the authorities to (i) finalize critical orders [order clarifying the list of goods exempted from the turnover tax (TCA) aligned with the customs' "Harmonized System" (HS); order clarifying the list of goods subject to excises; order specifying implementation rules for many legislative provisions of the tax code; order defining the content and format of transfer pricing assessment's documentation; and (order defining the composition and operating procedures of the tax appeal commission)] to support the implementation of the new tax code, which was due to be enforced on October 1, 2024; and (ii) review the status of other tax administration measures including the tax code implementation plan developed in 2023 with FAD support. Advice was also provided on urgent administrative measures included in the tax code implementation plan.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: *Tax.* Although the entry into force of the new tax code has been postponed to October 1, 2025, the main texts for its implementation have been drafted in close collaboration with FAD, funded by IMF01 resources and CARTAC. A close collaboration was set up with the French cooperation in charge of training. *Customs.* All activities coordinated with CARTAC have been postponed following authorities' request.

Next Steps: *Tax.* Finalize remaining texts implementing the new tax code, forms and other documents. *Customs.* Help strengthen customs control during the clearance process and ensure proper tariff classification in SYDONIA and strengthen goods valuation capacities of customs officers and auditors.

III. LOGICAL FRAMEWORK

Country – Haiti		
RM II: Objective - Improved customs administration functions (SDG 17.1) – CAD		Rating - 1
Outcome	Rating	Narrative
Customs control during the clearance process more effectively ensures accuracy of declarations	1 Not Achieved	This activity was rescheduled at the request of the authorities.
Trade facilitation and service initiatives better support voluntary compliance	1 Not Achieved	This activity was rescheduled by the authorities.

RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols	1 Not Achieved	This activity was rescheduled at the request of the authorities.
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	1 Not Achieved	This activity was rescheduled at the request of the authorities.
Effective implementation of a new tax or modernized legislation	3 Largely Achieved	Although the entry into force of the new tax code has been postponed from October 1, 2024, to October 1, 2025, the main texts implementing the new tax code have been drafted. There are still a few texts to be finalized.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) – TAD		Rating - 1
Outcome	Rating	Narrative
Taxpayer services initiatives to support voluntary compliance are strengthened	1 Not Achieved	This activity was rescheduled by the authorities.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM II: Security and/or political instability can slow down and even stop implementation of reforms.	Very High	Focus on strategic advice and hands on capacity building to have a more permanent impact. Develop telework and speeding-up the digital transformation of the tax and customs administration (mobile tax, e-filing, e-payment, etc.)
Political Support		
RM II: Lack of political support for reforms inhibits resources being allocated that are needed to enhance the performance and restore the credibility of the tax and customs administration.	Very High	Engage regularly with the Minister to ensure ownership of reforms. Ensure capacity development (CD) on revenue is focused on the IMF's Staff-monitored Program and engage with the IMF's Western Hemisphere Department team to align structural benchmarks with the CD recommendations.
Management and Technical Staff Support and Commitment		
RM II: Weak leadership and lack of capacities combined with low absorptive capacity. Lack of reliable management information system may prevent the evaluation of tax and customs administration performance outcomes.	Medium	Encourage authorities to implement HR policy reforms and a sound training plan. Continual/regular high-level engagement and monitoring. Encourage authorities to ensure the respect of the timetable and to speed-up the implementation of the new IT system.
Resource Adequacy		

Description	Rating	Mitigation Measures
Insufficient technical capacity and human resources necessary to implement reforms are limited. Limited operating resources and working conditions not adapted.	Medium	Ensure CD plans include sufficient training and prioritize CD to risks areas where resources are limited. Engage regularly with the minister to ensure ownership of reforms.
Other Risks		
RM II: Commitment by the Director General has been gained but that of his staff is still weak. Several regional appointments, and reform's ownership by managers on the two of three islands is still low. The difficult security situation in Haiti means that we will not be able to carry out on-site missions in the medium term. Remote missions are an option, but in the absence of face-to-face meetings from time to time, there is a risk of losing authorities' attention.	Very High	Engage proactively with management and technical staff, and explain the importance of the tax administration reform plan and strengthening tax risk. One solution would be to organize off-site HQ missions at least once a year, as in the past, to a country with a direct flight with Haiti that would be willing to host Haitian officials.

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I. COUNTRY REFORM PROGRESS

The Honduran government aims to increase public investment spending to contribute to economic and social development. One key reform needed to achieve this is to strengthen budget execution, as public investment spending executed is systematically inferior to amounts budgeted. The project financed a mission that assessed budget execution controls and presented an action plan on how to improve these, thus contributing to the project outcome 1.2. (better budget execution). Authorities are expected to use this capacity development (CD) mission to improve operational budget execution procedures, and notably formalize them in guidance notes and manuals.

II. PROJECT DELIVERY HIGHLIGHTS

SM II: Spending Module II – Managing Public Finance
Key Progress in FY25: The programming of budget execution processes in Honduras needs strengthening to increase its efficiency and timelines, while avoiding erroneous registers on budget execution data. To that effect, the project supported a joint mission with the IMF's Regional Technical Assistance Center for Central America and the Dominican Republic (CAPTAC-DR) that assessed budget execution controls and presented an action plan on how to improve these, thus contributing to the project outcome on budget execution and control processes. Next Steps: Authorities are expected to draw on recommendations from the last technical assistance mission on budget execution to improve operational budget execution procedures, and notably formalize them in guidance notes and manuals. In the coming months, the project is expected to turn to the more upstream process of strengthening budget formulation.

III. LOGICAL FRAMEWORK

Country – Honduras		
SM II: Objective - Strengthened Budget Management - PBM		Rating - 2
Outcome	Rating	Narrative
Strengthened budget execution and control processes	2 Partially Achieved	Activities carried out with the support of CD supported developing a methodological and practical manual for budget execution programming that will be expected to contribute to the institutionalizing budget execution programming and improve budget execution processes.
Strengthened annual budget process, and effective allocation	2 Partially Achieved	Comprehensive assessment to be made after a mission.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
SM II: Natural disasters and other external shocks could hinder CD delivery in the field.	Low	Remote CD when necessary.
Political Support		
N/A	N/A	N/A
Management and Technical Staff Support and Commitment		
SM II: Continuous rotation and lack of preparation of managers undermine the absorptive capacity.	Medium	The missions will work with stable staff and officials encouraging authorities to implement administrative reforms that contribute to a more stable staff. Continual/regular high-level engagement and monitoring.
Resource Adequacy		
SM II: Availability of funding and staff for CD.	High	Plan CD well in advance to secure resources.
Other Risks		
N/A	N/A	N/A

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I. REFORM PROGRESS

This project was initiated at the request of the Ministry of Finance (MoF), and had the Directorate General of Analysis and Fiscal Policy as its main beneficiary. It started in January 2023 and finished in September 2024. It has comprised one scoping mission, followed by seven technical ones. Over the course of the project, the team at the IMF's Institution for Capacity Building (ICD) has been coordinating its work with the IMF's Fiscal Affairs (FAD) and Western Hemisphere (WHD) departments.

The main objectives of this project were development and operationalization of an annual macro-framework for forecasting and policy analysis. The macro-framework developed under this project is a customized version of ICD's Comprehensive Adaptive Expectations Model, and it includes an interface between Excel and EViews to solve a system of dynamic equations. The system of equations delineate the transition of the economy to its long-run trends in terms of output, inflation, real interest rates and real exchange rates. The calibration of the system of equations ensures that the cyclical gaps of these variables are closed and short-run sensitivities and co-movements of endogenous variables to different types of shocks are consistent with the empirical evidence. Forecasts are based on this calibrated system of equations, solved in an EViews program, and can be supplemented by the economic judgement of users.

The macro-framework enables users to conduct forecast in a baseline scenario, but also to design alternative scenarios for macroeconomic risk assessment and policy evaluation. The latter can be created by combining different types of shocks. Alternative scenarios can be used for the analysis of risks embedded in the baseline scenario, but also to study the macroeconomic and fiscal effects of policy measures.

Over the project, the team has gained a good understanding of the economics underlying the model, and its transmission mechanisms. Thanks to this, they have been able to use the tool with increasing autonomy in the production of medium-term macroeconomic forecasts, and informing MoF's position in the preparation of the Medium-Term Macroeconomic Framework, which is legally mandated to be done in coordination with the Central Bank and the Ministry of Economy, Planning and Development. Further, by providing a smooth integration between macroeconomic and fiscal projections, this tool lays a sound ground for a closer coordination of the DGAFF with other units in the MoF, namely Budget, Tax Policy and Public Debt Management, and for the analytical enhancement of the Medium-Term Fiscal Framework.

II. PROJECT DELIVERY HIGHLIGHTS

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

Key Progress in FY25: The last two missions of the project took place in FY25 (May and September). Progress in several areas was decisive during this period:

- The calibration of the tool was finalized, after an in-depth analysis of the properties of the model.
- A system of shock backcasting was incorporated to the tool, allowing to calibrate the size of shocks that ensure the attainment of target values for key endogenous variables.
- The team greatly solidified its understanding of the tool, gained autonomy in its operationalization and developed a capacity to spot inconsistencies in their own projections.
- Projections and analyses obtained with the tool were presented to DGAFF management, who got a good sense of the functionalities of the tool and its potential contributions to the output of the department.
- In terms of the institutionalization of the tool, two important steps were made: (i) a user manual was concluded by the team; (ii) a pilot quarterly note for the Minister was produced, aimed at summarizing the projections of the annual model in several scenarios and guiding policy decisions.

Lastly, during the end-project mission the ICD team delivered an end-project report to the authorities, summarizing the key achievements and point to some critical areas to further reinforce the institutionalization of the tool. During the final wrap-up, the authorities were very appreciative of the results of the project and underlined the significant contribution the tool can make to the improvement of their medium-term projections and the integration between the macroeconomic framework and their fiscal strategy.

Next Steps: The last mission of the project took place in September 2024 and no further activities in FY26 are foreseen.

III. LOGICAL FRAMEWORK

Project – Dominican Republic		
Objective - Stronger analytical skills and better macroeconomic forecasting and policy analysis at the Ministry / central bank / or other governmental agency(ies) feeds into the economic policymaking process - MFP		Rating - 0
Outcome	Rating	Narrative
Authorities have a baseline understanding of their existing macroeconomic forecasting, policy analysis and analytical capabilities and opportunities for improvement	4 Fully Achieved	Action plan agreed during the scoping mission in January 2023
Objective - Develop capacity in macroeconomic forecasting and policy analysis to support policy decision making and communications – GMA		Rating - 4
Outcome	Rating	Narrative
Authorities have a baseline understanding of their existing forecasting and analytical capabilities and opportunities for improvement	4 Fully Achieved	Capacity diagnostic and action plan concluded and agreed with the authorities during the scoping mission
Improved analytical skills, and better macroeconomic forecasting and policy analysis capacity	4 Fully Achieved	The team has built the necessary capacity to understand the economics behind the tool, operate it in baseline and alternative scenarios and correctly interpret its results
Decisionmakers understand the structure and function of the Macroeconomic Projection Tool (MPT), and use staff's MPT-based analysis and forecast in the policy formulation process	3 Largely Achieved	The core team is able to produce relevant outputs for decision-makers by means of the macroeconomic framework and has started the presentation of its results and functionalities to the DGAFP management. Nonetheless, as the end-project report acknowledged, this process must be reinforced by bringing on board other stakeholders in the MoF and the CDBR. Some of these goals exceed the scope of this project and require institutional

		enhancements, to be undertaken within the broader PFM reform undertaken by the country.
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IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
Resource Adequacy (Disruptions in the institutionalization due to staff turnover)		
After the end of the project, the core team has been restructured, with some members leaving and expected to being replaced in the coming months	Medium	The user manual drafted by the team should strongly mitigate this risk. However, delivering internal training to the new members of the team upon their joining the Directorate will be instrumental in avoiding disruptions in the use of the tool and resuming the institutionalization process as soon as possible
Management and Technical Staff Support and Commitment, Political Support		
The institutionalization process of the tool is hampered by lacking managerial or political support	Low	The incorporation of the tool to key strategic outputs of the DGAFP has always received priority. To mitigate political risks, best mitigation measure would be the presentation of the tool to the Ministry and other key stakeholders in the forecasting process, with a view to embed the tool as soon as possible in the main decision-making processes at the Ministry.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. REFORM PROGRESS

This capacity development (CD) project is aimed at building forecasting and policy analysis capacity at the Ministry of Finance (MoF) and the Central Bank of Ecuador (CBE) through the development of a macroeconomic framework for forecasting and policy analysis. The previous process was very fragmented, with many independent and inconsistent models and limited coordination across technical teams. A scoping mission in late-2022 agreed on an action plan to develop with the authorities a comprehensive, consistent, and unifying macroeconomic framework tool. The core team would develop the capacity to utilize this tool over the project, and the core team consist of members from both MoF and CBE to enhance coordination across the agencies given that both institutions work jointly on the macroeconomic program by law.

Ecuador signed a program agreement with the IMF at the start of 2024. The strengthening of fiscal policy is a large focus of the agreement. This CD project aligns closely to this objective, by providing the relevant technical teams with the tools and capacity to assess fiscal policy in a comprehensive manner, that considers the interactions with the rest of the macroeconomy. The project team has coordinated with the IMF's Western Hemisphere (WHD), Statistics (STA), and Fiscal Affairs (FAD) departments on the macro framework being built with the Ecuadoreans.

II. PROJECT DELIVERY HIGHLIGHTS

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

Key Progress in FY25: The project is making progress as expected. Our assessment is that 65 percent of the project has been already done. ICD's mission team produced a diagnostic document and agreed with the authorities on an action plan. ICD provided training on Financial Programming and Policies (FPP). The mission team started building the Macro Projection Tool (MPT) together with the Ecuadorian officials. The MPT is under construction, but it is already well advanced. Indeed, a substantial amount of work has been done on the tool. The historic data is all in place. The four sectors of the economy (Fiscal, Real, External, Monetary) are largely finished. The four sectors were constructed along the lines of the Excel files used by the WHD country team, better facilitating communication between the authorities and the IMF. The behavioral equations for the real sector, for example consumption, investment, exports introduced in the Excel file are consistent with a dollarized economy. The sectors are interlinked to guarantee consistency in the forecasts and there is a Visual Basic Code that solves simultaneities / circularities using goal seek. We are in the process of introducing shocks to the system and calibrating the model together with the core team of Ecuadorians. Staff Introduced the data generated with the new National System of Accounts. After the calibration of the model is finished, *the framework will allow the authorities to produce **macro fiscal forecasts**, build **risk scenarios**, and perform **fiscal policy simulations***. The officials will be able to analyze the economy and the channels through which the shocks are transmitted to the economy. The project should be finished by the end of 2025 fiscal year, before the end of April 2025.

Next Steps: Three more missions are planned. One in late November 2024 and two early 2025. During these missions, the mission team will support the authorities in finishing the calibration, producing alternative

scenarios, and incorporating the Debt Dynamics Tool to the macro framework to forecast public debt consistent with every macro scenario and to simulate public debt with different shocks.

III. LOGICAL FRAMEWORK

Project – Ecuador		
Objective - Develop capacity in macroeconomic forecasting and policy analysis to support policy decision making and communications - MFR		Rating - 3
Outcome	Rating	Narrative
Authorities have a baseline understanding of their existing forecasting and analytical capabilities and opportunities for improvement	4 Fully Achieved	A scoping mission was carried out in December 2022, during which the mission agreed 'ad referendum' on an Action Plan for a two-year CD project to develop a macroframework for forecasting and policy analysis. The mission produced an Aide Memoire, which was left with the authorities for comments.
Improved analytical skills, and better macroeconomic forecasting and policy analysis capacity	4 Fully Achieved	FPP course delivered in-person was well received by staff. Learning gain of 34 percent was achieved. Staff presented their own cases and demonstrated capacity on producing a consistent baseline scenario.
Analytical models and forecasting tools are developed and operational	2 Partially Achieved	The MPT is under construction. It is already well advanced. The historic data is all in place. The 4 sectors of the economy are largely finished, the behavioral equations are also introduced to the Excel file. There is a Visual Basic Code that solves simultaneities/circularities. The sectors are interlinked to guarantee consistency. We are in the process of introducing shocks to the system and finish the calibration the model.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External conditions/Climate		
N/A	N/A	N/A
Management and Technical Staff Support and Commitment		
High staff turnover at the ministry of finance and the central bank. High turnover results from the fact that many employees at the ministry of finance have short-term contracts which could not get rolled over.	Medium	The work group has been stable even with political instability. We asked the officials in charge of the group that would work with us on the project to designate a reasonable number of officials to be sure that the project will not suffer in

Description	Rating	Mitigation Measures
		case some of them leave the ministry of finance or the central bank.
Given that this is a joint project with the ministry of finance and the central bank, there could be politics involved resulting in attritions and lack of coordination between both institutions.	Low	Since the very beginning of the project, we organized working groups in which we mixed members of both institutions. By working together, they started to know each other and have a very collaborative work dynamic.
Political Support		
Political instability	Low	This risk has temporarily subsided due to Ecuador's recent agreement with the IMF, highlighting the relevance of this CD project. Authorities continue their support to the project and the core team remains highly engaged. The project should end at the end of 2025 fiscal year. The tool will be used by the Ecuadorean officials even if there is a new president.
Ecuador's political polarization has led to institutional instability and in some cases to antagonization with the IMF not too long ago. As a matter of fact, this project was suspended for two years in the past, but a new administration revived it in 2022. The new elected government that took office at the end of 2023 continued supporting the project.	Low	Make quick progress on the macroeconomic programming tool to finish the project around the time the new government takes office in March 2025.
Resource Adequacy		
Resources needed to finance the project might not be enough to carry out the last two missions of the project	Medium	Generating savings by (i) having only two economists in charge of the project; and (ii) conducting several missions virtually.
Other Risks		
N/A	N/A	N/A

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I. COUNTRY REFORM PROGRESS

Indonesia's incoming president has announced an ambitious revenue target, aiming to increase the tax-to-GDP ratio by 10 percent in the medium term. A mission by the IMF's Fiscal Affairs Department (FAD) analyzed the main taxes and suggested options for their reform. The mission could provide a useful basis for picking up work on a medium-term revenue strategy (MTRS), which was devised in 2019 but not yet implemented.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy
Key Progress in FY25: A menu of tax policy reform options, and an assessment of regional revenue potential, was presented to the authorities. Recommendations on how to achieve the government's ambitious revenue target were provided.
Next Steps: No capacity development (CD) activities are envisioned in the next six months, while the government decides on priority areas for tax policy reform. Follow-up engagements in the areas of devising an MTRS and improving regional taxation seem warranted.

III. LOGICAL FRAMEWORK

Country – Indonesia		
RM I: Objective - Improve Tax Policy Design - TPD		Rating - 3
Outcome	Rating	Narrative
Increased/decreased revenue quantity	3 Largely Achieved	A mission provided reform options to increase revenues. It is uncertain whether the reform options will be implemented.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	3 Largely Achieved	A mission provided reform options to reduce economic distortions. The recommendations have not yet been implemented.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I: Risk that external events create a more challenging environment to implement reforms.	Medium	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
Political Support		

Description	Rating	Mitigation Measures
RM I: Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhancements to fiscal risk management institutions and practices.	Low	Engage with senior management and technical staff proactively and explain their role in driving reforms. Ensure frequent engagement to maintain momentum and rekindle commitment where needed.
Management and Technical Staff Support and Commitment		
RM I: Low commitment of management and staff in finance and other ministries to adopt and implement fiscal risk management practices.	Medium	A Fund coordinated approach with the country team to help track progress, get political support for reforms, and resolve key obstacles to sustained revenue performance.
Resource Adequacy		
RM I: Insufficient technical capacity and human resources necessary to implement reforms are limited.	Low	Prioritize CD to priority or highest risk areas where resources are limited.
Other Risks		
RM I: Multiple donors providing technical assistance, leading to overlaps and/or conflicting advice.	Low	Take an active role in engaging with other donors to ensure support is well coordinated.

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I. REFORM PROGRESS

In line with the aims of the International Survey on Revenue Administration (ISORA), the emphasis on engagement with tax administrations is shifting towards use of the ISORA database. This is now possible because a large database of comparative data on tax administration has been built up since the first ISORA was undertaken in 2016, through collaborative efforts by the ISORA partners (ADB, CIAT, IMF, IOTA and OECD). Comparative analysis provides revenue administrations with insights into their relative strengths and weaknesses, suggesting areas for improvement, and even identifying peer administrations to whom they could turn for advice. The first in-person workshop on the use of ISORA data by tax administrations, attended by eight countries who are members of the IMF's Caucasus, Central Asian, and Mongolia Regional Capacity Development Center (CCAMTAC), elicited peer-to-peer conversations about performance and the sharing of good practices by countries exhibiting relative strength in particular areas, for example, in arrears management. In addition, the workshop proved valuable in highlighting to administrations the importance of contributing complete and accurate data to the ISORA database.

Work also continues to update the published ISORA data products and add a tenth year's data to the database through the current survey. Data collected in 2023 from a record 166 tax administrations is accessible through a variety of tools on the ISORA portal (<https://data.rafit.org>). Data collected in the 2023 survey are being used to refine the Tax Administration Assessment and Yield Tool. Support is being provided via email and through virtual workshops to ISORA coordinators to complete the current round of ISORA. In addition, a short-term expert is supporting the participation of five countries through regular virtual engagement with their tax administrations.

The design of the International Customs Administration Survey (ICAS) is at an early stage, and countries will be involved in shaping the survey from the outset. A draft questionnaire has been drawn up, informed by analysis of past and current exercises in gathering comparative information on Customs administration (including the International Survey on Customs Administration – ISOCA). The heads of key Customs administrations will be engaged in shaping the ICAS survey instrument, to ensure that the survey meets the needs of administrations, and thereby foster active participation in the survey. Discussions have been held with the Inter-American Development Bank regarding the project, which has expressed its interest in actively participating.

II. PROJECT DELIVERY HIGHLIGHTS

RM III: Revenue Module III – Training/Peer Learning and Fiscal and Macroeconomic Tools - Revenue

Key Progress in FY25: The first workshop on using ISORA data stimulated peer-to-peer engagement, the sharing of good practice in core tax administration areas amongst the eight countries represented, and an appreciation of how comparative data available in the ISORA database can be used. This workshop was convened jointly by the ISORA team of the IMF's Fiscal Affairs Department (FAD) and CCAMTAC. The ISORA partners (ADB, CIAT, IMF, IOTA, OECD) continue to coordinate outreach and training activities, and share learnings from their experiences.

Next Steps: An ISORA workshop organized jointly with the IMF's AFRITAC West (AFW) and AFRITAC West 2 (AFW2) for 16 West African countries aims to raise awareness of the value of accurate and comparable data to tax administrations, for assessing performance and in their planning. Lessons learned from the CCAM workshop will be incorporated. An ICAS workshop with the heads of Customs administrations will be held to shape the ICAS survey instrument.

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

Key Progress in FY25: Data collected in 2023 on tax administration through the joint efforts of the ADB, CIAT, IMF, IOTA and the OECD has been published (<https://data.rafit.org>). Indices were developed from the periodically collected datapoints on tax administration characteristics, structural foundations and practices and preliminary analysis undertaken of the relationship between tax administration practices and performance. Data collection for the 2024 ISORA round is underway. A draft ICAS questionnaire has been developed.

Next Steps: Analysis of ISORA data collected on gender and tax administration, as well as changes to tax administration size and scope over time is planned. Resources permitting, the use of generative AI to draw relevant data and analyses from the ISORA database will be explored to facilitate use of ISORA data by those less skilled in data manipulation. Preparation for a further five-year MOU between the five ISORA partners will be undertaken. A potential partnership with the Inter-American Development Bank on ICAS to expand its potential reach will be explored.

III. LOGICAL FRAMEWORK

Project – ISORA		
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	2 Partially Achieved	October 2024: ISORA data accuracy and completeness improving over time. ICAS questionnaire design in progress.
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	Increased awareness of use of comparative data to inform strategic plans and KPIs.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
Risk that external events create more challenges for countries to participate in contributing data and using data in planning.	High	Continue to run data collection annually and further develop tools that streamline data access and provide data in usable formats.
Political Support		
Lack of political support for transparency and accountability inhibits required actions or resources being allocated to data management and evidence-based decision-making and planning	Low	Engage regularly with ministers and senior management to emphasize the value of transparency, accountability, and evidence-based decision making.
Management and Technical Staff Support and Commitment		
Low commitment of senior management or technical staff to contribute data to comparative revenue administration databases through ISORA and ICAS.	Medium	Engage with senior management and technical staff proactively and explain the importance of participating in ISORA and ICAS.
Resource Adequacy		
Expectations of ISORA partners and participants have risen in respect of the capability of the ISORA data collection platform and portal, and current capability is below the desirable level. The IMF is modernizing the IT infrastructure on which these platforms are built, but the new capability is not yet clear and support for the migration to new systems is not secure.	High	Training will be provided to tax administrations on changes to any tools necessitated by changes in IMF infrastructure. There is ongoing engagement with the IMF's IT Department. ISORA partners are being kept informed of changes to IMF systems that impact the data collection platform and portal.
Other Risks		
Multiple donors fund data collection exercises involving revenue administrations, leading to survey fatigue that impacts the quality of data collected.	High	Take an active role in engaging with other donors and organizations to ensure support is well coordinated and data are shared.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

The increasing challenges in mobilizing external financing have exacerbated the urgent need to strengthen domestic revenue mobilization (DRM) in Kenya. The country is at elevated risk of debt distress (fiscal deficit estimated at 5.3 percent of GDP, public debt reached 73.2 percent of GDP – with debt service consuming 55 percent of total revenues). Persistent uncertainty regarding access to international bond markets creates liquidity challenges for large external debt service payments. Tax collection (13.2 percent tax-to-GDP ratio) has been underperforming, with a target deviation reaching about 2 percent of GDP. This is partly due to the failure to enact envisaged reforms against the backdrop of a difficult domestic socio-political environment. Recent strong nationwide public protests, reflecting social discontent following warranted fiscal measures to mobilize resources and enhance debt sustainability (linked to the 2024 Finance Bill), along with rising regional insecurity, are adding to the challenges. This current complex political and social environment leaves little space for tax policy changes in the near term. Strong analysis, including equity considerations, and proper consultations with key stakeholders are essential for building support for tax reform.

In the light of these pressing challenges, the authorities are preparing a new supplementary Finance Bill to introduce noncontroversial measures from the July 2024 Bill. A National Treasury-led Steering Committee has been formed and oversees medium-term revenue strategy (MTRS) implementation. The Kenya Revenue Authority (KRA) has revised its 9th Strategic Plan to align to the MTRS and is revising its ICT Strategy to better guide digitization initiatives under the MTRS. The Commissioner General has made presentations to the development partners (DP) group on the KRA 9th Strategic Plan and KRA's capacity development (CD) needs. There is a DP coordination group to which the IMF's Resident Representative to Kenya is a co-chair and leads the IMF's participation. DPs have online access to a DP coordination system to update their areas of engagement with the KRA and avoid duplication of effort.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: During this period, the project contributed to strengthening the government's capacity to forecast tax revenues and introduced microsimulation models (personal income tax, PIT). The team at the IMF's Fiscal Affairs Department (FAD) also reviewed the government's tax policy capacity resulting in a draft work program for the new regional tax policy advisor with Kenya. Coordination with other DPs working on tax policy (World Bank and the UK's Foreign, Commonwealth and Development Office) took place virtually and in-person, including during the mission in October.

Next Steps: The project will continue supporting the authorities to strengthen their capacity to analyze tax policy options, including revenue and distributional impact, by developing a systematic approach to training and onboarding new staff and support the development of the MTRS on a needs basis with the support of the regional policy advisor. The development of PIT and VAT models has been identified as a priority.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: With FAD support, the KRA is developing an implementation plan for MTRS priorities. It has also aligned its 9th Strategic Plan to the MTRS and continues to strengthen stakeholder engagement to garner support for the project. The KRA has also started conducting a VAT GAP analysis and strengthened integrated compliance management starting with customs operations. External coordination continued to be led by the Office of the IMF's Resident Representative in Kenya, with revenue administration providing technical content. The project has also been coordinating and collaborating with other DPs both bilaterally and multilaterally. Internal coordination has been done with the IMF's AFRITAC East (AFE) (including running joint CD activities).

Next Steps: The project will help the authorities to complete the VAT-GAP analysis and advance progress in strengthening compliance risk management starting with development of a compliance improvement plan. It will also support KRA to improve management of tax arrears.

III. LOGICAL FRAMEWORK

Country – Kenya		
RM I: Objective - Improve Tax Policy Design - TPD		Rating - 2
Outcome	Rating	Narrative
Improved distributional fairness across taxpayers due to amended tax rates or base.	1 Not Achieved	Support is starting now under the new regional tax policy advisor work program.
Increased/decreased revenue quantity.	2 Partially Achieved	In progress. Given the sensitive social and political situation, the government is trying to pass non-controversial measures that would allow some additional revenue.
RM I: Objective - Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 2
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	2 Partially Achieved	During this period, the project contributed to strengthening the government's capacity to forecast tax revenues and introduced microsimulation models (PIT). The FAD team also reviewed the government's tax policy capacity resulting in a draft work program for the new regional tax policy advisor with Kenya. Coordination with other DPs working on tax policy (World Bank and the UK's Foreign, Commonwealth and Development Office) took place virtually and in-person, including during the mission in October. The project will continue supporting the authorities to strengthen their capacity to analyze tax policy options, including revenue and distributional impact. The

		development of PIT and VAT models has been identified as a priority.
Improved transparency and outreach.	1 Not Achieved	Support is starting now under the new regional tax policy advisor work program.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their payment obligations as required by law.	2 Partially Achieved	Arrears continue to increase. Authorities have launched an amnesty running from September 2023 to an extended deadline of March 2025 from June 2024. And significant delays are still reported in paying refunds.
Audit and other verification programs more effectively ensure accuracy of reporting.	2 Partially Achieved	A March 2024 mission noted weaknesses and recommended improvements to the current audit approach to make it more effective.
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.	2 Partially Achieved	Annual CIP developed for each KRA department but no whole of KRA CIP is yet in place. FAD mission in March advised KRA on moving in this direction and joint FAD/AFE mission followed up to provide further guidance.
Effective implementation of a new tax or modernized legislation.	2 Partially Achieved	No structured process for Legal reforms- this is still yet to be put in place to support MTRS reforms.
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized.	3 Largely Achieved	MTRS approved and being implemented and monitored by National Treasury led Steering Committee. Deadly public protests against some tax reform measures stalled implementation.
Digital technologies are better aligned with strategic objectives.	1 Not Achieved	Support work has not yet started. KRA will embark on work to develop its 5th ICT strategy to help guide improvements in tax and customs systems.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I, RM II: Abrupt global slowdown or recession could adversely impact	High	Monitor conditions regularly and provide flexibility to adjust to changes in country

Description	Rating	Mitigation Measures
growth, fiscal balances, and debt vulnerabilities.		priorities and needs. Accelerate DRM reforms to address structural weakness.
Management and Technical Staff Support and Commitment		
RM I, RM II: Low commitment of management and staff in finance, other ministries and KRA to adopt and implement tax reform measures.	Medium	Engage with senior management and technical staff proactively to support the development of an implementation plan (and monitoring) while CD support is provided on an on-going basis. Provide support for better management of reforms for achievement of desired strategic outcomes.
Political Support		
RM I, RM II: Unrest could reemerge in connection with protests against higher cost of living, need to raise more taxes, and electoral process supported by the political opposition.	Very High	Continue working at both political and technical level with complementing instruments (program and CD) to reinforce country's commitments. Authorities will be supported to increase the tax-net to help with ultimate easing of the tax burden.
Resource Adequacy		
RM I, RM II: MTRS might not be fully resourced.	Very High	Ensure the MTRS actions are fully costed and that a business case is developed, approved and the government is committed to making the investment needed for a return in improved revenue performance.
RM I, RM II: Insufficient technical capacity and human resources necessary to implement reforms.	High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
Other Risks		
RM I, RM II: Multiple donors are providing technical assistance on DRM and gaps, or overlaps may arise as a result.	Medium	Continue to take an active role in coordinating with other development partners to ensure complementarities and active participation in the current country-level coordination framework.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

Lebanon remains mired in a severe social and economic crisis. Emerging out of the banking sector in 2019, the crisis in Lebanon has been successively compounded by the COVID-19 pandemic, the August 2020 Beirut port explosion, and effects of Russia's war in Ukraine. Since October of 2023, spillovers from deterioration in regional security and the ongoing active conflict in Lebanon have added to the already dire situation. Since the onset of the crisis, there has been a dramatic deterioration in social conditions, and an erosion in the provision of basic public services. Against dwindling resources, social conditions and services are stressed further by Lebanon's hosting one of the largest numbers of refugees per capita in the world.

A lack of action on necessary economic reforms continues to exert a heavy toll on Lebanon's economy and population. The Banque du Liban's decision to end monetary financing and foreign exchange subsidies has helped to (i) eliminate the fiscal deficit; (ii) lower inflation; and (iii) stabilize the exchange rate. While representing progress, the absence of a credible and financially viable strategy for the banking system continues to hamper economic growth and deposit recovery, while giving rise to an increasingly cash-based and informal economy.

In its tax and customs administrations, despite a drop in engagement due to the ongoing conflict, some tangible progress has been achieved. With support from the IMF's Fiscal Affairs Department (FAD), (i) the Ministry of Finance (MoF) has issued an instruction to improve tax-customs cooperation; (ii) the Higher Customs Council has issued an instruction for the formation of a Risk Management Unit under the Director General (and not the Higher Customs Council); and (iii) implementing instructions for Large Taxpayer Office (LTO) integration are with the Minister of Finance for signature. With FAD advice, important interventions are also being made. As one example, the LTO and compliance departments have started issuing reminders and suspending taxpayer customs operations in instances of non-compliance. Around 7,000 taxpayers can no longer import or export before fulfilling their filing and payment obligations. Provisional results suggest that for the LTO this resulted in a 60 percent reduction in filing non-compliance. The IMF's Middle East Regional Technical Assistance Center (METAC) continues to provide complementary capacity development (CD) to tax and customs.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: The project's momentum has slowed due to the deterioration of security and displacement of counterpart staff. With the endorsement of senior leadership in Lebanon, work is ongoing to resume the CD workplan in areas where there has been progress and clear requests for support. Limited support was provided to further key compliance strategies and improve the use of VAT compliance data.

Next Steps: In the next six months, CD activities will be resumed to support (i) development of tax administration reform strategy; (ii) integration of a single LTO; (iii) implementation of key compliance improvement strategies; (iv) improved use of data analytics; and (v) expanded review of customs legislation (beyond operational matters and into governance, organizational design, and human resources). At the request of the authorities, and in collaboration with the World Bank, support may also be provided to help

ensure that business continuity plans for tax and customs administration are in place and well-resourced for execution in the immediate short term, should the ongoing conflict escalate.

III. LOGICAL FRAMEWORK

Country – Lebanon		
RM II: 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	2 Partially Achieved	Good progress was made toward improving the compliance improvement plans for large taxpayers and implementation has started. Implementing instructions for the integration of a single large taxpayer office, including compliance planning functions and operations are awaiting the Minister of Finance's approval. A comprehensive set of analytical programming scripts were developed for VAT, enhancing the MoF's ability to work with data.
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	Some CD support is being provided to tax administration and work is in progress. A small team of advisors has been appointed in the MoF to support tax administration reforms. No progress has been made in customs administration due largely to deterioration of security.
Organizational arrangements enable more effective delivery of strategy and reforms	2 Partially Achieved	The MoF has approved the integration of a single large taxpayer office and implementing instructions are awaiting his signature. A small team of advisors has been appointed in the MoF to support the development of a broader tax administration reform strategy that will account for full integration beyond the LTO.
Support functions enable more effective delivery of strategy and reforms	2 Partially Achieved	Staff presence and operational performance has improved. Several salary top-ups have reduced systemic absenteeism. However, a persistent lack of adequate IT staff remains problematic, and regular IT service outages are still occurring.
Digital technologies are better aligned with strategic objectives	2 Partially Achieved	A plan and funding to cover immediate IT infrastructure and security needs are in place. This plan needs to be reevaluated in context of regional security to ensure the continuity of core operations.

RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	An audit training plan has been scoped, elements of which are to be achieved with CD support.
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 1
Outcome	Rating	Narrative
Customs control during the clearance process more effectively ensures accuracy of declarations	1 Not Achieved	Due to deterioration of security, no progress has been achieved in delivering CD support to improve the use of ASYCUDA World for clearance processes
Foreign trade operators better comply with their reporting and payment obligations	1 Not Achieved	Due to deterioration of security, no progress has been achieved in delivering CD support to improve the use of ASYCUDA World and electronic manifests.
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	2 Partially Achieved	Little progress has been achieved. However, as part of reviewing customs legislation, recommendations for improving post-clearance audit have been prepared.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM II: Lebanon is now well into its fifth year of an ongoing social and economic crisis, the effects of which could be magnified through the deterioration of regional and national security. The crisis has emerged from the joint effects of failures in the banking sector, the COVID-19 pandemic; the dangerous depletion of government resources; the Port of Beirut explosion; a very high inflation rate; the devaluation of the Lebanese Pound; and spillovers from the war in Ukraine. Adding to the unprecedented recession is the fact that the banking sector has ceased lending. Collectively the external situation is very fragile and has the potential to worsen dramatically from aggravation in any of the areas noted, particularly with security. Any further stresses have the potential to negatively impact revenue collection, reforms and delay an eventual recovery.	Very High	Missions will regularly discuss revenue mobilization recommendations and prioritization of reform actions with the authorities. Configurations allowing for remote delivery of CD will be put into place should security further deteriorate, and they be needed for continuity of the project.
Political Support		
RM II: A complex political system exists in Lebanon in which formation of a government can be challenging. For nearly three years a technocratic, “caretaker” government has been in place, which	Medium	During high level and technical discussions, staff will encourage and support full transparency and extensive communication on reform benefits,

Description	Rating	Mitigation Measures
has spillover effects in all areas of reform that require sustained commitment across the relevant stakeholder communities. Accordingly, the ability to obtain the legislation necessary to enable major fiscal reforms (e.g., integration of tax directorates, implementation of new customs organizational design) may be limited in the near-term due to the ongoing political stalemate and priorities beyond the direct ability of MoF leadership to influence.		including reform cost and impact on revenue collection, taxpayers' compliance, and costs. The project will leverage the IMF's Middle East and Central Asia Department to maintain contact and provide progress briefings with Minister. Outputs will be selectively encouraged for publication to create momentum beneficial to policy action.
Management and Technical Staff Support and Commitment		
RM II: Administrative leadership is motivated to implement reforms and supportive of IMF engagement. However, basic functioning of the tax and customs workforces may be jeopardized by the current crisis with very low staff presence in offices. An immediate concern exists that an unchecked departure of senior IT staff could lead to loss of key systems and a failure of basic operations in both tax and customs administrations. Ensuring the protection of essential staff for mission critical functions is an extremely urgent priority.	Very High	Staff will continually prioritize the encouragement of senior management commitment to long-term reforms, while providing the CD support possible to help address immediate needs (e.g., guidance on addressing IT matters).
Resource Adequacy		
RM II: A perceived unwillingness to prioritize tax and customs administration expenditure in the existing budget could lead to further loss of staff, operational failures and a limited ability of counterparts to absorb IMF support. A persistent inability in recent years to procure IT goods and services (local or international) due to budget limitations may be further aggravating regular IT operations, eventually leading to a loss of the systems relied on for core tax and customs administration functions.	Very High	Staff will highlight and advocate for prioritization of revenue administration in the current budget, while encouraging that options for long-term structural financing arrangements are included in reform strategy (e.g., semi-autonomous configurations, redirection of customs service fees).
Other Risks		
RM II: Sufficient donor and development partner support will be needed to implement major reforms, and its delivery could be delayed.	Medium	Staff will proactively and transparently engage with known donors and development partners to convey our understanding of priorities and requirements for support.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

The government's emphasis is on spending wisely, following windfall revenue and a dramatic increase in water royalties. Cross-cutting fiscal issues include improving fiscal sustainability by containing the public sector wage bill and mobilizing domestic revenues to mitigate against SACU receipt volatility while enhancing the efficiency and effectiveness of public financial management (PFM) processes and implementation of reforms. Establishing a tax policy unit (TPU) in the Ministry of Finance (MoF) is long overdue. Developing a Tax Administration Diagnostic Assessment Tool (TADAT) response plan within Revenue Services Lesotho (RSL) has been slower than anticipated. There is a hiatus in passing tax legislation, including the Tax Administration Bill. Reforms around the strengthening of internal controls in the Integrated Financial Management System (IFMIS) are progressing.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module I – Tax Policy

Key Progress in FY25: The team has been supporting the government to improve tax policy design through comments to reform proposals through the IMF's African Department. Hands-on support to the authorities to improve their modeling capacity for revenue forecasting is scheduled for December 2024.

Next Steps: Strengthening capacity for revenue forecasting and tax policy analysis, including that of the TPU. Authorities would also like support to identify short- and medium-term reform options (including how to bring the informal economy to the tax net and review the fiscal regime for the mining sector).

Revenue Module II – Revenue Administration

Key Progress in FY25: An in-person post-TADAT mission to RSL was undertaken jointly by the IMF's Fiscal Affairs Department (FAD) and AFRITAC South (AFS) in May 2024. This was followed by a TADAT awareness workshop (requested during the mission) and remote technical advice to RSL's TADAT team, which has designed a high-level three-year TADAT response plan.

Next Steps: Ongoing support to RSL's TADAT team on the details of the TADAT response plan and the implementation of the activities planned to strengthen core tax administration functions will be provided. Weaknesses in revenue forecasting and monitoring are to be addressed jointly by FAD through training for RSL and MoF staff in December 2024.

Spending Module II – Public Financial Management

Key Progress in FY25:

Some progress has been made in managing fiscal risks from state-owned enterprises (SOEs). However, there has been no progress in budget preparation and strengthening of the medium-term fiscal framework, as the Fund has yet to start delivering capacity development (CD) in this area.

Progress has been made in implementing internal controls, with 10 out of 61 activities completed and 27 in progress. Improvements have been seen in securing the IFMIS and addressing configuration gaps, but the

key initiative to implement digital signatures is still pending. The Ministry of IT and the Treasury Department are coordinating efforts, and authorities are assessing the adoption of fiscal rules based on IMF CD.

Next Steps: In the next six months, CD will assist authorities in strengthening internal controls and developing a plan to implement gender budgeting. The latter will also touch on aspects of budget preparation and medium-term budgeting. CD on strengthening internal controls is subject to progress in procuring and configuring digital signatures in the IFMIS. Fund CD is expected to enhance internal controls further and build capacity to implement gender budgeting reform.

III. LOGICAL FRAMEWORK

Country – Lesotho		
RM I: Objective - Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 1
Outcome	Rating	Narrative
Improved structures (e.g., TPUs) or capacity (e.g., models and tools) related to tax policy advice and analysis.	1 Not Achieved	Hiring of staff for the TPU is still in progress. A mission to improve the revenue forecasting capacity of the government has been scheduled for December.
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	High-level plan to addresses weaknesses identified through TADAT developed, that will provide for easier tracking of progress.
Corporate priorities are better managed through effective risk management	1 Not Achieved	Compliance risk management is to be addressed through the TADAT response plan.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) – TAD		Rating - 1
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened	1 Not Achieved	The TADAT response plan outlines actions to be taken to deregister economically inactive former taxpayers, and to register taxpayers who should be registered. These plans are yet to be implemented.
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	October 2024: Obtaining complete registration and filing statistics remains challenging.

Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	October 2024: Actions have been set out in the TADAT response plan to address weaknesses in audit but are yet to be implemented.
SM II: Objective - Strengthened Budget Management - PBM		Rating - 1
Outcome	Rating	Narrative
Strengthened annual budget process, and effective allocation	1 Not Achieved	The CD will be delivered as planned later this year.
Strengthened identification, monitoring, and management of fiscal risks	2 Partially Achieved	In fiscal risk management, significant progress has been made in disclosing fiscal risks from the SOEs sector. The government's overall fiscal risk statement is under consideration by the Ministry of Finance. The preparation of a comprehensive fiscal risk statement will require more work in future years. Regarding SOEs, the sector consists of commercial and non-commercial entities, partially or wholly owned by the government. The MoF published the FY2022 annual SOE Report in August 2024.
Strengthened medium-term frameworks	1 Not Achieved	No progress has been made on this front. The Fund has yet to start delivering capacity development in this area.
SM II: Objective - Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 2
Outcome	Rating	Narrative
Strengthened fiscal policies, frameworks, institutions, and laws	2 Partially Achieved	Based on the Fund CD, the authorities are assessing the adoption of fiscal rules.
Strengthened capacity to plan, implement and sustain digitalization	2 Partially Achieved	There has been definite progress in the implementation of internal controls. However, the progress is slow. Out of the 61 activities, 10 have been completed, and 27 are in progress. There have been improvements in securing the IFMIS, its user access, and addressing some configuration gaps. The key initiative to implement digital signatures and eliminate paper usage is yet to be implemented. The Ministry of IT also has a role to play, and the Treasury Department is coordinating the implementation with them.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
All: Risk that external events create a more challenging environment to implement reforms.	Medium	Monitor closely, ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
Political Support		
RM I, RM II: Lack of political support for reforms inhibits required actions.	High	Ensure fiscal risk CD is focused on priority areas and engage regularly with Ministers and senior management to ensure government ownership of reforms.
RM I, RM II: Uneven political ownership of reforms – tax reforms need to be accompanied by governance reforms.	Medium	Regular engagement with Ministers and senior management, to ensure full understanding of reforms required.
SM II: Lack of political support for reforms inhibits required actions.	High	Coordination with the IMF's African Department to support implementation of priority reforms as needed.
Management and Technical Staff Support and Commitment		
RM I, RM II: Low commitment of management and staff to adopt and implement changes needed to the legal framework.	Medium	Engage regularly with senior management and technical staff and explain the importance of strengthening domestic revenue mobilization (DRM).
RM I, SM II: Gaps in capacity of management and technical staff lead to changes in priorities and ability to absorb technical assistance.	Low	Maintain flexibility to adjust CD as needed, in alignment with skills and priorities.
RM II: Low commitment of management and staff to adopt and implement improvements to core tax administration processes.	Medium	Engage with senior management and technical staff proactively and explain the importance of strengthening core tax processes.
SM II: Lack of coordination between different departments in the collection and use of fiscal data, and macro-framework	Very High	Closely follow up on the data sharing and the higher management to ensure better coordination
Resource Adequacy		
RM I, RM II: Insufficient technical capacity and human resources necessary to implement reforms are limited.	Very High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas, where resources are limited. Regular remote follow-ups, to facilitate progress.
Other Risks		
All: Multiple donors are providing technical assistance on DRM and PFM, and gaps or overlaps may arise as a result.	Low	Engage with other donors to ensure support is well coordinated, through multilateral and bilateral meetings during missions, and maintaining regular contact with more active development partners.

Description	Rating	Mitigation Measures
SM II: A legal framework to support digital signature implementation and internal controls is missing	High	Apply internal controls in parallel.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

The IMF's board recently approved an Extended Credit Facility (ECF) for Liberia in September 2024. This 40-month financing package will support the Economic Reform Agenda (ARREST) aimed at addressing macroeconomic imbalances, enhancing debt sustainability, and fostering inclusive, private sector-led growth. The program includes policies to strengthen fiscal sustainability and create investment space by rationalizing unproductive spending and mobilizing domestic revenue. Key policies involve: (i) reducing unproductive spending; (ii) implementing new tax measures like a Value Added Tax (VAT); (iii) increasing priority public spending on infrastructure; and (iv) addressing non-performing loans to enhance financial stability.

To bolster domestic revenue mobilization, the Liberian authorities have developed a Domestic Revenue Mobilization Strategy (DRMS). Plans to implement the VAT are underway with the legislature approving the VAT law and some stakeholder engagements have commenced. The GPFP project will continue to provide support towards VAT implementation, tax expenditure policy, strengthening capacity to manage inaccurate reporting and implementing an integrated tax administration system (ITAS).

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: The project is still in its early stages, with no country-level activities yet. Although a VAT Act was enacted in 2024, this happened prior to the GPFP project. There are no results to report for the project currently.

Next Steps: Under this GPFP project, a mission led by the IMF's Fiscal Affairs Department (FAD) is scheduled for mid-January 2025 to review tax expenditures (an ECF structural benchmark) and to support digital transactions taxation and the taxation of the extractive industries.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: Support has been provided to the Liberia Revenue Authority (LRA) on the implementation of the audit strategy and plan. Comprehensive audit manuals for banks and insurance were developed. The insurance audit manual specifically addresses the auditing of insurance companies, reinsurance, and international issues, and was updated at the request of the LRA to include credit unions, microfinance institutions, mobile money services, and cryptocurrency. In addition, manuals covering agricultural and timber audits were also developed. Assistance has also been provided to the LRA to develop a chapter focused on the use of indirect methods in auditing. Given that many taxpayers in the small and medium audit categories maintain inadequate books and records, it is essential for auditors to be skilled in indirect methods to detect potential unreported revenue. Regarding the customs component of the project, capacity development in data analysis and origin of goods management and control continued at the request of the customs authorities. A comprehensive IT Master Plan (ITMP) was developed with LRA staff to help the LRA address critical technology and infrastructure challenges that prevent it from improving the governance, quality, security, and integration of customs data and increasing revenue collection.

Next Steps A mission is planned for November 2025 to build the LRA's data analysis capacity. Guidance was also provided on monitoring trade risk indicators related to the origin of goods and controlling the origin of imports benefiting from tariff preferences.

A Tax Administration Diagnostics Assessment Tool (TADAT) evaluation mission and an assignment to assist the LRA with implementing the audit strategy is planned for November 2024.

III. LOGICAL FRAMEWORK

Country – Liberia		
RM I: Objective - Improve Tax Policy Design - TPD		Rating - 1
Outcome	Rating	Narrative
Increased/decreased revenue quantity	1 Not Achieved	The project is still in its early stages, with no country-level activities yet. Although a VAT Act was enacted in 2024, this occurred before the implementation of the GPFP project. There are no results to report for the project currently. The first activity of the project is the upcoming FAD/T2 CD mission scheduled for mid-January 2025. This mission will focus on three areas: tax expenditures assessment, digital transactions taxation, extractive industries taxation. These efforts aim to enhance the tax system's efficiency and boost revenue collection.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	1 Not Achieved	A VAT Act was enacted in 2024, but this occurred prior to the GPFP project. Preparations for VAT implementation are underway. Authorities plan to address tax incentive distortions and streamline the tax incentive regime based on a comprehensive tax expenditure review. Under this GPFP project, an FAD-led mission is scheduled for mid-January 2025 to review tax expenditures (an ECF structural benchmark) and to support digital transactions and extractive industry taxation.
RM I: Objective - Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 0
Improved transparency and outreach	1 Not Achieved	The project is just starting, so no country level activity. Authorities show willingness to rationalize tax incentives based on a comprehensive tax expenditure assessment. A FAD-led mission is scheduled for mid-January 2025 to review tax expenditures (an ECF structural benchmark) and to support digital transactions and extractive industry taxation.
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	A new DRMS has been developed and is being implemented. A corporate strategic plan commencing 2025 has also been developed.
Effective implementation of a new tax or modernized legislation	1 Not Achieved	The VAT has been passed by the legislature, but the VAT has not yet been rolled out.

Digital technologies are better aligned with strategic objectives	3 Largely Achieved	The LITAS phase 1 system is implemented and operational in some of the tax offices. However, phase 2 is still being rolled out.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	The audit strategy and implementation plan are being implemented, and some work has been done to update manuals and audit practices at the LRA.
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 2
Outcome	Rating	Narrative
Customs control during the clearance process more effectively ensures accuracy of declarations	2 Partially Achieved	February 2024 FAD Mission trained and advised on administration and control of goods, especially within the scope of the African Continental Free Trade Area (AfCFTA) and drafted relevant standard operating procedures with LRA team. An FAD follow-up mission in October 2024 continues the assistance.
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	1 Not Achieved	An FAD mission in November 2024 will advise and train customs staff in data analysis and risk management.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I, RM II: Risk that external events create a more challenging environment to implement reforms.	High	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
Political Support		
RM I, RM II: Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhancements to fiscal risk management institutions and practices	Very High	A Fund coordinated approach with the country team taking the lead is proving to be helpful in tracking progress, getting political support for reforms, and resolving key obstacles to sustained revenue performance.
Management and Technical Staff Support and Commitment		
RM I, RM II: Low commitment of management and staff in finance and other ministries to adopt and implement recommended reforms	High	Engage with senior management and technical staff pro-actively and explain their role in driving reforms.
Resource Adequacy		
RM I, RM II: Insufficient technical capacity and human resources necessary to implement reforms are limited.	High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited, in line with country engagement strategy.

Description	Rating	Mitigation Measures
Other Risks		
RM I, RM II: Multiple donors are providing CD on fiscal risk topics and gaps, or overlaps may arise as a result	Medium	Under the leadership of the country team, take an active role in engaging with other donors to ensure support is well coordinated.
RM II: Low capacity to implement reforms and achieve strategic change	Very High	In addition to the recommendations on the reforms that need to be implemented (the What), CD will also engage with senior leadership on how strategic change is successfully implemented.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. BACKGROUND

FAD expanded its tax policy and revenue administration work in the African region, with the support of regional long-term experts (LTX) and policy advisors, on the following projects:

- Strategic Domestic Resource Mobilization (DRM) Design and Implementation
- Strengthening the Management of Tax Risks in Key Sectors in Central Africa
- Regional Digitalization
- Tax Administration in Comoros and Madagascar

II. PROJECT DELIVERY HIGHLIGHTS

Strategic DRM Design and Implementation
RM I: Revenue Module I – Tax Policy
The regional tax policy advisor on DRM (Mr. Benninger), provided support to Rwanda and Kenya primarily to take stock of existing tax policy capacity, identify gaps, and develop a work program. Additional visits are planned to Ethiopia, Malawi, Tanzania, and Uganda in the coming months.
Rwanda: While the Tax Policy Directorate is well equipped with analytical tools and has access to necessary data, low staffing levels reduces its effectiveness. The authorities are also in the process of evaluating the Medium-Term Revenue Strategy (MTRS-1) and preparing for the development of an MTRS-2. Over the coming six months the advisor will develop a systematic approach to training and onboarding new staff and support the development of the MTRS on a needs-basis. The advisor visited Kigali (September 2024).
Kenya: The National Treasury's tax policy unit is understaffed, with considerable gaps in the analytical toolbox necessary for rigorous tax policy evaluation and design. Over the coming six months the advisor will focus on supporting the development of a personal income tax microsimulation tool and developing a systematic approach to training and onboarding new staff. The advisor visited Nairobi (October 2024).
RM II: Revenue Module II – Revenue Administration
The LTX working from AFRITAC East (Ms. Mazani), provided support to Ethiopia, Kenya, Rwanda, Tanzania, and Uganda primarily in the areas of designing and implementing the MTRS. This helped the countries in consolidating their DRM efforts and improving fiscal consolidation through an MTRS. With most MTRS approved and/or implemented in the region, we are discontinuing the LTX resource located in Tanzania in January 2025, and are looking at how to support MTRS more broadly.
Ethiopia: The LTX joined the country's second TADAT Assessment mission whose results will provide a critical baseline for the National MTRS due to be approved by Cabinet.
Kenya: The LTX participated in donor coordination efforts to identify priority reforms under the Kenya Revenue Authority's 9 th Corporate Strategic Plan that will underpin MTRS implementation. After approval of GPFP funding in July, the LTX worked closely with the ministry of finance and the MTRS team in finalizing the MTRS draft and, in collaboration with other development partners, has supported improvements in stakeholder engagement to ensure national ownership of the MTRS.

Rwanda and Uganda: Both have come to the end of their first MTRS and efforts are underway to provide support in addressing missed targets from the first MTRS and development of the second strategy.
Strengthening the Management of Tax Risks in Key Sectors in Central Africa
RM II: Revenue Module II – Revenue Administration
The LTX working on tax risk management in Central Africa (Mr. Ngneba), provided support to Chad (duty station), Central African Republic (CAR), and the Democratic Republic of the Congo (DRC) primarily in the areas of non-oil tax revenue mobilization, core tax functions strengthening, and risk-oriented audits in key sectors.
Chad: The LTX provided hands-on support on the implementation of the tax administration's priority revenue mobilization action plan for 2024. As a result, the rate of non-oil revenue collection achievements is 5 percent above the forecasts by the third term of FY24 and 8.5 percent above the achievements during the same period in FY23. The LTX also provided support on drafting a tax audit guidance note and drawing a risk-oriented audit program for FY25.
CAR: The LTX provided hands-on support on the implementation of the tax administration's priority revenue mobilization action plan for 2024. In this regard, he monitored the execution of the ongoing desk audits program in key sectors and provided advice to enhance 2024 revenue collection through quick-win actions.
DRC: The LTX started drafting capacity building tools and documents on tax audits of companies relevant to support the tax administration in the mining sector (September 2024).
Chad, CAR, and DRC: The LTX contributed to an AFRITAC Centre (AFC) regional workshop organized with the support of FAD in Libreville, Gabon (July 2024) to present the new IMF capacity building strategy for tax administrations in fragile and conflict-affected countries. This workshop helped disseminate this new strategy for countries covered by the AFC.
Regional Digitalization
RM II: Revenue Module II – Revenue Administration
The regional digitalization advisor (Mr. Mani) provided support to CAR, Chad, and Senegal (duty station), primarily in the areas of core IT systems to strengthen tax functions, cross-checking of data, and data governance.
Senegal: The LTX organized a workshop to design a new version of "Mon Espace Perso," a hackathon solution implemented with FAD support, to include new modules (registration, core tax management, and single sign-on), with the aim of replacing the existent core IT system, SIGTAS. The LTX also worked on data governance through the implementation of a single source of true databases with high quality data.
CAR: The LTX provided hands-on support on the utilization of e-tax, a new IT tax system recommended by FAD on May 2022 and implemented in December 2023, to provide reliable online registration and declarations, as well as cross-checking of data. As of October 2024, 269 out of 311 (67 percent) large taxpayers and 103 out of 280 (37 percent) medium-sized taxpayers, are registered with more reliable TINs.
Chad: The LTX will deliver his first mission in the field from November 11-22, 2024.

CAR and Chad: The LTX contributed to an AFC regional workshop organized in Libreville (Gabon), in July 2024, with the support of FAD. The application of the new IMF CD strategy to tax administrations in fragile and conflict-affected countries was discussed. Participants considered data cross-checking as a major need; therefore, the LTX has drafted documents to be validated during the next workshop from November 25-28, 2024, in Brazzaville (Congo).

Tax Administration in Comoros and Madagascar

Revenue Module II – Revenue Administration

The regional advisor (Mr. De Santis), provided support to the two French-speaking countries in the region: Comoros and Madagascar. In both countries, the support provided aims at strengthening core tax administration functions, enhancing the tax administration's capacity to manage their ongoing reform programs, and improving governance arrangement by aligning tax procedures with modern standards. His regional location helped him coordinate successfully with AFRITAC South and HQ CD delivery.

Comoros: The LTX followed up on HQ work and provided hands-on support (in person and virtually), to help with major recommendations implementation to strengthen the Large/Medium Taxpayer Office's efficiency. He provided basic tools and methodology to the Fiscal Operations Direction to monitor its day-to-day activities.

Madagascar: The LTX provided hands-on support to assist the tax administration in the process of strengthening VAT administration and provided methodology to support the implementation of the post-TADAT strategy established. He took part in the September tax policy/revenue administration HQ mission.

Comoros and Madagascar: In March, the LTX participated in a seminar organized by AFRITAC West in Togo, attended by Comoros and Madagascar authorities. Its objectives consisted of (i) promoting good practices for leveraging technologies (GovTech) to improve the control of the tax population and reduce tax gap; and (ii) validating the principles of a regional working group for the next steps.

III. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

Madagascar has received joint capacity development (CD) activities from the tax policy and revenue administration divisions of the IMF's Fiscal Affairs Department (FAD) under the project in FY25 on transfer pricing and corporate income tax to combat base erosion and profit shifting. Coordinated missions on tax and customs administrations reviewed each organizations' strategic plans and provided recommendations for improvement. These activities, coordinated with the IMF's AFRITAC South, notably enabled the authorities to better identify transfer pricing risks, evaluate their current capacities and draft enabling regulations, which further the objectives of improving tax policy design and strengthening tax administration monitoring, evaluation, as well as strengthened institutions.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: Madagascar has received capacity development (CD) from the project in FY25 and FY24 on transfer pricing legislation and corporate income tax policy to combat base erosion and profit shifting. The authorities are better able to identify transfer pricing risks from international companies, are better able to apply transfer pricing methods, and have an improved understanding of the application of tax treaties. A mission on transfer pricing was conducted jointly between the tax policy and revenue administration divisions to benefit from synergies.

Next Steps: More CD will be delivered within the GPFP with the next activity focused on personal income taxation.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: HQ missions on both tax (joint tax policy/tax administration mission) and customs administrations evaluated and supported each administration's strategic plan. An evaluation of the current capacities of the tax administration to address international tax risks was made, and a capacity building plan was proposed to the authorities. Specific recommendations have been made to elevate data as a key enabler for a dynamic and automated risk analysis, include appeal procedures as a condition to improve compliance in customs and develop the monitoring of exemptions and special regimes to improve revenue collection.

Next Steps: More technical assistance will be provided within the framework of the GPFP as a follow-up to support the implementation of these activities in the coming strategic plan, notably on customs and tax risk analysis.

III. LOGICAL FRAMEWORK

Country – Madagascar		
RM I: Objective – Improve Tax Policy Design - TPD		Rating - 1
Outcome	Rating	Narrative
Improved distributional fairness across taxpayers due to amended tax rates or base	1 Not Achieved	Too early to assess this because personal income tax CD has not yet been delivered.
Increased/decreased revenue quantity	1 Not Achieved	It is too early to determine if revenues have been affected by the CD on transfer pricing methods.
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 1
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	1 Not Achieved	Improved understanding of transfer pricing methods at Ministry of Finance. PIT models not yet developed.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	No compliance risk management framework is in place. The large number of audits launched annually does not produce significant results in terms of revenue collection or taxpayer behavior change. Large risks posed by multinational enterprises in the mining sector as well as on international taxation are not addressed.
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 1
Outcome	Rating	Narrative
Foreign trade operators better comply with their reporting and payment obligations	1 Not Achieved	Efficient appeal procedures that would encourage better compliance are not in place. Operators complained on the inefficiency of the existing procedures that are not predictable and transparent, which encourages bad practices. The next 2025-29 strategic plan should include key activities to make appeal procedures efficient, a specific technical assistance on this matter is to be provided.
Customs control during the clearance process more effectively ensures accuracy of declarations	1 Not Achieved	The risk analysis is still manual, not fully centralized and analysts do not receive feed-back from customs offices on their alerts. The customs administration plans to develop a dynamic risk analysis system based on data science, with the support of donors. The mission recommended to elevate data as a key topic and enabler for the next 2025-29 strategic plan and should provide additional CD in this domain.
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	2 Partially Achieved	A special unit in charge of free zones is in place, since early 2024. However, the management of exemptions and other special regimes are still under monitored, despite the fact exemptions represent an important share of revenue collected by customs. The mission recommended key activities to on this matter to be included in the 2025-29 strategic plan.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I, RM II: Risk that external events create a more challenging environment to implement reforms.	Medium	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
Management and Technical Staff Support and Commitment		
RM I: Lack of leadership support for politically sensitive tax reforms.	Very High	Engage with senior management to coordinate the elimination of tax exemptions with pro-poor spending programs and public outreach.
RM II: Low commitment of management and staff in finance and other ministries to adopt and implement fiscal risk management practices.	High	Engage with senior management and technical staff pro-actively and explain the importance of strengthening fiscal risk management.
Political Support		
RM I, RM II: Lack of political support for reforms inhibits required actions or of resources are needed for enhancements to fiscal risk management institutions and practices.	High	Ensure fiscal risk CD is focused on priority areas and engage regularly with ministers and senior management to ensure government ownership of reforms.
Resource Adequacy		
RM I, RM II: Insufficient technical capacity and human resources necessary to implement reforms are limited.	High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
Other Risks		
RM I, RM II: Multiple donors are providing technical assistance on fiscal risk topics and gaps, or overlaps may arise as a result.	Low	Take an active role in engaging with other donors to ensure support is well coordinated.

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I. COUNTRY REFORM PROGRESS

Malawi is in a challenging economic situation as macroeconomic imbalances widened significantly due to several years of unsustainable domestic and external borrowing. The 2023/24 tax-to-GDP ratio was 14.6 percent of GDP and the overall balance including grants recorded a deficit of 7.5 percent of GDP. Reform efforts on tax policy, public financial management (PFM) and revenue administration are critical, but there are some delays in implementation. Comprehensive reforms are not expected before the 2025 elections.

FAD has been supporting Malawi's revenue administration reform program since 2020. Through the previous Revenue Mobilization Thematic Fund (RMTF) program, there have been three strategic missions including a repeat Tax Administration Diagnostic Assessment Tool (TADAT) evaluation. A post-TADAT mission supported the strategy for medium-term reforms based on the broader systemic issues identified by the TADAT assessment. The authorities have been supported by a resident advisor in tax administration. During the period, the authorities deployed all key modules of the new IT system, taxpayers can e-file for all core taxes, and tax revenue increased by 2.3 percentage points of GDP.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: The team has been supporting the government to improve tax policy design through comments to reform proposals, in particular value added taxes (VAT), through the IMF's African Department. Support to the authorities on income tax reform and on mining taxation is scheduled for November 2024-April 2025.

Next Steps: Support to improve tax policy design on income tax (including international tax issues) and mining taxation, including by the new regional tax policy advisor, who will take stock of existing capacity on tax policy analysis, identify gaps and develop a work program.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: The Malawi Revenue Authority (MRA) has made progress in several areas. It reviewed the performance of the VAT and has taken steps to address weaknesses identified. It commenced re-segmenting its taxpayer base, aimed at strengthening the management of the large taxpayer function. Work is progressing on cleansing the taxpayer base, streamlining the audit and arrears management processes. Developing a data management framework is necessary to improve management decision-making, work commenced in this area with the development of a data mart. The authorities will be developing a suite of VAT guides and undertake an independent review of the usage of the new IT system.

Next Steps: Strengthening digitalization efforts and compliance risk management function are key areas of support for the next period. These will include the development of a data management framework supported by the development of data marts; and build capacity in risk differentiation and VAT industry indexing tools. Supporting voluntary compliance efforts is to be achieved by the development of VAT guides, aimed at improving accuracy of reporting. Efforts are being made to improve the integrity and the tax register and VAT filing compliance.

III. LOGICAL FRAMEWORK

Country – Malawi		
RM I: Objective – Improve Tax Policy Design - TPD		Rating - 1
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	2 Partially Achieved	Draft VAT Bill prepared but delays in implementation (still pending Parliament approval) and draft Income Tax Bill under preparation.
RM I: Objective - Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 1
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	1 Not Achieved	CD activity scheduled for this calendar year (review of the fiscal regime and CD on Fiscal Analysis of Resource Industries (FARI) modeling of specific investment proposals).
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 1
Outcome	Rating	Narrative
Organizational arrangements enable more effective delivery of strategy and reforms	2 Partially Achieved	The recommended structure is yet to be sent to the Board. Delayed given the installment of a new Consul General.
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	KPIs were developed for monitoring and evaluating large taxpayer's office performance and effectiveness.
More independent, accessible, effective and timely dispute resolution mechanisms adopted	2 Partially Achieved	The establishment of an independent internal dispute resolution system is in process.
Transparency and accountability are more effectively supported by independent external oversight and internal controls	1 Not Achieved	Systems are being put in place for publishing plans and reports.
Digital technologies are better aligned with strategic objectives	1 Not Achieved	Programs are being developed and some are being implemented to achieve the desired outcomes.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	A program is being developed to improve the effectiveness of the audit function and to build audit capacity.
The integrity of the taxpayer base and ledger is strengthened	2 Partially Achieved	Programs commenced to improve the accuracy of the taxpayer registry.
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	Work is in the early stage of development and implementation.
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	Programs are being put in place to achieve this outcome.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I, RM II: External shocks (social, political, economic, etc.) impact government revenue and expenditures.	Very High	Work with the IMF country teams and other IMF departments to analyze emerging fiscal risks and propose potential fiscal policies to minimize fiscal risks. Work with the authorities to monitor revenue measures and propose reform measures to boost collection and tax ratio.
Political Support		
RM I, RM II: Lack of political support may slow down reforms - Upcoming elections in 2025 may impact reform progress.	Medium	Consult with IMF country team to assist authorities in recognizing the relevance of reforms. Continue working at both political and technical level with complementing instruments (program and CD) to reinforce country's commitments. Authorities will be supported to increase the tax-net to help with ultimate easing of the tax burden.
Management and Technical Staff Support and Commitment		
RM I, RM II: Low commitment of management and staff in finance, other ministries and MRA to adopt and implement tax reform measures.	Low	Engage with senior management and technical staff proactively to support the development of an implementation plan (and monitoring) while CD support is provided on an on-going basis. Provide support (jointly with the revenue admin team) for better management of reforms for achievement of desired strategic outcomes.
RM II: High turnover of DG creates uncertainties, induces a lack of ownership, and slows down reforms.	Medium	Assist the authorities to strengthen middle managers' capacity, necessary to enable continuity and sustainability of reforms.
Resource Adequacy		
RM I, RM II: Insufficient technical capacity and human resources necessary to absorb support and implement reforms.	High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
Other Risks		
RM I, RMII: Multiple donors are providing technical assistance on domestic resource mobilization and gaps, or overlaps may arise as a result.	Low	Take an active role in coordinating with other development partners to ensure complementarities in addition to active participation in the current country-level coordination framework.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

Since May 2024, the authorities have made significant progress in various areas. In terms of revenue, notable advancements include the adoption of a new law for the Free Zone of Nouadhibou (FZN), the establishment of a Tax Policy Unit (TPU), and the reform of the codification of indirect tax exemptions. Additionally, the reform of the Investment code is ongoing, with the final version expected to be submitted to Parliament by the end of December 2024.

In the public financial management stream, there were no activities delivered in the first half of FY25 under GPFP. However, the authorities have advanced public financial management (PFM) reforms. Based on past IMF technical support, a public investment management (PIM) decree, incorporating climate-change considerations into all phases of PIM was issued. Also, a new law on public enterprises has been prepared and will be submitted to Parliament after the Council of Ministers' approval. For the second half of FY25, two capacity development (CD) activities are planned to support the authorities with the compliance of reforms measures included in the RSF.

In the realm of expenditure policies, an inter-ministerial agreement has been signed and enacted to enhance cooperation between the Ministry of Environment and the Ministry of Water in managing water resources. This agreement covers environmental assessment, data management, and the monitoring of groundwater-dependent ecosystems.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: Major progress has been noted from tax policy perspective, including: (i) the promulgation of the revised FZN law; (ii) the operationalization of the TPU, responsible for preparing the 2023 tax expenditures assessment report with support from the IMF's Fiscal Affairs Department (FAD); (iii) the improvement of the tax expenditures assessment methodology and report; (iv) the ongoing revision of the investment code to eliminate "points francs" and reduce special regimes; (v) the definition of a tax policy implementation action plan with efforts to establish a plan for rationalizing tax expenditures.

Next Steps: The adoption of the new investment code in December 2024 that will eliminate free points and reduce preferential tax regimes to improve tax revenue mobilization and reduce inequalities across taxpayers. In addition, the authorities have agreed with FAD's recommendation to reform the consumption tax—currently equivalent to a tariff—into a conventional excise tax system and requested assistance to support this effort. This upgrade of excises will strengthen the tax policy design. Finally, support to strengthen the capacities of the TPU will continue following authorities' request.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: There has been notable progress in several reform areas within the General Directorate of Taxes. These include: (i) the establishment of a tax reform commission; (ii) the classification of tax arrears by order of recoverability; (iii) the implementation of e-procedures for large taxpayers; (iv) the interfacing of GDT IT systems with the Civil Registry; (v) the review and adoption of a new law for the FZN. In customs, (i) a Post Clearance Audit unit is set up; (ii) compliance risk management (CRM) and selectivity for customs controls started operations; (iii) drafting a new Customs Code compliant with requirements of the Economic Community of West African States (ECOWAS) is under progress; and (iv) several IT applications were developed. Additionally, mid-term CD plans were developed for both tax and customs administrations and discussed with development partners to avoid overlapping efforts. Excellent cooperation is taking place between the active donors in Mauritania: IMF, Expertise France, and the World Bank.

Next Steps: FAD will assist in the areas of Oil & Gas, the management of the tax arrears, the organizational structure, the CRM framework and the management of businesses operating in the FZN. This will allow revenue administrations to have a new functional based structure, reduce tax arrears, manage more efficiently the Oil & Gas sector and identify roles and responsibilities of revenue administrations in managing the petroleum sector.

SM I: Spending Module I – Spending Policy

Key Progress in FY25: The mission on water subsidies has been a milestone in helping the authorities get an overview of the fiscal challenges faced by the water sector. The mission helped assess the major spending sources of inefficiencies. Urgent needs in data and regulations were also stressed. The mission suggested a reform roadmap. The mission coordinated closely with other development partners.

Next Steps: The authorities need to build their own roadmap supported by the recommendations of the mission. A milestone will be to implement a water tariff mechanism that would allow the sector to be viable and help the SDGs. A workshop on spending reviews should take place in early 2025.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY25: Under the IMF's Resilience and Sustainability Facility (RSF), the authorities committed to update the PIM framework, integrating climate-change elements, along with the corresponding manual to facilitate its implementation. Also, it has committed to advance in green responsive budgeting (GRB) by developing a tagging methodology and implementing it in the 2026 budget. Although no activities have been carried out under GPFP, the authorities have already updated and published the new PIM framework and manual, following recommendations of the PIMA and C-PIMA delivered by FAD in 2020 and 2023.

Next Steps: Authorities will start implementing the new PIM framework. FAD will provide CD to support (i) piloting the implementation of the new PIM framework in large public investment projects; and (ii) adopting a green budget tagging methodology.

III. LOGICAL FRAMEWORK

Country – Mauritania		
RM I: Objective - Improve Tax Policy Design - TPD		Rating - 2
Outcome	Rating	Narrative
Improved distributional fairness across taxpayers due to amended tax rates or base	2 Partially Achieved	Authorities have shown interest in amending the existing laws to enhance distributional fairness across taxpayers and already completed the reform of the FZN Law and are in the process of reforming the Investment code, expected for end-December 2024. They also intend to amend other existing laws to improve the tax system.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	2 Partially Achieved	The authorities have agreed to reform the consumption tax into a conventional excise tax that will help address externalities. This reform is expected to be completed in 2025 in the revised budget law and the authorities have requested CD support on that.
Increased/decreased revenue quantity	2 Partially Achieved	The authorities have reformed the FZN Law in July 2024 and are in the process of preparing effective actions to implement the law. The reform of the investment code that

		intends to eliminate "points francs" and reduce the number special regimes, while replacing CIT exemptions is ongoing and will be completed in December 2024. The reform of the General Tax Code planned for 2025 will also be a key point that will help rationalizing tax expenditures.
RM I: Objective - Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 3
Outcome	Rating	Narrative
Improved structures (e.g., TPU) or capacity (e.g., models and tools) related to tax policy advice and analysis.	3 Largely Achieved	The TPU has been operationalized and prepared the 2023 tax expenditures assessment report and also prepared an action plan for tax policy implementation. The method used for assessing tax expenditures has been modernized and improved with a broader coverage of taxes in the analysis. The authorities have expressed their appreciation of the support and requested continuous support to strengthen the capacities of the TPU.
Improved transparency and outreach	3 Largely Achieved	Tax expenditures reports have been published for several years now but need to be improved to enhance readability and clarity. FAD provided support on that and that will be reflected in the Annex of the 2025 Budget Law.
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	Currently, there is no proper strategic plan for the tax administration, there are only action plans and measures under implementation. An integrated mid-term capacity development plan has been developed for the tax administration as well as for the customs administration.
Corporate priorities are better managed through effective risk management	2 Partially Achieved	Although there is a Risk Unit that has been established in the tax administration, this unit is still inactive, and the risk approach is fragmented all over the tax administration. The enforcement approach is the main treatment strategy being adopted by the administration.
Organizational arrangements enable more effective delivery of strategy and reforms	2 Partially Achieved	The organization structure of the tax administration is not a functional-based structure. There is no clear distinction between strategic functions and operational functions. In addition, some functions exist but are inactive. The administration aims to receive a new proposal for a new structure.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	There is no proper audit plan in the tax administration and audit is not selected as a result of a risk analysis. However,

		the tax administration is conducting desk audit as well as field audit.
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 2
Outcome	Rating	Narrative
Customs control during the clearance process more effectively ensures accuracy of declarations	2 Partially Achieved	Valuation controls are automated, but valuation implementation is not properly monitored. Risk-based selective control is not streamlined.
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	2 Partially Achieved	The PCA program is not fully matured. Capacities for authorizing and end-use exemption control are weak.
SM I: Objective - Strengthen Expenditure Policy Formulation and Design - EPD		Rating - 1
Outcome	Rating	Narrative
Reduce subsidies while mitigating impact on vulnerable households	1 Not Achieved	Authorities have to provide a report with an action plan by December 2024. It is still too early to assess these milestones.
SM I: Objective - Strengthen Policy Evaluation and Institution Building - PEI		Rating - 2
Outcome	Rating	Narrative
Authorities have an understanding of opportunities to enhance the adequacy, efficiency, and sustainability of public expenditure	2 Partially Achieved	This year's activity will kick off in helping authorities having a full understanding of the spending policies and of the water sector management in particular.
SM II: Objective - Strengthened Budget Management – PBM		Rating - 1
Outcome	Rating	Narrative
Strengthened annual budget process, and effective allocation	2 Partially Achieved	Under the RSF, the government has committed to implement GRB and a new PIM framework, which integrates climate-change elements. Although no CD activities have been delivered, the authorities have already updated the new PIM and the manual to facilitate its implementation. FAD has planned activities to support the government to (i) pilot the implementation of the new PIM for some large public investment projects; and (ii) support the GRB and green tagging adoption. Milestones will be defined during the missions.
SM II: Objective - Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 1
Outcome	Rating	Narrative
Strengthened capacity to plan, implement and sustain infrastructure governance	2 Partially Achieved	Although no CD activities under GPFP have been delivered, a new PIM framework, integrating climate-change element, and the corresponding implementation

		manual were developed by the government to ensure a better governance of public investment. This update of the PIM followed recommendations provided by the PIMA and C-PIMA delivered by FAD. The implementation of the new PIM framework is still pending. FAD will provide CD to support the government on its implementation. Milestones will be defined during the mission.
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IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I: Higher frequency and severity of climate-related natural disasters, which affect economic stability and growth and create large adaption needs.	Medium	Further strengthening of revenue policies to deal with natural disasters and to ensure continued and additional revenue mobilization.
RM II: Higher frequency and severity of climate-related natural disasters, which affect economic stability and growth and create large adaption needs.	Medium	Further strengthening of revenue policies to deal with natural disasters and to ensure continued and additional revenue mobilization.
SM II: Mauritania is facing higher frequency and severity of climate-related natural disasters, which affect economic stability and growth and create large adaption needs.	Medium	Strengthening of climate policies to deal with natural disasters is ongoing
Political Support		
RM I, RM II: There is strong support for revenue administration and tax policy modernization from the Ministry of Finance (MoF). Authorities expressed their willingness to receive support to improve spending efficiency and level up existing capacity conduct spending reviews.	Low	Maintain good contact with the MoF and ensure Minister's support to strengthen the work of the GTD and leverage the IMF's Middle East and Central Asian Department (MCD) to maintain contact and provide progress briefings with Minister on priority areas. Conduct a scoping mission to gain a fine-grained understanding of the needs and take stock of the existing capacity.
SM I: The government changed since the mission on water subsidy took place.	High	Reforming the water sector is a major task that has been postponed for decades. It requires ambitious measures. It is important to maintain a close dialog with the new government.
SM I: Some issues, including subsidies removal, infrastructure governance, and resource revenue management are usually politically sensitive and could trigger some resistance.	High	Highlight the pressing needs in terms of infrastructure and social spending. Reiterate the case that subsidies are an inefficient type of spending.
SM II: Reform commitment is high under the IMF program. A lower political support to the reform process is not expected given the re-election of the incumbent president	Medium	None

Description	Rating	Mitigation Measures
and the signals of continuity in the new government appointments.		
Resource Adequacy		
RM I: Current capacity to achieve results is low, as is the adequacy of resources	Very High	More resources and stronger reform management are needed
RM II: Lack of office space and equipment for tax administration staff.	Very High	Authorities to be encouraged to provide necessary resources to the tax administration to maintain the day-to-day operations (infrastructure, etc.)
SM I: Quantitative skills and analytical software proficiency	High	Scoping mission to establish contact with counterparts to identify the needs more precisely, adjust the pace and overall expectations of the workshop.
SM II: Historically high staff turnover, especially at senior level.	Medium	In the last year, senior staff turnover has reduced considerably in MoF
Management and Technical Staff Support and Commitment		
RM I: Reform commitment with the newly agreed IMF Extended Credit Facility/Extended Fund Facility program, but weak capacity of staff could delay the execution of the project.	Medium	Strengthen staff management and technical abilities and ensure effective knowledge sharing between staff
RM II: Reform commitment of senior officials is high but weak technical skills among the staff could create obstacles to efficient delivery of the program.	Very High	Strengthening management capabilities and technical knowledge of staff through interactive and participative CD approaches.
SM I: The activities need to be tailored to the technical capacity of officials	High	Establish contact with counterparts to identify the needs more precisely through a scoping mission.
SM II: Reform commitment is high under the IMF program. The fragmentation of some PFM functions is expected to decrease due to the merge of the MoF and the Ministry of Economy (MoE) in the Ministry of Finance and Economy (MoFE). Technical capacity within the MoFE needs to be enhanced.	Medium	Ensure that PFM functions, previously fragmented between the MoF and the MoE, will smoothly be unified under the new MoFE.

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I. COUNTRY REFORM PROGRESS

The country is recovering from the adverse spillovers from Russia's war in Ukraine and energy price shocks, with growth expected to be 2.6 percent in 2024. Inflation has also significantly declined and the annual inflation rate in 2024 is expected to be around 4.6 percent. The recovery in economic activity has helped bolster tax revenue and lower the fiscal deficit, expected to be 4.4 percent of GDP in 2024. Strengthening tax revenue and efficiency in spending remain important to maintain sufficient fiscal space to respond to economic challenges that may arise from geopolitical risks.

In FY25, Moldova's reform progress includes comprehensive reviews of tax expenditures (TEs) supported by FAD, which provided models and staff training for the authorities to update TEs analysis. To address the constrained fiscal space, inefficient preferential tax measures were identified for elimination based on cost-benefit analysis. Building on this capacity development (CD), the authorities are planning to streamline tax expenditures starting in January 2026. The State Tax Service (STS) also advanced its tax administration by enhancing taxpayer education, adopting international standards like the Base Erosion and Profit Shifting (BEPS) framework, and further developing the compliance risk management (CRM) program. For the remainder of FY25, efforts will focus on revising VAT legislation and improving tax rules applicable to multinational enterprises, and addressing challenges in risk-based audits and data management.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: FAD has been supporting a comprehensive review and quantification of Moldova's TEs, producing relevant models, and training staff on these models. The authorities now have the tools and training needed to update TEs and to cost policy proposals. Further, the framework for cost-benefit analysis of tax expenditures was built to support the authorities in identification of inefficient tax expenditures. Based on this analysis, the authorities are planning to streamline the inefficient preferential tax regimes starting in January 2026. In addition, CD was delivered on international tax issues related to Moldova's recent membership in the Inclusive Framework of BEPS.

Next Steps: For the remainder of FY25, FAD's focus is on assisting the authorities in revising the legal tax framework, in particular the VAT legislation, to align it with EU tax *acquis*, and enhancing the design of international tax rules, including the ones related to the EU's anti-avoidance directive (ATAD).

RM II : Revenue Module II – Revenue Administration

Key Progress in FY25: The STS made notable progress in modernizing, including enhanced educational efforts to assist taxpayers in understanding their obligations; adoption of international standards like the BEPS framework to address tax avoidance; developing the CRM program— although it currently drives a small percentage of audit activities; implementation of good practices such as segregation of duties and integrity measures like annual asset declarations; etc. Plans are also in place to re-establish the large

taxpayer office (LTO) to focus on complex tax risks, including high wealth individuals and multinational corporations; and secure and implement modern IT systems.

Next Steps: Several challenges remain. Follow up assistance will focus on strengthening risk-based audits, re-establishing the LTO, and improving IT systems for better data management and performance measurement.

III. LOGICAL FRAMEWORK

Country – Moldova		
RM I: Objective – Improve Tax Policy Design - TPD		Rating - 0
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	2 partially achieved	The authorities have finalized a comprehensive review and are prepared to phase out some tax expenditures (to increase revenue by 0.2 percent of GDP). This is in line with meeting the IMF structural benchmark—“Prepare a proposal identifying tax expenditures to be phased out based on cost-benefit analysis”—due by the end of December 2024. Further, a time path to implement a new VAT designed to comply with the EU acquis is developed and agreed upon.
Improved distributional fairness across taxpayers due to amended tax rates or base	2 partially achieved	Capacity-building efforts have enhanced the authorities' ability to conduct a comprehensive review and analyze the distributional consequences of tax policy.
RM II: 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	2 Partially Achieved	The STS has made significant progress in strengthening tax CRM through various initiatives. It has adopted a risk-based approach, prioritizing high-risk taxpayers and sectors to enhance audit efficiency. Capacity-building efforts for STS staff, including training in risk assessment, have improved compliance effectiveness. The introduction of advanced data analytics tools allows the tax authority to analyze taxpayer data and identify non-compliance patterns strategically. Enhanced information sharing between government agencies supports comprehensive risk

		assessment. Moldova has developed tailored compliance strategies for different taxpayer segments and collaborated with international partners for technical assistance. Additionally, public awareness campaigns have been launched to encourage voluntary compliance among citizens. But this is all work in progress.
Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened	3 Mostly Achieved	The STS has implemented several measures to enhance the integrity of the taxpayer register. Key initiatives include the digitalization of the register for real-time updates, regular data validation through cross-checking with various sources, and strengthened registration procedures to prevent fraud. The STS also has improved communication with taxpayers to ensure they understand their responsibilities for maintaining accurate information. Periodic audits and compliance checks are conducted to monitor the register's integrity, alongside collaboration with other government agencies for better data sharing.
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	The evaluation of the audit program was completed with recommendations for improvement made in several areas, such as the need for a more flexible legal framework, a stronger focus on risk-based audits, and addressing significant staff vacancies. Overall, while the STS has made progress in modernizing its audit tax program, there are still several areas that require improvement to achieve optimal results.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I: Risk that external events and influences create a more challenging environment for implementation of reforms.	Low	Program design and execution allows for sufficient flexibility to adjust activities in the course of adverse events.
RM I: Resurgence of pandemic or other global crises hinders CD delivery and changes CD priorities.	Low	Build on significant progress achieved with remote delivery of CD in Moldova.
RM II: Impact of COVID-19 in the delivery of the planned CD activities	Medium	Activities can be delivered remotely

Description	Rating	Mitigation Measures
Political Support		
RM I: Political instability may slow down and even stop implementation of reforms.	Low	Focus on strategic advice and hands-on capacity building to have a more permanent impact. Close collaboration with the EUR area department team and the authorities.
RM II: Lack of political support	Low	Not necessary
Management and Technical Staff Support and Commitment		
RM I: Threats from political influences on the MOF management commitment for modernization of tax system.	Low	Support MOF management with strategic advice and political narrative on the need for modernization of the tax reform.
RM II: Project has been formally requested by the STS who have identified the specific CD need	Low	Not necessary
Resource Adequacy		
RM I: MOF and STS lack sufficient human and institutional capacity to evaluate, formulate and promote effective tax policy reforms.	Low	Provide CD to develop staff technical skills and set tax reform priorities.
RM II: Insufficient allocation of STS staff	Medium	Continuous conversation with the STS for early detection of potential risk of insufficient allocation
Other Risks		
RM I: N/A	Low	N/A
RM II: No other risks foreseen	Low	Not necessary

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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
External Climate/Conditions		
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.
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.
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.
Political Support discuss issue/risk		
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
Resource Adequacy		
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.
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.

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I. COUNTRY REFORM PROGRESS

The first Domestic Revenue Mobilization Strategy (DRMS), building on continuing capacity support from the IMF, has been published by the Ministry of Finance in September 2024. A headquarter-led mission in September focused on assisting formulate Nepal's inaugural tax expenditure policy as part of the DRMS, while also enhancing relevant capacity through training deliver in a workshop.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module I – Tax Policy
Key Progress in FY25: A headquarter-led mission in September focused on helping formulate Nepal's inaugural tax expenditure (TE) policy as part of the DRMS, while also enhancing relevant capacity through training deliver in a workshop.
Next Steps: Continuing strengthening capacity in the areas of TE costing and reporting will be the focus of CD support in the near term. Options for TE reforms will help build the next structural benchmark as part of the IMF's Extended Credit Facility (ECF) program.

III. LOGICAL FRAMEWORK

Country – Nepal		
Objective – Improve Tax Policy Design - TPD		Rating - 2
Outcome	Rating	Narrative
Increased/decreased revenue quantity	3 Largely Achieved	A comprehensive strategy on revenue mobilization, as well as strategies to develop TE costing and reporting, has been formulated. These reforms are awaiting implementation by the authorities to maximize their impact.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	3 Largely Achieved	A comprehensive strategy on revenue mobilization, as well as strategies to develop TE costing and reporting, has been formulated. These reforms are awaiting implementation by the authorities to maximize their impact.
Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 2
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	3 Largely Achieved	Relevant trainings in strengthening tax policy monitoring, evaluation and institution have been provided. Main actions are awaiting implementation by the authorities to maximize their impact.
Improved transparency and outreach	3 Largely Achieved	Relevant trainings in strengthening tax policy monitoring, evaluation and institution have been provided. Main actions are awaiting implementation by the authorities to maximize their impact.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
Risk that external events create a more challenging environment to implement reforms.	Low	Ensure sufficient flexibility in program execution and allow for ability to adjust activities in the case of adverse events.
Management and Technical Staff Support and Commitment		
Low commitment of management and staff in finance ministry and revenue authority to adopt and implement TE policy framework.	Medium	Engage with senior management and technical staff pro-actively and explain their role in driving reforms. Ensure frequent engagement to maintain momentum and rekindle commitment where needed.
Political Support		
The political cycle generates governance instabilities, restricting policy making and delivery.	Low	Secure policy continuity if political instability occurs. Ensure transparency, accountability, and inclusion in policy implementation. Engage regularly with ministers and senior management to ensure government ownership of reforms.
Resource Adequacy		
Insufficient technical capacity and human resources necessary to implement TE reforms are limited.	High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited, in line with country engagement strategy.
Other Risks		
Multiple donors are providing technical assistance on strengthening revenue mobilization. Overlaps may arise as a result	Low	Under the leadership of the country team take an active role in engaging with other donors to ensure support is well coordinated.

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I. COUNTRY REFORM PROGRESS

Over the last decade, limited reforms, security challenges, weak growth, and, more recently, high inflation have worsened poverty and food insecurity. Inflation reached 32 percent year-on-year in February 2024, driven mainly by food price inflation (38 percent) and loose financial conditions. Despite improved oil production and financial services, real GDP growth slowed to 2.9 percent in 2023, with weak agriculture and trade. Growth is projected at 3.3 percent for 2024 as oil and agriculture outputs are expected to improve with better security. The financial sector has remained stable despite heightened risks. With continued monetary tightening, inflation is projected to gradually decline to 24 percent year-on-year at end-2024.

The new government (May 2023) has set out on an ambitious reform path to restore macroeconomic stability and support inclusive growth. The authorities reformed the fuel price subsidies, unified official foreign exchange windows, and are focused on revenue mobilization, governance, and enhancing the monetary and exchange rate policy frameworks, as well as strengthening social safety nets. The fiscal position strengthened in 2023. Revenues benefited from Naira depreciation and enhanced revenue administration, while expenditure rationalization and restraint allowed for a one-off wage increase to mitigate the impact of high inflation for public officials.

The IMF's Fiscal Affairs Department (FAD) has been supporting the modernization of Nigeria's tax and customs administration. Since 2022, Nigeria has benefited from a resident advisor in the revenue administration area. In 2023, a repeat Tax Administration Diagnostic Assessment Tool (TADAT) evaluation mission assessed a remarkable improvement in the tax administration processes since the 2018 assessment and identified areas for further improvement. A post-TADAT mission supported the strategy for medium-term reforms based on the broader systemic issues identified by the TADAT assessment and the policy decisions adopted by the new government. Modernizing value added tax (VAT) and deepening work processes based on a risk management strategy are key. GPFP supported a VAT gap analysis to identify the main gaps in the weak VAT performance.

In customs, the Nigeria Customs Service (NCS) requested capacity development (CD) in several areas, with a focus on the control and verification of the origin of goods imported and exported under the African Continental Free Trade Area (AfCFTA), customs compliance, and trade facilitation. As a direct result of FAD's assistance, a dedicated "origin of goods" unit was established within the NCS, the NCS was designated as the competent authority for certification and verification of origin under the AfCFTA as recommended by FAD in the region, and the country began exporting and importing under this agreement.

II. PROJECT DELIVERY HIGHLIGHTS

RM II : Revenue Module II – Revenue Administration

Key Progress in FY25: A post-TADAT mission identified areas where GPFP support is necessary and areas where the authorities can make advancements by themselves. Immediate CD started to strengthen compliance risk management (CRM), including the review of the CRM policy documents. As VAT revenue is critical in the government agenda, a pilot of a compliance improvement plan for VAT has been designed and the GPFP is supporting a VAT gap analysis study. No activity in the customs area in the first half of FY25.

Regarding the customs component of the project, the NCS has been provided with CD under the JSA project until October 2024. Only from calendar year 2025 will CD be provided under this GPFP project.

Next Steps: Tax administration – a follow-up CD activity in CRM and a peer-to-peer engagement with the Zambian tax administration will provide knowledge building at the Federal Inland Revenue Service (FIRS) following the government decision to transition the administration of excises to FIRS. In response to the needs of the NCS and the Ministry of Finance, support is planned to the NCS in the re-engineering of customs processes with a view to developing a single window for foreign trade, and for the proper management and control of the origin of imported and exported goods.

III. LOGICAL FRAMEWORK

Country – Nigeria		
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	AFW2 is supporting the review of the strategic management framework and CD was provided in FY25 (November 2024).
Corporate priorities are better managed through effective risk management	2 Partially Achieved	An HQ mission and a follow-up STX visit have been supporting the strengthening of risk management at FIRS. Due to the relevance of VAT, a pilot of a compliance improvement plan (CIP) for VAT has been designed and supported by GPFP (November 2024).
Organizational arrangements enable more effective delivery of strategy and reforms	1 Not Achieved	Planned for April / May 2025 (November 2024).
Support functions enable more effective delivery of strategy and reforms	1 Not Achieved	This is in the pipeline for the upcoming fiscal year (November 2024).
Digital technologies are better aligned with strategic objectives	1 Not Achieved	Not started yet (November 2024).
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	The modernization of both services and enforcement activities will require strong CD support, which are in the pipeline (November 2024).
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	The new IT system is the backbone of reforms in tax administration and the scope has been expanded to enhance taxpayer filing (November 2024).
Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	This was agreed to be a priority but has not started because there are limited resources available in the first semester of FY25 (November 2024).

Taxpayer services initiatives to support voluntary compliance are strengthened	2 Partially Achieved	Authorities are structuring the framework to strengthen initiatives focused on increased support for voluntary compliance (November 2024).
The integrity of the taxpayer base and ledger is strengthened	1 Not Achieved	The authorities are still discussing how to implement the solution without risking the registration database (November 2024).
RM II: Objective - Improved customs administration functions (SDG 17.1) – CAD		Rating - 2
Outcome	Rating	Narrative
Customs control during the clearance process more effectively ensures accuracy of declarations	2 Partially Achieved	Customs has already taken over the management and control of origin under the AfCFTA, as recommended by FAD missions. A follow-up mission is planned for April 2025. An FAD mission in November 2023 provided guidance on the re-engineering of import and export processes. Awaiting implementation. During the 2024 Annual Meetings, continued support in this area was requested.
Foreign trade operators better comply with their reporting and payment obligations	1 Not Achieved	An FAD mission in November 2023 provided guidance on the re-engineering of import and export processes. Awaiting implementation. During the 2024 Annual Meetings, continued support in this area was requested. A follow-up mission is planned for February 2025.
Trade facilitation and service initiatives better support voluntary compliance	2 Partially Achieved	Lack of engagement from local authorities and internal disputes over the control of the single window hinder the project's progress. Following the express request for support in this area during the annual meetings in 2024, progress in the next FY may be possible.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
External shocks (social, political, economic, etc.) impact government revenue and expenditures.	Very High	Work with the IMF country teams and other IMF departments to analyze emerging fiscal risks and propose potential fiscal policies to minimize fiscal risks.
Government revenue measures adversely impact the tax ratio.	High	Work with country team and authorities to monitor revenue measures and their impact on the tax ratio and propose reforms to boost the tax ratio.
Management and Technical Staff Support and Commitment		
Patronage and cronyism in senior staff appointments.	High	Develop and implement a robust succession plan.
Tax administration executive management changes affecting reform implementation	Medium	Regular engagement, encouragement, and monitoring. Close collaboration and communication with FAD team and other partners.
Political Support		

Description	Rating	Mitigation Measures
Political instability and/or lack of political support may slow down and even stop reforms.	Very High	Close consultation with the country team to assist authorities in recognizing the relevance of reforms. Strategic advice and hands-on capacity building to have a more permanent impact.
Resource Adequacy		
Deficient transparency and accountability in tax and customs administrations.	Medium	Maintain an effective alignment between organizational structure, people and business/internal processes. Implement a comprehensive framework for performance management to cover all functional areas of FIRS and NCS
Cronyism and nepotism in hiring low-capacity and unskilled staff.	High	Provide staff with the necessary tools, technology, and skills towards high performance. Reposition FIRS Training School to ensure development of required skills.
Other Risks <i>[risk]</i>		
Slow implementation of reforms	Medium	Aligning reforms timeline with conditions in the field - low capacity and lack of resources. Close monitoring and readiness to adopt necessary changes.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

Important reform progress was made on intergovernmental relations under the IMF-supported Extended Fund Facility (EFF). The authorities drafted the National Fiscal Pact and a separate report (Rightsizing Report) requested by the Prime Minister to decrease the footprint of federal government. These were structural benchmarks under the EFF program with September 2024 target dates. The planned capacity development (CD) will support the authorities in rebalancing investment spending of federal government and provinces and in strengthening broader public investment management (PIM) decision making. The authorities have been busy with a heavy structural agenda under the EFF and will confirm the mission scope and timeline in November.

A new objective *Frameworks to Build Sustainable Fiscal Institutions and Frameworks* was added to the project to cover Climate Public Investment Management Assessment (C-PIMA) follow-up activities in addition to capturing the planned HQ mission further under this objective in the logframe. With this additional objective and outcome, we aim to expand FAD's engagement with the authorities to support a heavy reform agenda under the EFF. Building climate resilience through implementation of the CPIMA Action Plan and supporting the authorities' National Adaptation Plan is one of the four key priorities under the EFF. The authorities have also expressed their interest in the IMF's Resilience and Sustainability Facility (RSF). The new objective and requested funding will help deliver CD support for (i) the implementation of 2023 FAD PIMA C-PIMA recommendations and the PIMA CPIMA action plan, which was adopted by the authorities; and (ii) the potential RSF requiring strengthening economic resilience and sustainability by supporting policy reforms and greening PIM. Having two consecutive missions for Pakistan under GPFP would also support the programmatic approach of GPFP. It is also consistent with the inclusion of Pakistan as a pilot country in the Joint Domestic Resource Mobilization Initiative (JDRMI), which was launched by the IMF and the World Bank and aims to strengthen support for developing economies' efforts to unlock resources for development.

II. PROJECT DELIVERY HIGHLIGHTS

SM II: Spending Module II – Managing Public Finance

Key Progress in FY25: The planned CD will support the authorities' in rebalancing the federal government and provinces' capital expenditures and in broader PIM decision making. The mission was planned to be delivered in December 2024 but the mission dates have not been confirmed by the authorities yet.

Next Steps: Include delivering the planned HQ mission to support the authorities' in rebalancing the federal government and provinces' capital expenditures and in broader PIM decision making. Further CD is required for the implementation of high priority C-PIMA recommendations given the potential RSF and related reform measures on climate.

III. LOGICAL FRAMEWORK

Country – Pakistan		
SM II: Objective - Strengthened Budget Management - PBM		Rating - 1
Outcome	Rating	Narrative
Strengthened annual budget process, and effective allocation	1 Not Achieved	This outcome will be assessed during the planned HQ mission.
SM II: Objective - Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 2
Outcome	Rating	Narrative
Strengthened fiscal policies, frameworks, institutions, and laws	1 Not Achieved	Planned CD under the GPFP project will support the authorities in PIM aspect of intergovernmental relations.
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender, and SDGs	1 Not Achieved	On climate, potential RSF and related reform measures would help with the implementation of high priority C-PIMA recommendations.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
SM II: Challenging fiscal situation makes it difficult to implement reforms	Medium	Work closely with area department when designing program conditionality
Management and Technical Staff Support and Commitment		
SM II: Some rotation in senior staff in recent years, but situation has improved	Medium	Mission team will be mindful when proposing advice, which should be aimed at strengthening institutional capacity
Political Support		
SM II: Lack of political support to agree on expenditure assignment of provinces	High	Work closely with IMF area department when designing program conditionality
Resource Adequacy		
SM II: Technical staff are working simultaneously on several important changes, with several donors	Medium	Mission team will be mindful to propose actions that are feasible, and will coordinate closely with other donors.

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I. COUNTRY REFORM PROGRESS

The GPFP capacity development (CD) is intended to support Papua New Guinea (PNG) to deliver structural reforms set out under the IMF's Extended Credit Facility (ECF) / Extended Fund Facility (EFF) arrangement, which has now been extended to include access to the Resilience and Sustainability Facility (RSF). The second review of the program was completed in July 2024, with satisfactory performance. This is notable given the January 2024 civil unrest, which has led to a tense political and social environment with political ramifications: there have been several cabinet reshuffles, as well as three unsuccessful motions of no-confidence against the government. Progress with structural reforms has remained satisfactory – although the unrest has raised the political sensitivity of key changes. While growth has softened and core inflation picked up in the first half of 2024, the fiscal deficit has continued to narrow in the first half of 2024 and authorities are committed to the fiscal adjustment for 2024, in line with their medium-term fiscal repair strategy. The GPFP is directly supporting this program-critical fiscal strategy through improved revenue collection and more effective budget execution and public investment management (PIM). The authorities attended the 2024 Annual Meetings and reiterated their interest in receiving CD support in the areas of PIM, budget execution and cash management, and tax policy and revenue administration reform.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: Authorities' preparedness for, and knowledge of, the data and evidence required for the Tax Administration Diagnostics Assessment Tool (TADAT) evaluation has been built by delivery of a pre-assessment training on the TADAT methodology.

Next Steps: The authorities' capacity to deliver medium-term tax administration reform will be increased through the adoption and institutionalization of a clear reform strategy supported by a strategic management framework for its implementation. This will be achieved through a field-based TADAT diagnostic exercise to be conducted during November 18-December 5, 2024. The results of this assessment will provide the authorities with the information required to develop a tax administration reform and CD plan, to be supported by a post-TADAT workshop planned for March 2025.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY25: The authorities have received an extensive diagnostic of the climate sensitivity of their public investment systems through delivery of a C-PIMA (July 2024). This was originally planned to be part of the GPFP program but was ultimately financed through a different source. The CPIMA conclusions have supported development of the RSF Reform Measures (RMs) that are now part of the country lending program. These RMs now outline the beginnings of a strategic reform program to strengthen PIM.

Next Steps: Capacity to undertake basic disaster risk screening within the budget process for major public investment projects will be delivered by March 2025, in support of an RM. A Treasury single account implementation plan will be developed to support strategic reform to cash management operations by May 2025, to support a program structural benchmark. This follows on the March 2024 HQ diagnostic report on budget execution and cash management.

III. LOGICAL FRAMEWORK

Country – Papua New Guinea		
RM II: Objective - Strengthened revenue administration management and governance arrangements		Rating - 2
Outcome	Rating	Narrative
Organizational arrangements enable more effective delivery of strategy and reforms	4 Fully Achieved	A new organizational structure has been approved and is being implemented. Staff have been allocated to new functional roles.
Capacity to reform increased due to clear reform strategy and strategic management framework adopted and institutionalized	2 Partially Achieved	Governance mechanism is in place in principle. Meetings are sporadic and inconsistently attended. The secretariat lacks the authority to hold implementation agencies to account for delivering medium-term revenue strategy (MTRS) outcomes and milestones.
Support functions enable more effective delivery of strategy and reforms	2 Partially Achieved	Good progress with organization reform program, but procurement of new IT system for the Internal Revenue Commission (IRC) represents a serious threat.
Corporate priorities are better managed through effective risk management	2 Partially Achieved	Strategy was developed with short-term expert (STX) support, but implementation progress has been slow. Final STX visit was cancelled by the IRC as it was considered unnecessary.
Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols	1 Not Achieved	After serial delays the commitment of the IRC to implementing the TAA is a serious risk.
More independent, accessible, effective and timely dispute resolution mechanisms adopted	2 Partially Achieved	Strategy to address backlog in place, but overall progress linked to the implementation of the TAA.
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	A pre-assessment training on the TADAT methodology has been completed. A scheduled TADAT assessment will enhance the authorities' understanding of the strengths and weaknesses of the tax system. The results of the TADAT assessment will provide the authorities with the information required to develop a tax administration reform and capacity development plan, to be supported by a post-TADAT workshop planned for March 2025.
RM II: Objective - Strengthened core tax administration functions		Rating - 2
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened	3 Largely Achieved	Process reviewed, strategy and implementation plan developed - but implementation progress slow.
Taxpayer services initiatives to support voluntary compliance are strengthened	2 Partially Achieved	TPS strategy approved after being rejected twice, but implementation is slow. Account managers have been appointed in the large taxpayers' office.
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	Return collection strategy developed but not implemented. Self-assessment scheduled for introduction in January 2022.

A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	Strategy developed but not implemented. Debt continues to escalate.
SM II: Objective - Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 3
Outcome	Rating	Narrative
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender, and SDGs	4 Fully Achieved	A CPIMA has been delivered, although via a different funding route (JSA)
Strengthened capacity to plan, implement and sustain infrastructure governance	2 Partially Achieved	A CPIMA has been delivered (through another funding route). This has resulted in some agreed actions for reform, which will improve PIM processes more generally. A full PIMA would result in a more comprehensive infrastructure/PIM improvement plan - this is expected in FY26
SM II: Objective - Strengthened Budget Management - PBM		Rating - 1
Outcome	Rating	Narrative
Strengthened budget execution and control processes	1 Not Achieved	CD inputs for both outcomes are expected to be delivered in FY26

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM II: Risk that external events could create a challenging environment to conduct a TADAT assessment.	Medium	Ensure sufficient flexibility and allow for ability to adjust in activity timing and delivery modality in the case of adverse events.
Political Support		
RM II: Lack of political support for the TADAT reassessment may inhibit allocation of staff resources and access of assessors to field offices	Medium	APD colleagues could be leveraged to enhance traction at higher political levels.
SM II: There is a risk that authorities are not prepared to make tough decisions to implement reforms in the area of PIM and budget execution.	High	1) Link reforms to the IMF lending program so there is a clear incentive to deliver changes 2) Engage closely with authorities during missions to find those areas where there is appetite for reform 3) Emphasize the benefit of reform in the long-term 4) Share best practice from other countries that have undertaken these reforms to demonstrate what success can look like
Management and Technical Staff Support and Commitment		
RM II: IRC Commissioner General's push for the TADAT reassessment may not be reflected in commitment of other IRC Executive leadership team	Medium	Engage with senior management and technical staff proactively and explain the importance of the reassessment in strengthening IRC's capacity to deliver the MTRSII.

Description	Rating	Mitigation Measures
		Conduct a preparatory workshop to ensure IRC staff readiness for the assessment.
SM II: The capacity of technical staff in PNG is relatively low. There are coordination challenges between separate ministries of finance and treasury. This could make reform more difficult as staff struggle to deliver their new processes and to coordinate across institutions.	High	1) Carefully tailor reform advice to the capacity level of the relevant staff. 2) Ensure buy-in to reform at a political level so that technical staff face the right incentives for delivery 3) Prioritize implementation support follow up missions in resource allocation rounds to ensure that technical staff receive frequent support interventions.
Resource Adequacy		
RM II: Inadequate technical capacity, organizational structures, and human resources to effectively provide data and information for TADAT reassessment.	Medium	Strong preparatory workshops to ensure IRC readiness for the assessment, especially data collection and the assessment process.
RM II: Insufficient technical capacity and human resources necessary to implement reforms.	Medium	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
SM II: CD inputs for the two topics (PIM, budget execution) are inevitably limited. The plan is for two follow-up implementation support missions in consecutive years to support HQ-led diagnostic missions in these two areas. This may not be enough to support reform; particularly given the low capacity environment of PNG.	Medium	1) Prioritize follow-up implementation support in the annual planning rounds to ensure that these resources are made available. 2) Explore the possibilities for informal support that has no direct program cost (e.g. desk-based review; informal discussions; informal check ins) 3) Advocate for resources for this program in GPFP and PFTAC resource allocation decisions, using examples of 'quick wins' and successes delivered.
Other Risks		
RM II: Multiple development partners may be involved in the IRC's reform program leading to possible CD overlaps.	Medium	Take an active role in engaging with other donors to ensure the assessment and preparatory activities are well coordinated. In keeping with TADAT process, other interested DPs will be included in the TADAT team.

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I. COUNTRY REFORM PROGRESS

The project has gained significant momentum, with authorities openly expressing their appreciation for the technical support received. They have also demonstrated a strong interest in continuing assistance from the IMF's Fiscal Affairs Department (FAD) across all areas of public finance currently being addressed, including revenue administration, tax policy, climate policy, spending policy, and public financial management (PFM).

The involvement of other development partners on the ground, particularly the World Bank and the Inter-American Development Bank (IADB), has been seamlessly integrated into the work plans. Meetings have been held before and during missions with the IADB to avoid overlaps and foster complementarity in our efforts. Internally, the country-centered approach is enhancing synergies between FAD divisions. For instance, in the implementation of a carbon tax, the Climate Policy division is providing capacity development (CD). To ensure the effective administration of the new tax, FAD is also actively engaged. Additionally, FAD will provide CD to review and improve existing exemption programs and special regimes. This effort will be complemented by the development of risk-based compliance improvement plans (CIP), which are included in the revenue administration activities to strengthen the revenue agency.

In terms of spending policy, a mission was conducted to assess the financial sustainability of Paraguay's *Instituto de Provisión Social* (IPS) pension and health funds. Initial feedback has been positive, and the final report is anticipated to be completed by the end of 2024. Regarding PFM, guidance is being provided to the authorities to draft new legislation on public-private partnerships (PPP) and to promote sustainable public investment practices.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: The tax policy component of the project has yet to start. The mission has been confirmed by the Vice Minister of Finance of Paraguay and is currently scheduled to take place in February/March 2025.

Next Steps: A tax policy mission will provide CD to improve tax expenditure estimates. The mission will also appraise the effectiveness of special tax regimes, with the view to amending or abolishing those that are ineffective or redundant to broaden the tax base.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: CD to support customs administration has resumed with a workshop for 41 officials on Compliance Risk Management (CRM) and CIPs. This was crucial for new senior managers who needed clarity on CRM implementation. Hands-on guidance was provided on how to segment importers by size, sector, and risk level. The results were presented to the national director through a business intelligence dashboard which he found very useful. Collaboration with the IADB continues as they work on a loan for modernizing the tax agency. The e-invoicing project is on track, mandatory for most large and medium taxpayers, with 64 percent of value added tax (VAT) transactions processed electronically. While a new organizational structure has identified processes and business owners, KPIs are still under development. The *Dirección Nacional de Ingresos Tributarios* (DNIT) has begun CD activities for the CRM framework and CIP design, but the merger of tax and customs administrations has shifted priorities.

Next Steps: For customs, upcoming missions will focus on: (i) refining the scope of new customs departments; (ii) training on trader segmentation methodologies; (iii) strategies to improve goods clearance efficiency; and (iv) strengthening post-clearance audits. For tax, next missions will target: (i) consolidating e-

invoicing implementation; (ii) developing KPIs for processes and business owners; and (iii) enhancing the CRM framework through a CIP for carbon taxation.

SM I: Spending Module I – Spending Policy

Key Progress in FY25: FAD undertook a CD mission to Paraguay in August 2024 to assess the financial sustainability of the IPS pension and health funds. The mission team met with a wide range of stakeholders and provided the authorities a CD report for their comment. Initial feedback from the authorities is very positive. The report is expected to be finalized by the end of 2024. Follow-up actions will be explored.

Next Steps: The immediate next step is to finalize the CD report on IPS Health and Pension Spending. Following completion of the report, FAD will explore with the authorities whether they are interested in training and workshops on the analysis and implementation. Future CD will focus on civil service wages and pension issues.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY25: The project provided three CD missions this semester and helped the authorities draft a new PPP law, a new decree to green public investment project management and methodologies to assess fiscal risks associated with public companies and climate change.

Next Steps: No mission has been planned for the rest of the fiscal year but the authorities requested additional support to (i) define the legal regulations to implement the new PPP Law; (ii) improve the analysis of fiscal risks related to climate change; and (iii) strengthen the appraisal and section of public investment projects.

III. LOGICAL FRAMEWORK

Country – Paraguay		
RM I: Objective - Improve Tax Policy Design - TPD		Rating - 1
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	1 Not Achieved	The mission to achieve this objective is scheduled to take place in February / March 2025. Authorities are keen on analyzing the special tax regimes with the view of amending or abolishing ineffective or redundant special regimes in order to broaden the tax base.
Improved distributional fairness across taxpayers due to amended tax rates or base	1 Not Achieved	The mission to achieve this objective is scheduled to take place in February / March 2025. Authorities are keen on analyzing the special tax regimes with the view of amending or abolishing ineffective or redundant special regimes in order to broaden the tax base.
RM I: Objective - Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 2
Outcome	Rating	Narrative
Improved transparency and outreach	2 Partially Achieved	The mission to achieve this objective is scheduled to take place in February / March 2025. Authorities have already started refining their tax expenditure estimates.

		They have revised the methodology for the VAT and produced the estimations of VAT expenditures.
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	1 Not Achieved	The new organizational structure for the DNIT still requires time to stabilize.
Corporate priorities are better managed through effective risk management	2 Partially Achieved	The DNIT has received some CD activities to help design a CRM framework, which is still in the early stages. The DNIT has also received several CD activities to assist in designing a compliance improvement plan; however, the merger of the tax and customs administrations into a single agency has changed priorities, and this topic has only recently been taken into account.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	The e-invoicing system is mandatory for the majority of large and medium taxpayers; however, there is no specific obligation for government bodies.
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 2
Outcome	Rating	Narrative
Customs control during the clearance process more effectively ensures accuracy of declarations	2 Partially Achieved	A gap analysis was conducted to provide detailed insights to the new management teams regarding the challenges they must address to improve the efficiency of customs clearance. This analysis highlighted the need to: eliminate steps that do not add value; improve the selectivity system; strengthen feedback in the risk system; ensure that officials possess the required technical skills; and create a dashboard of indicators as a basis for measuring performance and decision-making.
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	2 Partially Achieved	The new agency must invest more in strengthening the post-clearance audit function, as it is a key component of a compliance improvement plan. Additionally, improving this function will also help expedite clearance at the borders.
SM I: Objective - Strengthen Expenditure Policy Formulation and Design - EPD		Rating - 3
Outcome	Rating	Narrative
Public pension system sustainability is enhanced while ensuring the adequacy of retirement income	3 Largely Achieved	Provided CD report to authorities for comment. Final report to be provided by the end of calendar year 2024.

Public expenditure is fiscally sustainable and efficient	3 Largely Achieved	Provided CD report to authorities for comments. Final report to be provided by the end of calendar year 2024.
SM II: Objective - Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 2
Outcome	Rating	Narrative
Strengthened fiscal policies, frameworks, institutions, and laws	2 Partially Achieved	A recent mission supported the drafting of a revised appraisal manual for public investment projects. This manual still has to be adopted and implemented.
SM II: Objective - Strengthened Budget Management - PBM		Rating - 2
Outcome	Rating	Narrative
Strengthened identification, monitoring, and management of fiscal risks	2 Partially Achieved	Several reforms to the legal framework have been proposed to the authorities but their implementation is still pending. A fiscal risk assessment mission took place in May and indicated possible ways to improve the analysis of fiscal risks associated to climate change and public corporations. However, no fiscal risk report was published this year.
Strengthened annual budget process, and effective allocation	1 Not Achieved	No CD was provided on this field,

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/conditions		
RM I: Droughts caused by El Niño can put pressure on retaining or creating new incentives for the agriculture sector	High	Devise an analytical framework to quantify the costs of new incentives and their potential effectiveness
RM II, SM II: Deterioration of fiscal situation may impact availability of resources to finance reforms.	Low	Careful alignment of reforms with the main priorities of the government. Reforms at the DNIT and Ministry of Finance are underpinned by comprehensive strategic plans, and the project results from the respective governments' strategic decision to reduce non-compliance and modernize its risk management capabilities.
Political Support		
RM I: The new government's desire for reforming special tax regimes eases	Medium	The government is committed to evaluating the existing special regimes as stated in the FCL.
SM I: Pensions and wage bill can be contentious	Very High	Discuss communication plans with authorities
Resource Adequacy		
RM I: Not enough staff or high turnover among staff	Low	Develop a methodological framework to estimate and evaluate tax expenditures that is accessible to new staff
SM II: Insufficient technical capacity on topics related to climate change	Very High	CD activities should include training sessions
Management and Technical Staff Support and Commitment		

Description	Rating	Mitigation Measures
RM I: Staff is not engaged or knowledgeable in tax expenditure quantification and assessments	Low	Previous CD engagements have built foundational blocks
RM II: Continuous rotation of managers and staff undermine the absorptive capacity and provoke permanent discontinuity.	Very High	Encourage authorities to implement administrative reforms that contribute to a more stable staff. Continual/regular high-level engagement and monitoring.
SM I: Pension modelling requires high level capacity and support	Medium	Review technical capacity and support, as needed
Other Risks		
All: Multiple donors are providing technical assistance on merger and CRM topics; as a result gaps or overlaps may arise.	Medium	Take an active role in engaging with other donors to ensure support is well coordinated, especially with the IADB.
RM II: The new government that took office in August 2023 implemented a merger between the tax and customs administrations into a single agency that can slow down and even stop implementation of reforms.	Very High	The FY24 workplan was adapted to help authorities better implement the merger. The postponed activities will resume in FY25 as part of this new project under the GPFP.

V. PROJECT MANAGERS CONTACT INFORMATION

Project Managers	Module PM	E-mail
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I. COUNTRY REFORM PROGRESS

The Philippines continues to work towards improving their revenue mobilization. The recently revised medium term fiscal framework envisages increasing the country's tax-to-GDP ratio by 2.2 percentage points—from the current level of 14.1 to 16.3 percent of GDP in 2028. The focus has been on improving the policy design, especially through rationalizing tax expenditures and modernizing the value added tax (VAT), but also through critical tax administration reforms. The 2024 Tax Administration Diagnostic Assessment Tool (TADAT) assessment highlighted some strengths, mainly around digitalization, and several systemic weaknesses in the tax system. However, a key retrograde step noted was the removal of the nascent compliance risk management (CRM) system in 2017 and absence of robust data analytics. The TADAT assessment (and the planned medium-term revenue strategy (MTRS) engagement workshop) provide a baseline for prioritizing tax reforms and, potentially, developing an updated multi-year capacity development (CD) support program (under the GPFP Project). The tax administration has signaled initial reform steps by indicating that CRM would be restarted.

In providing CD support, the IMF's Fiscal Affairs Department (FAD) has coordinated closely with the IMF's Asia and Pacific Department (APD) and development partners, including Asian Development Bank (ADB) and the World Bank. The risks to the project remain largely unchanged.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: The tax policy module of the project is on track, benefiting from close engagement with the authorities. Pre-GPFP VAT advice, endorsed by the APD country team, has gained traction with the authorities, now committed to modernizing their VAT law, including adopting some base-broadening measures. The most recent focus has been on improving the overall strategy for revenue mobilization and tax expenditure assessment, resulting in early engagement on and building awareness of the MTRS and initial support on tax expenditure identification.

Next Steps: Work on tax expenditures assessment will continue in the second half of FY25; an MTRS engagement workshop (focused on gap analysis) will also be delivered in mid-November 2024. Depending on the workshop discussion's outcome and available resources, support on excise tax policy, requested during the 2024 Annual Meetings, might be provided in the remainder of FY25.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: The TADAT assessment completed in June 2024 provided the authorities with a critical tool for evaluating and improving the tax administration system in the Philippines. The collaborative effort between the IMF, World Bank, ADB, and Philippines Department of Finance / Bureau of Internal Revenue (BIR) reflects a joint commitment to enhance tax compliance and administration.

Next steps: A proactive approach to reforming the tax system will continue, with a focus on short-term wins in improving tax compliance and alignment with strategic planning, including a joint tax policy/revenue administration MTRS workshop (mid-November). Planned follow-up CD initiatives with BIR on CRM and data analytics have the potential to significantly enhance the efficiency and effectiveness of tax collection processes.

III. LOGICAL FRAMEWORK

Country – Philippines		
RM I: Objective - Improve Tax Policy Design – TPD		Rating - 2
Outcome	Rating	Narrative
Increased/decreased revenue quantity	1 Not Achieved	The authorities are currently considering various approaches to revenue mobilization, hoping to improve the design and implementation of their Comprehensive Tax Reform Plan. Several tax reforms are being considered, including streamlining tax expenditures, modernization and base broadening of the VAT, and improving excise taxes and wealth taxation. These have, however, not yet had any material impact on the tax-to-GDP ratio.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	2 Partially Achieved	Following FAD's advice, the authorities are now committed to recasting the VAT law to reduce distortions and improve compliance. Work on VAT amendments is likely to commence in 2025.
RM I: Objective - Strengthen Policy Monitoring, Evaluation, and Institutions – TPM		Rating - 2
Outcome	Rating	Narrative
Improved transparency and outreach	2 Partially Achieved	The first CD engagement took place in October 2024, focusing on building tax expenditure inventory and initiating the overall tax expenditure assessment. The next engagement--focused on costing and evaluating tax expenditures--is planned for the first quarter of 2025.
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	2 Partially Achieved	Following FAD's 2023 mission on revenue forecasting, authorities have a better understanding of revenue forecasting techniques and various models employed in tax policy analysis. Tax expenditure costing models will be developed as part of the tax expenditures assessment CD planned for the first quarter of 2025.
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 3
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	3 Largely Achieved	A repeat TADAT assessment of the Philippines tax administration system was carried out in May-June 2024 by the IMF-led team which had members from the World Bank and ADB. Pre-TADAT preparations coordinated with the TADAT Secretariat included: (i) online orientation to introduce senior officials to the TADAT methodology; (ii) online workshop over four days to provide training for technical and operational staff of BIR; (iii) BIR officials appeared for the TADAT Assessors accreditation examination; (iv) formation of a core team by BIR to liaise with the IMF team and coordinate preparatory activities. These contributed to building of technical skills among personnel and also enhancing organizational readiness for reforms. Based on

Country – Philippines		
RM I: Objective - Improve Tax Policy Design – TPD		Rating - 2
Outcome	Rating	Narrative
		the draft Performance Assessment Report (PAR), the BIR requested a follow-up visit to help prioritize and sequence quick wins and longer-term reforms aligning with their 2024-28 strategic plan. The TADAT results were also presented to the DoF Secretary during the 2024 Annual Meetings. This resulted in BIR's requests for CD on CRM and data analytics.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External/Climate Conditions		
RM I - Risk that external events create a more challenging environment to implement reforms.	Low	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
RM II - Risk that external events create a more challenging environment to implement reforms. This includes natural disasters such as tropical storms.	Medium	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
Political Support		
RM I - Lack of political support for reforms inhibits required actions or resources allocated. Resistance to revenue mobilization through tax reforms--preference for non-tax revenue measures and improvements to tax administration	Medium	Early on engagement; close coordination with and leverage of advice through APD
RM II - Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhancements to fiscal risk management institutions and practices.	Low	Ensure fiscal risk CD is focused on priority areas and engage regularly with ministers and senior management to ensure government ownership of reforms. APD colleagues could be leveraged enhance traction at higher political levels.
Management and Technical Staff Support and Commitment		
RM I - Low commitment of management and staff in finance and other ministries to adopt and implement tax policy reform measures.	Low	Engage with senior management and technical staff pro-actively and explain the importance of strengthening tax systems.
RM II - DoF push for the post-TADAT reforms may not be reflected in the commitment of BIR senior management.	Medium	Enhance virtual and in-person discussions with BIR management and staff to assuage concerns and address questions.
Resource Adequacy		
RM I - Insufficient technical capacity and human resources necessary to implement reforms are limited.	Low	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.

Description	Rating	Mitigation Measures
RM II - Inadequate technical capacity, organizational structures, and human resources to effectively provide data and information.	Medium	Strong preparatory online workshops and discussion of mission schedules to ensure BIR readiness.
Other Risks		
RM I - Multiple donors are providing CD; gaps, or overlaps may arise as a result.	Low	Take an active role in engaging with other donors to ensure support is well coordinated.
RM II - Multiple development partners may be involved in the BIR's reform program leading to possible CD overlaps.	Low	In keeping with the MTRS process, other interested development partners will be kept informed.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. REFORM PROGRESS

The project is contributing to capacity development (CD) and knowledge sharing within a multilateral context, including engagement with the Addis Tax Initiative (ATI). This engagement involved 33 ATI country partners from Africa, Southeast Asia, and Latin America in efforts to measure compliance gaps. Additionally, the project is supporting specific countries, such as the Dominican Republic (DR), in implementing recent reforms to address compliance issues within their revenue administrations and providing oversight to activities funded under respective country CD programs. Development of the respective gap estimation methodologies also continued, including ongoing revision of the value added tax (VAT) tax gap methodologies, and development of bottom-up approaches.

Country engagements were also carried out for GPFP country projects, with the majority being low-income developing countries: (i) A VAT gap for Kenya was first carried out in 2019. A new VAT gap estimation process was initiated in 2024 using the Assisted Self-Assessment (ASA) program, with Kenya Revenue Authority staff implementing the work with the guidance of the IMF team. This is expected to enhance the country authorities' capacity; (ii) Armenia State Revenue Committee (SRC) has requested IMF to estimate the Personal Income Tax (PIT) gap and Social Security Contributions (SSC) gap. SRC has delivered the requested data and tax gap measurements are expected to be ready by the end of 2024. The PIT/SSC gaps will provide important insights for SRC in their work on implementing personal income tax declarations; and (iii) At the request of Nigeria's Federal Inland Revenue Service (FIRS), the IMF's Fiscal Affairs Department (FAD) visited Abuja in October to conduct its first VAT gap estimation. With guidance from the mission team, FIRS successfully mobilized most of the required tax data for the modeling, with remaining issues to be addressed in the upcoming remote engagement.

II. PROJECT DELIVERY HIGHLIGHTS

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

Key Progress in FY25: FAD has engaged with the ATI to coordinate work including presenting in knowledge sharing seminars and reviewing the United Nations University-World Institute for Development Economics Research (UNU-WIDER) bottom-up corporate income tax (CIT) gap model. For the DR, technical assistance is relevant for realigning DGII efforts towards tax gap analysis, a key input for developing evidence-based compliance improvement reforms. The DR tax gap analysis is being coordinated with FAD, the IMF's area departments, and the IMF's Regional Technical Assistance Center for Central America, Panama and the DR (CAPTAC-DR). The Inter-American Development Bank (IADB) will be also considered to discuss prior estimations delivered to the country.

Next Steps: It is planned to carry out: (i) Under the GPFP Revenue Administration – Gap Analysis Program (RA-GAP) project, country-level tailored tax gap estimation in the DR and expand to at least three new countries (Bolivia, Türkiye, and Zimbabwe; (ii) advanced analytical work with regard to bottom-up CIT gap estimation based on multi-country data; (iii) analytical output based on tax gap results from ATI countries (In this context, Uganda and Liberia have agreed to participate in an analytical study on revenue capacity); and (iv) continue developing the VAT tax gap methodology; (v) under the GPFP country projects, Kenya VAT Gap ASA, Armenia PIT/SSC gap estimation, and Nigeria VAT gap estimation to be finalized.

III. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Conditions/Climate		
External events create a more challenging environment to assess tax gaps or implement tax reform	Low	Maintain ongoing engagement with member countries on tax gap estimation and expand outreach to include new countries
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
Political Support		
Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhance tax gap analysis or fiscal reforms.	Low	Liaise with the IMF's area departments, to ensure fiscal advice and CD is support by the analysis of tax gaps and engage regularly with the minister of finance and senior management and other key stakeholders to ensure government ownership.
Resource Adequacy		
Insufficient technical capacity and human resources necessary to assess tax gaps.	Medium	Ensure CD plans are well targeted based on capacity and include sufficient capacity building and training elements, including via the online RA-GAP VAT Gap Estimation Model (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.

IV. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

The public debt-to-GDP ratio is continuing to increase and is projected to reach 80 percent of GDP in 2025, while tax revenues are not keeping pace with robust economic growth. The medium-term budget framework aims to reduce the fiscal deficit from 5.6 to 3 percent of GDP in FY24/25–FY27/28, necessitating stronger efforts to mobilize domestic revenues, given limited scope for further expenditure cuts amid major development challenges.

The Rwanda Revenue Authority (RRA) has continued to implement the medium term revenue strategy (MTRS) reforms including: (i) the New Operating Model launched on January 1, 2023, with significant progress made on recruitments and matching staff skills and competencies to the job requirements to bring about efficiency; (ii) comprehensive Compliance Improvement Plans published online from 2022/23; (iii) digitalization of the tax system, including the MyRRA online platform launched in December 2023, for enhanced controls to validate and ensure accurate reporting on both value added tax (VAT) and income tax; (iv) adoption of Common External Tariff version 2022 for customs; and (v) introduction of dynamic risk management to include the use of modern technologies in assessing risk.

However, the tax policy reforms envisaged in the MTRS approved by Cabinet in 2021 were not implemented and, despite the progress on revenue administration, tax revenues are lower now than prior to the approval of the MTRS: 14.6 versus 15.8 percent of GDP in 2019/20. In particular, corporate income tax (CIT) reforms that would have broadened and secured the tax base were not implemented, and the general CIT rate was reduced by 2 percentage points despite a commitment in the MTRS to review and implement CIT changes as a package. In addition, excise rates on gasoline and diesel have not been adjusted for inflation, and compensatory revenue measures identified in 2023 have yet to be implemented.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: A September 2024 FAD mission recommended that new measures should be guided by four key objectives: (i) reducing tax relief for unregistered, exempt, and informal businesses while enhancing the competitiveness of registered businesses; (ii) addressing the VAT system's regressivity by repealing exemptions and zero-ratings that disproportionately benefit higher-income households; (iii) rationalizing income tax incentives and positioning Rwanda as a competitive destination for business investment; and (iv), implementing environmental sustainability measures through comprehensive fossil fuel taxation to address greenhouse gas emissions and improve local air quality.

Rwanda's Ministry of Finance and Economic Planning (MINECOFIN)'s tax policy unit is nascent; it lacks the policy and legislative knowledge to design a major reform or defend tax policy objectives when challenged by industry or other government departments. The regional tax policy advisor will develop a systematic approach to training and onboarding new staff, while HQ missions will continue to assist in the development, formulation and communication of tax measures to generate incremental revenues while supporting a fair, equitable and competitive tax system that treats all investment favorably.

Next Steps: A short HQ mission in mid-January will help MINECOFIN to develop its communication and consultation strategy, including through the development of FAQs on the impacts of individual tax measures.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: Rwanda decided to extend MTRS 1, which was scheduled to end in 2023/24, by another two years to 2025/26. The authorities have expressed commitment to the development, in collaboration with the Fund, of MTRS 2 and have agreed to a structural benchmark with a target delivery date of January 2025. The authorities have yet to indicate the specific interventions for MTRS 2 or the digitalization project.

Next Steps: FAD will continue to engage the authorities on the intervention required to support MTRS 2 development. FAD will also continue to engage them on capacity development (CD) to close known capacity gaps, especially in Compliance Risk Management. We will further continue to engage on requirements under the digitalization program.

III. LOGICAL FRAMEWORK

Country – Rwanda		
RM I: Objective – Improve Tax Policy Design - TPD		Rating - 1
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	1 Not Achieved	Officials have an increased understanding of the reforms required to raise revenues while minimizing the negative impacts on economic efficiency and vertical equity, though Cabinet continues to view tax incentives, exemptions and reliefs as a basic policy response to a wide range of industrial, consumer (e.g., adopting new technologies) and social objectives.
Increased/decreased revenue quantity	1 Not Achieved	The tax policy reforms envisaged in the MTRS approved by Cabinet in 2021 failed to be implemented, and tax revenues are lower now than prior to the approval of the MTRS: 14.6 versus 15.8 percent of GDP in 2019/20. In particular, CIT reforms that would have broadened and secured the tax base were not implemented, and the general CIT rate was reduced by 2 percentage points despite a commitment in the MTRS to review and implement the corporate income tax changes as a package. In addition, excise rates on gasoline and diesel have not been adjusted for inflation and compensatory measures identified in 2023 have yet to be implemented.
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 1
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	2 Partially Achieved	The regional tax policy advisor visited Kigali in September to take stock of existing tax policy capacity, identify gaps and develop a work program. While the Tax Policy Directorate is well equipped with analytical tools and has access to necessary data, low staffing levels reduce its effectiveness. The authorities are also in the process of evaluating MTRS 1 and preparing for the development of an

		MTRS-2. Over the coming six months the advisor will develop a systematic approach to training and onboarding new staff and support the development of the MTRS on a needs basis. In March-April 2024, FAD delivered training on estimating the revenue impacts of VAT and income tax measures through an in-person workshop on using the VAT Gap Estimation Model (VGEM) to cost tax base measures and a remote workshop on CIT microsimulation modeling, reconstructing the CIT model.
RM II: Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) RAM		Rating - 1
Outcome	Rating	Narrative
Corporate priorities are better managed through effective risk management	3 Largely Achieved	The authorities are yet to publish the 2024-25 Compliance Improvement Plan, but the Compliance Risk Management framework is embedded and utilized.
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	1 Not Achieved	MTRS 1 extended. MTRS 2 development awaiting finalization of NST 2.
Digital technologies are better aligned with strategic objectives	2 Partially Achieved	The designed microservices architecture for e-tax needs to be implemented, within the security by design framework. Waiting to agree on an implementation plan with the Rwandan authorities (several reminders to RRA are made on this).
RM II: Objective – Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	This was time sensitive and due to a funding delay, the authorities obtained assistance from elsewhere.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I, RM II: Climate change and severe weather events in an economy with a large agricultural sector and the highest population density in Africa. Severe floods in May 2023 directly resulted in revenue pressures, staff capacity and slow down reforms.	High	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
Management and Technical Staff Support and Commitment		
RM I: MINECOFIN's tax policy unit is nascent. It lacks the policy and legislative knowledge to design a major reform or defend tax policy objectives when	Very High	The resident advisor in AFRITAC East should have a significant role in Rwanda, supplemented by HQ missions and desk reviews to assist in

Description	Rating	Mitigation Measures
challenged by industry or other government departments.		developing approaches to communicating tax measures.
RM II: RRA Executive Management is very committed to the reform program but poor coordination with MINECOFIN management may slow down MTRS reforms	Low	Engage with senior management and technical staff proactively and explain the importance of strengthening fiscal risk management.
Political Support		
RM I: Cabinet continues to view tax incentives, exemptions and reliefs as a basic policy response to a wide range of industrial, consumer (e.g., adopting new technologies) and social objectives. MINECOFIN officials are hesitant to pursue the tax policy measures necessary to meet revenue targets given the political emphasis on tax incentives, exemptions and reliefs.	High	Ensure fiscal risk CD is focused on priority areas and engage regularly with ministers and senior management to ensure reforms stay on track.
RM II: Due to elections next year, MINECOFIN is hesitant to implement tax policy measures in the MTRS and pushing revenue collection targets with administrative measures.	High	Ensure fiscal risk CD is focused on priority areas and engage regularly with minister and senior management to ensure reforms stay on track.
Resource Adequacy		
RM I, RM II: Human and financial resources, and infrastructure are available to support reform plans. However, the initial days of NOM implementation may reduce staff capacity and slow down reforms.	Medium	Ensure CD plans include sufficient capacity building and training elements and focus CD to priority or highest risk areas where resources are limited.
Other Risks		
RM I, RM II: Over ambitious reform plans- RRA seems to have too many reform activities going on at the same time that may affect focus and prioritization of the MTRS.	Medium	Support the authorities to develop well prioritized reform and modernization plans. Help develop a monitoring and evaluation framework with support from MTRS Advisor providing on the ground support and have annual HQ reviews.
RM I, RM II: Multiple donors are providing technical assistance on fiscal risk topics and gaps, or overlaps, may arise as a result	Medium	Engage actively with donors to ensure support is well coordinated.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

The IMF's Fiscal Affairs Department's (FAD) support to the Senegalese authorities focuses on the preparation and implementation of the medium-term revenue strategy (MTRS) for both tax policy and revenue administration, on the management of oil revenue, and on climate-related fiscal risks.

Work on the MTRS remains at a very early stage to identify key priorities for the next phase. The authorities have nevertheless expressed clear intentions to go forward as quickly as possible in the otherwise uneasy context. During a July 2024 joint FAD mission (tax policy, revenue administration, public financial management) that reviewed the 2018-24 MTRS and initiated planning for the 2024-29 phase, the authorities requested additional time to undertake their own assessment for the 2018-24 MTRS and to obtain clearer guidelines from the political authorities regarding future direction. However, with the legislative elections announced afterwards for November 17 and the ongoing MTRS assessment by the *Cour des Comptes* (Auditor General), as well as broader issues on the currently discussed macro-economic program, it is unlikely that the authorities will be in a position to proceed with the ensuing debriefing/planning mission with all involved donors before early 2025. Nevertheless, they remain very engaged and have already agreed to go forward with reforms at the Tax Department and the installation of a new long-term expert (LTX) in support of computerization and data use. Later, this request will need to be folded into the broader plan expected in early 2025.

Furthermore, the authorities are committed to implementing the roadmap for the operationalization of the oil revenue sovereign funds, and to improve the Fiscal Risk Statement (FRS) to include more accurate and exhaustive data on climate-related fiscal risks. In this respect, the July 2024 mission was also an opportunity to identify relevant arrangements to support the implementation of the new legal framework for natural resource wealth management. The mission assisted in developing a deployment roadmap, to operationalize the hydrocarbon revenue management framework and to keep fiscal risks under control. In addition, with the assistance of a remote mission, the authorities developed a quantitative analysis of natural disaster-related fiscal risks, integrated into the upcoming 2025 FRS, thereby meeting the fifth Reform Measure (RM) under the Resilience and Sustainability Facility (RSF) Program. The authorities also detailed the institutional and budgetary measures, as well as the financial instruments, in place for preventing and managing risks associated with natural disasters.

Policy guidance remains uncertain following the 2024 Presidential and legislative elections. Greater clarity is expected in early 2025.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: In the first half of FY2025, the 2018-24 MTRS was assessed in terms of policy measures and revenue impact (07/2024). The following new themes were identified for the next phase of the revenue strategy: (i) tax expenditures rationalization, (ii) formalization of the informal sector, (iii) value added taxes (VAT) efficiency, (iv) the tax treatment of investments, and (v) property taxes. The authorities were not able to confirm these themes, as they waited for higher-level policy direction and an internal audit of the MTRS by the *Cour des Comptes* (Auditor General).

Next Steps: In the remainder of FY2025 (and past the Nov. 17 legislative elections and the finalization of the internal audit), FAD and the authorities will debrief on the 2018-24 MTRS and next steps (MTRS new themes), based on their respective assessments. It is expected that additional analytical work could start right after, possibly before the end of the FY.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: Work on the second MTRS remains at a very early stage. Nevertheless, the authorities remain very engaged with reforms at the tax administration and the appointment of a new LTX in support of computerization and data use is aligned with priority reforms to be included in the upcoming MTRS.

Next Steps: In line with Key Priority 1 of FAD's Capacity Development (CD) Strategy, which is to strengthen the programmatic country-centered approach (PCCA), the next six months will be spent developing a CD program, ideally under a new MTRS, that will speed up and better organize the CD needs that came in from the Tax Department. This includes creating a reform strategy that focuses on the full digitization of tax procedures and functions, strengthening staff capacities in information system governance, change management, and adapting human resources to the digital maturity strategy, as well as enhancing data management and culture.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY25: On oil revenue management, the authorities adopted a roadmap including the following milestones: (i) the effective deployment of the two sovereign funds; (ii) the identification and mitigation of oil-related fiscal risks; and (iii) the strengthening of budget management and fiscal reporting for the wide range of hydrocarbon revenue. On climate change, the 2025 FRS has been strengthened, with the integration of climate-related fiscal risks related to floods and droughts.

Next Steps: According to a strong political support, CD will continue in the next six months on strengthening the management of the two wealth funds and the monitoring of their use; and on developing the FRS with a focus on broader fiscal risks related to climate change.

III. LOGICAL FRAMEWORK

Country – Senegal		
RM I: Objective – Improve Tax Policy Design		Rating - 1
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	1 Not Achieved	Planning of reform is ongoing and no measures were adopted yet.
Increased/decreased revenue quantity	1 Not Achieved	Planning of reform is ongoing and no measures were adopted yet.
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 1
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	1 Not Achieved	A specific unit has in principle been identified to coordinate tax policy, but the current context has not allowed the process to move forward.

RM II: Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 1
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	Preparatory work to develop a new MTRS is underway
Digital technologies are better aligned with strategic objectives	2 Partially Achieved	The impact of recent advancements on digital technologies is still to be assessed and monitored
SM II: Objective - Strengthen Budget Management - PBM		Rating - 1
Outcome	Rating	Narrative
Strengthened asset and liability management processes	2 Partially Achieved	The authorities adopted a roadmap including the following milestones: (i) the effective deployment of the two sovereign funds; (ii) the identification and mitigation of oil-related fiscal risks; and (iii) the strengthening of budget management and fiscal reporting for the wide range of hydrocarbon revenue.
Strengthened annual budget process, and effective allocation	2 Partially Achieved	The authorities developed a quantitative analysis of natural disaster-related fiscal risks, integrated into the upcoming 2025 FRS, thereby meeting the fifth RM under the Resilience and Sustainability Facility (RSF) Program. The authorities also detailed the institutional and budgetary measures, as well as the financial instruments, in place for preventing and managing risks associated with natural disasters. New regulations developed for the appraisal and selection of capital projects. New tools and regulations still need to be fully implemented.
Strengthened budget execution and control processes	1 Not Achieved	Planned in the context of the FY26 budget preparation and implementation

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I: N/A	Low	Build on progress achieved with remote delivery of CD.
RM II: Resurgence of pandemic hinders CD delivery and changes CD priorities	Medium	Build on progress achieved with remote delivery of CD.
SM II: Vulnerability to climate change and international crisis	High	Green and sustainable budgeting

Description	Rating	Mitigation Measures
Resource Adequacy		
RM I, RM II: Resources are misused, nor properly accounted for, or do not achieve value for money.	Low	Project resources will be employed in accordance with IMF policies and procedures, including in particular its Travel Policy
SM II: Availability of funding	Medium	Sustainable budget
Political Support		
RM I, RM II: Political instability may slow down and even stop implementation of reforms	Medium	Focus on strategic advice and hands-on capacity building to have a more permanent impact. Close consultation with the IMF's African Department and the authorities
SM II: Disrupted reform program from different objectives by the new government following elections	Very high	Build consensus and support from the new government and strengthen capacities to ensure critical public financial management reforms are not disrupted and continue to be a priority
Management and Technical Staff Support and Commitment		
RM I: Persistent institutional instability regarding leadership on tax policy	High	Persistent institutional instability regarding leadership on tax policy
RM II: Continuous rotation of managers and staff undermines the absorptive capacity and creates discontinuity.	Low	Encourage authorities to implement administrative reforms within a stable internal environment and closely monitor projects
SM II: Limited capacity and commitment	Medium	Strengthened capacity and ownership
Other Risks		
RM II: The reform momentum is highly based on the availability of a modern IT system that can support reform management and implementation	Low	Maintain close coordination and collaboration with other CD providers, especially the World Bank to deliver forcefully a modern IT system.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

The authorities are taking ambitious steps to tackle Sierra Leone's macroeconomic imbalances. The domestic primary deficit was reduced by 2.8 percent of GDP in 2023 and is on track toward a further reduction of 2.1 percent this year. Monetary policy was tightened sharply by reducing year-on-year base money growth from a peak of 63.4 percent in June 2023 to 8.8 percent in June 2024 and raising the policy rate by 7.25 percentage points since end-2022.

Sierra Leone signed a new Extended Credit Facility (ECF) arrangement with the IMF in October 2024, which aims to restore stability by bolstering debt sustainability, addressing fiscal dominance, bringing down inflation, and rebuilding reserves. Restoring stability in the Sierra Leonean economy will require a continued ambitious macroeconomic adjustment over the program period. Enhancing revenue mobilization, boosting spending efficiency, and managing fiscal risks will be critical to make room for priority spending on social policies and investment. Approval of the Medium-Term Revenue Strategy (MTRS) in November 2023 was a significant step in this direction and is now guiding the implementation of tax policy and revenue administration actions that will boost revenue over time. Continued capacity development (CD) support under the project will assist the authorities to keep their revenue mobilization goals on track and meet their commitments under the ECF arrangement.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy
Key Progress in FY25: The project activities did not commence, pending the negotiation of an ECF program with the authorities. Next Steps: Activities are expected to commence in the second half of FY25.
RM II: Revenue Module II – Revenue Administration
Key Progress in FY25: Project implementation is progressing well, and the authorities are clearly articulating their needs and keen to adopt FAD's advice. Implementation of mission recommendations in compliance risk management is, however, slow. Next Steps: The IMF's Fiscal Affairs Department (FAD) will continue engagements to establish how the authorities can be assisted in completing the costing of the MTRS implementation plan. Support in the development of the Compliance Risk Management Framework and a digitalization strategy will continue, both have been indicated as top priorities.
SM I: Spending Module I – Spending Policy
Key Progress in FY25: The authorities have been taking actions based on the recommendations of FAD CD. On wage bill management, they have elaborated a strategy drawing from the recommendations of FAD CD on the issue. Given the pressing need to advance on this topic, progress on subsidies has been slower. Next Steps: As per the authorities' request, FAD will continue to provide CD on the authorities' strategy to manage the wage bill and will continue to engage on subsidies.

III. LOGICAL FRAMEWORK

Country – Sierra Leone		
RM I: Objective - Improve Tax Policy Design - TPD		Rating - 1
Outcome	Rating	Narrative
Improved distributional fairness across taxpayers due to amended tax rates or base.	1 Not Achieved	Activities have yet to commence, pending the negotiation of an ECF program with the authorities.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures.	1 Not Achieved	Activities have yet to commence, pending the negotiation of an ECF program with the authorities.
RM I: Objective - Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 1
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	1 Not Achieved	Activities have yet to commence, pending the negotiation of an ECF program with the authorities.
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized.	2 Partially Achieved	An MTRS Implementation plan is in place but has not yet been costed. Steering Committee meetings are not being held.
Corporate priorities are better managed through effective risk management.	2 Partially Achieved	An action plan was developed in July 2024. It is currently being implemented.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
Audit and other verification programs more effectively ensure accuracy of reporting.	1 Not Achieved	This seems to have been downgraded in the list of priorities.
SM I: Objective – Strengthen Expenditure Policy Formulation and Design - EPD		Rating - 2
Outcome	Rating	Narrative
Government pay and employment are more competitive and consistent with fiscal constraints.	2 Partially achieved	The authorities have designed a strategy consistent with FAD's recommendations. Too early to assess full progress.
Reduce subsidies while mitigating impact on vulnerable households.	1 Not achieved	The household survey still needs to be updated, and the authorities have focused reform efforts in FY25 on wage bill management.

Public expenditure is fiscally sustainable and efficient.	2 Partially achieved	Primary spending is projected to decline partly based on a strategy to improve wage bill management based on our recommendations.
SM I: Objective – Strengthen Expenditure 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	Following up on the authorities request, further activity is needed to build progress on this outcome.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I: CD support could be disrupted by travel restrictions that limit face-to-face interactions.	Medium	Switch to remote support.
RM II: Risk that external events create a more challenging environment to implement reforms.	High	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
Political Support		
RM I: Key ministers withdraw support for the project.	Medium	Ongoing engagement with ministers.
RM II: Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhancements to fiscal risk management institutions and practices.	High	Ensure CD is focused on priority areas and engage regularly with ministers and senior management to ensure government are aware of political economy considerations and to ensure ownership of reforms.
SM I: Difficulties in implementing measures due to lack of political support.	Medium	Workshops to increase awareness.
Management and Technical Staff Support and Commitment		
RM I: Key personnel lose interest or reduce support for project activities.	Medium	Ongoing engagement on local priorities.
RM II: Low commitment of management and staff in finance and other ministries to adopt and implement fiscal risk management practices.	Very High	Engage with senior management and technical staff proactively and explain the importance of strengthening fiscal risk management.
Resource Adequacy		
RM I: Resources not sufficient to deliver the CD required.	Low	Ensure planning identifies potential shortfalls at an early stage.
RM II: Insufficient technical capacity and human resources necessary to implement reforms.	High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
SM I: There is a risk of resources unavailability to implement the measures.	Medium	Medium term fiscal framework

Description	Rating	Mitigation Measures
Other Risks		
RM I: Unexpected macroeconomic or external shocks force the authorities to focus on immediate response, at expense of other CD activities.	High	Delay or slow CD activities.
RM II: Multiple donors are providing technical assistance on fiscal risk topics and gaps, or overlaps may arise as a result.	Low	Take an active role in engaging with other donors to ensure support is well coordinated.
SM I: Lack of commitment	Medium	Discussion with the authorities.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

The execution of the FY2023/24 budget reflects challenging conditions. Oil revenue outturn was weak owing to the pipeline damage (24.8 percent of GDP compared to 30.5 percent in FY2022/23). Strong non-oil revenue partly compensated (6.5 percent of GDP in FY 2023/24 compared to 4.2 percent of GDP in FY2022/23). The improvement in non-oil revenue was due to the increases in the exchange rate used for customs valuation and other revenue administration measures including hiring of new staff and digitalization of tax and customs processes.

In recent times, revenue administration support by the IMF's Fiscal Affairs Department (FAD) was primarily provided by the IMF's Africa Regional Technical Assistance Center East (AFE) in strengthening customs operations and core tax administration functions. A July 2024 revenue administration mission identified significant reform gaps and provide guidance on how to address them over the medium term. However, operationalizing the South Sudan Revenue Authority (SSRA) remains a work in progress. Initial staffing has not been completed. Delays have meant that few employees are confirmed in SSRA positions. As a result, staff are uncertain as to their status and their future. A deadline of 2027 has been set for completion, but this needs to be accelerated to the end of the financial year.

The authorities are contemplating the implementation of a value added tax (VAT). The SSRA would need to address the significant weaknesses within tax and customs before a VAT can be implemented. Implementation of a VAT takes an average of 24 months.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module II – Revenue Administration
Key Progress in FY25: The South Sudan Government aims to increase non-oil revenue to at least 6 percent of GDP by 2027. The authorities were assisted to assess reform gaps and agreed to a four-year program to strengthen the reform program, aiming to increase revenue. Next Steps: The first capacity development (CD) assignment is scheduled for mid-November 2024.

III. LOGICAL FRAMEWORK

Country – South Sudan		
Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 1
Outcome	Rating	Narrative
Organizational arrangements enable more effective delivery of strategy and reforms	1 Not Achieved	Program to assist in achieving the milestones and objective has not yet commenced.

Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	1 Not Achieved	Program to assist in achieving the outcome has not yet commenced.
Corporate priorities are better managed through effective risk management	1 Not Achieved	Program to assist in achieving the milestone and outcome is being discussed.
Transparency and accountability are more effectively supported by independent external oversight and internal controls	1 Not Achieved	Program to assist in achieving this outcome has not yet commenced.
Effective implementation of a new tax or modernized legislation	1 Not Achieved	A program is not yet in place.
Digital technologies are better aligned with strategic objectives	1 Not Achieved	The authorities are taking steps to improve the IT system. CD is yet to be delivered.
Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	Program to assist in achieving the milestones and outcome is being discussed.
A larger proportion of taxpayers meet their filing obligations as required by law	1 Not Achieved	Technical assistance has been approved and is yet to be delivered.
Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	Technical assistance is being discussed for delivery in CY2025.
The integrity of the taxpayer base and ledger is strengthened	1 Not Achieved	Work will commence to achieve this outcome.
Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 1
Outcome	Rating	Narrative
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	1 Not Achieved	No activity yet.
Customs control during the clearance process more effectively ensures accuracy of declarations	1 Not Achieved	In CD discussion. No activity yet.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
The risk is that external events create a more challenging environment to implement reforms.	Very High	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
Political Support		
Lack of political support for reforms inhibits required actions or resources needed to enhance fiscal risk management institutions and practices.	High	Ensure fiscal risk CD is focused on priority areas and engage regularly with ministers and senior management to ensure government ownership of reforms.

Description	Rating	Mitigation Measures
Lack of political support for reforms inhibits required actions or resources needed to enhance fiscal risk management institutions and practices.	High	Close consultation with the country team to assist authorities in recognizing the relevance of reforms.
Management and Technical Staff Support and Commitment		
Low commitment of management and staff in finance and other ministries to adopt and implement fiscal risk management practices.	Very High	Engage with senior management and technical staff proactively and explain the importance of strengthening fiscal risk management.
High turnover of Commissioner General	Very High	Build capacity at HQ and senior management level to sustain reform program management.
Resource Adequacy		
Insufficient technical capacity and human resources necessary to implement reforms are limited.	High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
Other Risks		
Multiple donors provide CD on fiscal risk topics and gaps, or overlaps may arise.	Medium	Take an active role in engaging with other donors to ensure support is well coordinated.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

Suriname has an IMF Extended Fund Facility (EFF) program which is slated to end in March 2025. The authorities' commitment to a range of policy reforms continues to strengthen macroeconomic stability. The economy is growing, inflation is declining, donor support is increasing, the public debt is declining, and international bond spreads are at historic lows. Growth rebounded to 2.5 percent in 2023 and is expected to reach 3 percent in 2024. GDP is expected to see a steep increase in 2028, rising to 50 percent as oil production comes online. The primary balance target is proposed to be lowered by 0.3 percent of GDP in 2024 and 0.8 percent of GDP in 2025. The primary balance has been lowered from 3.5 to 3.0 percent in 2026 but the additional resource revenues should support an increase in the primary surplus to 5.5 percent by 2029.

The IMF's Fiscal Affairs Department (FAD) has been supporting Suriname with reforming its tax system, primarily on the implementation of the value added tax (VAT). A general diagnostic mission on tax policy to identify where reforms should be best targeted was completed in May 2023. The mission made several recommendations for strengthening tax revenue performance. Since 2022, revenue administration conducted three missions—two related to the VAT implementation and a Tax Administration Diagnostic Assessment Tool (TADAT) evaluation. Given the weak capacity within the tax administration to administer the VAT, building capacity and strengthening business processes in core functional areas are key; the GPFP program is playing a critical part in this work.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module II – Revenue Administration

Key Progress in FY25: Suriname has taken step to improve the efficiency of the VAT system. It commenced developing VAT guidance for taxpayers, VAT orders to improve VAT refund processes, and audit programs. It also commenced work on segmenting its taxpayer base and reviewing the accuracy of assignment taxpayer to the sectors. The authority will continue strengthening its core business processes: filing, payment, arrears management. The Netherlands is assisting the authorities to strengthen the function of the large taxpayer office, and the Inter-American Development Bank (IADB) is assisting with establishing a semi-autonomous revenue authority.

Next Steps: For the second half of FY25, the authorities will continue to improve processes relating to VAT refund, filing, payment and to build audit capacity. All commercial importers will be mandated to use a single unique taxpayer identification number (TIN). The taxpayer register is to be updated after the completion of a segmentation exercise and review of the initial assigned sectors to taxpayers.

III. LOGICAL FRAMEWORK

Country – Suriname		
Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 1
Outcome	Rating	Narrative
Organizational arrangements enable more effective delivery of strategy and reforms	1 Not Achieved	Program to assist in achieving this outcome not yet in place.
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	1 Not Achieved	Program to assist in achieving this outcome yet to be developed.
Corporate priorities are better managed through effective risk management	2 Partially Achieved	Critical data being collected and analyzed.
Transparency and accountability are more effectively supported by independent external oversight and internal controls	1 Not Achieved	Program to assist in achieving this outcome not yet in place.
Effective implementation of a new tax or modernized legislation	2 Partially Achieved	VAT guides and rules drafted.
Digital technologies are better aligned with strategic objectives	2 Partially Achieved	Authorities have some way to go to have a single IT system.
Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened	2 Partially Achieved	Work is advanced on segmentation, the taxpayer base and application of the correct ISIC.
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	Program to improve filing compliance is in its early stage.
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	Assistance commenced on strengthening VAT refund process, yet to commenced on arrears management.
Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	Program in early stage of implementation.
Taxpayer services initiatives to support voluntary compliance are strengthened	2 Partially Achieved	More than 10 VAT guides drafted, awaiting approval from senior management.
Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 1
Outcome	Rating	Narrative
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	1 Not Achieved	Discussion commences in in strengthening enforcement process
Customs control during the clearance process more effectively ensures accuracy of declarations	1 Not Achieved	Early discussion in addressing custom controls process.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
Risk that external events create a more challenging environment to implement reforms.	Medium	Risk that external events create a more challenging environment to implement reforms.
Government revenue measures adversely impacted the tax ratio	High	Work with the IMF country team and authorities to monitor revenue measures and impact on tax ratio and propose reform measures to boost collection and tax ratio
Political Support		
Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhancements to fiscal risk management institutions and practices.	Very High	Ensure fiscal risk capacity development (CD) is focused on priority areas and engage regularly with ministers and senior management to ensure government ownership of reforms
Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhancements to fiscal risk management institutions and practices.	Very High	Close consultation with the country team to assist authorities in recognizing the relevance of reforms.
Management and Technical Staff Support and Commitment		
Low commitment of management and staff in finance and other ministries to adopt and implement fiscal risk management practices.	Very High	Engage with senior management and technical staff pro-actively and explain the importance of strengthening fiscal risk management.
Resource Adequacy		
Insufficient technical capacity and human resources necessary to implement reforms are limited	High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited
Other Risks		
Multiple donors are providing technical assistance on tax administration	Medium	Take an active role in engaging with other donors to ensure support is well coordinated.

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

In July 2022, the IMF approved a 40-month arrangement for Tanzania under the Extended Credit Facility (ECF). The program focuses on three key areas: (i) strengthening fiscal space through improved revenue mobilization and spending quality; (ii) advancing the structural reform agenda; and (iii) safeguarding macro-financial stability and advancing financial deepening.

The Tanzanian authorities are committed to designing and implementing a medium-term revenue strategy (MTRS) that aims to fund its development goals and a sustainable fiscal and debt position. Development of the MTRS and its implementation plan and their submission to cabinet by December 2024 (revised from end of June 2024) is a structural benchmark under this program. The MTRS will be for three years (2024/25-2026/27) and targets to raise revenue from an estimated 11.3 percent to 15 percent a 3.7 percentage points increase.

The government has entered a Resilience and Sustainability Fund (RSF) arrangement that incorporates public investment management reforms related to climate. The government is about to meet the first reform measure requiring an update of the Environmental and Social Guidelines by end-November 2024. Technical support from the IMF's Fiscal Affairs Department (FAD) has been requested to support climate appraisal of projects and disaster risk financing, which will be the basis for an upcoming capacity development (CD) activity.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: The authorities have developed a first draft of the MTRS with FAD support. Stakeholders including development partners are currently being consulted on the MTRS for inputs and authorities plan to submit the final draft to Cabinet for approval in December 2024, revised from end-June 2024.

Next Steps: For the remainder of FY25, the project will focus on successful implementation of the MTRS including: (i) establishment of the high-level steering committee to oversee MTRS implementation; (ii) development of a costed implementation plan; (ii) alignment of plans for the Ministry of Finance and Tanzania Revenue Authority to MTRS; and (iv) setting up structures for better coordination of cross-cutting activities across the Government of Tanzania.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY25: The Government of Zanzibar initiated a gender budgeting reform in the 2024/25 budget through a pilot of six ministries. Building on this momentum, a FAD team provided capacity development support in August 2024 to the President's Office for Finance and Planning (PoFP). The team worked with the PoFP to develop a roadmap to guide the next steps of this reform.

Next Steps: CD support on the accomplishment of the public investment management-related RSF reform measures was discussed during the IMF's 2024 Annual Meetings. The authorities requested the mission arrive no earlier than late January 2025. The mission will enable the authorities to assess the climate impact of new capital projects.

II. LOGICAL FRAMEWORK

Country – Tanzania		
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	MTRS at stakeholder consultation level before submission to Cabinet for approval (missed the structural benchmark deadline for June 2024). A staff visit in July guided the authorities on advancing progress.
SM II: Objective - Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 2
Outcome	Rating	Narrative
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender, and SDGs	2 Partially Achieved	The Government of Zanzibar initiated a gender budgeting reform in the 2024/25 budget through a pilot of six ministries. Building on this momentum, a FAD team provided capacity development support in August 2024 to the PoFP. The team worked with the PoFP to develop a roadmap to guide the next steps of this reform. On climate, the CD activities have not been delivered, yet. The planned January 2025 mission will focus on mainstreaming climate change considerations into the public investment management framework.

III. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate /Conditions		
N/A	N/A	N/A
Political Support		
RM II: Government strong oversight of the MTRS reforms and monitoring of results.	High	Strong engagement of government on MTRS implementation in liaison with the IMF's African Department team.
SM II: A lack of political decision-maker support can undermine progress and implementation.	High	Strong engagement with government in the context of RSF reform measures and priorities identified by central and sub-national governments.

Description	Rating	Mitigation Measures
Management and Technical Staff Support and Commitment		
RM II: Government commitment to MTRS implementation.	Very High	Guide authorities on MTRS strong governance and leadership of the MTRS process. Also guide authorities on strong stakeholder engagement process to garner support.
SM II: Local resources may be insufficient for reaching all counterparts for reform	High	Foster coordination by inviting multiple stakeholders to trainings and workshops.
Resource Adequacy		
RM II: MTRS reforms not costed, and necessary resources not provided for MTRS implementation.	High	Authorities will be strongly encouraged to make a cost/benefit analysis of the MTRS and provide resources to implement high priority measures.
SM II: Local resources may be insufficient for reaching all counterparts for reform	Medium	CD will aim to foster collaboration through workshops and collective discussions.
Other Risks		
N/A	N/A	N/A

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I. COUNTRY REFORM PROGRESS

Technical cooperation has been very productive until June 2024: multiple large size taxpayer-levels datasets on value added tax (VAT), personal income tax (PIT) and customs have been shared. This has allowed the IMF's Fiscal Affairs Department (FAD) to execute very detailed analyses on excise tax and VAT to identify additional revenue potential that could be used to match equivalent revenue-decreasing PIT reforms, whose contours are taking shape. Analytical policy-relevant work remains in progress, although recently there has been little traction at the policy level. Tunisia has, in an ad hoc fashion, adopted select tax policy reforms compatible with the objectives of this capacity development (CD) program.

Unfortunately, suddenly and unexpectedly, cooperation has become more difficult since June 2024. The authorities cancelled a mission at two weeks' notice. As the Presidential elections were announced shortly after (October 6) it has remained very difficult to get reactions to FAD's follow up. At this stage, FAD will remotely finalize the ongoing unfinished work with available data and summarize these analyses in a report that will be used for a formal follow-up mission in late fall 2024. Country authorities' reactions will be sought and assessed until early 2025, at which point the situation will need to be reevaluated. There has been no progress on food and fuel subsidies so far.

Misalignment of overall political priorities with the CD program objectives has become a new and significant risk over the past year and is casting doubts on the viability of this CD program, despite excellent contacts at the technical level.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module I – Tax Policy

Key Progress in FY25: In the first half of FY2025, detailed taxpayer-level VAT data were analyzed to identify reforms of exemptions and reduced rates, notably, and quantify potential additional revenue. Individual-level PIT data were reviewed to simulate revenue-reducing reforms whose impact would match VAT- and excise-related additional revenue, to assess the extent of a possible shift in the tax burden. This remains a work in progress, as a June 2024 mission was cancelled by the authorities at short notice. Preliminary work was completed in a review of small taxes aimed at a rationalization effort.

Next Steps: Over the remainder of 2025, these analyses will be pursued remotely with available data and sent to the authorities for comments.

III. LOGICAL FRAMEWORK

Country – Tunisia		
Objective – Improve Tax Policy Design - TPD		Rating - 2
Outcome	Rating	Narrative
Improved distributional fairness across taxpayers due to amended tax rates or base	2 Partially Achieved	Analyses are ongoing and point to clear recommendations, but no measure has been adopted yet, except on an ad hoc basis.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	2 Partially Achieved	Analyses are ongoing and point to clear recommendations, but no measure has been adopted yet, except on an ad hoc basis.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
Social unrest	Medium	Structure the work to be able to continue working remotely.
Political uncertainty	Medium	Revise the CD timeline (as opposed to the substance of the CD), as soon or later the same issues will need to be discussed, regardless of external interference.
Management and Technical Staff Support and Commitment		
Lack of local resources delays missions or reduces interest	Medium	- Increase reliance on remote work and transform full missions into follow up missions. - Use, if possible, program benchmarks to motivate progress
Political Support		
Social and political resistance hinders the conduct and support of reforms.	High	Revise CD timeline and adjust workplan.
Repeated change in high-level priorities creates too much uncertainty for normal functioning and commitment of managers	High	Use, if possible, program benchmarks to motivate progress.
Resource Adequacy		
Change of authorities' priority and desired mission timing creates conflict with availability of resources	Medium	- Structure the work to always have a fallback remote work option to increase flexibility (e.g., have access to data). - Stretch the CD mission timeline to accommodate authorities' constraints
Other Risks		
Decreased cooperation on data issues.	Medium	- Follow up on data at every mission. - Demand support from the area department regarding the data gathering process.

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I. COUNTRY REFORM PROGRESS

Uganda has navigated the post-pandemic recovery well due to sound macroeconomic policies. The economic recovery is strengthening with low inflation, favorable agricultural production, and strong industrial and services activity. Growth is estimated at 6 percent in FY23/24, up from 5.3 percent in FY22/23. Headline inflation has increased to 3.9 percent by June 2024, driven by rising energy prices and core inflation, though the latter remains below the Bank of Uganda's target of 5 percent.

Domestic resource mobilization strategy (DRMS) implementation, which was deferred in part due to COVID, has been further extended to 2026/27. The Uganda Revenue Authority (URA) reported some progress in development of the Compliance Improvement Plan (CIP) for Multinational Enterprises (MNE), following recommendations of a mission by the IMF's East Africa Regional Technical Assistance Center (AFE) mission. However, this was later than the date indicated in the agreed benchmarks under the IMF's Extended Credit Facility agreement. The lending program ended in June 2024 with an incomplete 6th review due in part to revenue inadequacy and slow implementation of some structural benchmarks. The authorities requested a new lending program at the 2024 Annual Meetings. The IMF's African Department (AFR) stipulated that additional fiscal space would be needed, so negotiations are ongoing.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: No capacity development (CD) activities were delivered during the first half of FY2025. A CD mission on DRMS and tax expenditure analysis requested during the 2024 Spring Meetings was offered for August 2024, but the authorities did not respond. A revised CD request for tax expenditure analysis, revenue forecasting, and local government revenues was placed at the 2024 Annual Meetings.

Next Steps: The FADT2 regional tax policy advisor visited Kampala in November to take stock of existing tax policy capacity, identify gaps and develop a work program. A tax policy mission on tax expenditure analysis, revenue forecasting, and local government revenues has been offered to the authorities for late FY2025. An MNRW-funded natural resource taxation CD mission (petroleum and mining) and workshop will take place in early 2025, and that work will likely be incorporated into the GPFP beginning in FY26.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: In collaboration with AFE, a draft CIP for MNEs has been produced. The authorities have indicated that they are undertaking an internal review of the DRMS and will revert with capacity building requirements. They confirmed extension of DRMS 1 implementation to 2026/27.

Next Steps: FADR2 will continue to engage with the URA based on the DRMS 1 measures. A mission is planned for early 2025 to review the output of their internal DRMS 1 review process to determine whether any change in CD prioritization is necessary.

III. LOGICAL FRAMEWORK

Country – Uganda		
RM I: Objective – Improve Tax Policy Design		Rating - 1
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures.	1 Not Achieved	No significant reduction of tax expenditures over the past fiscal year.
Increased/decreased revenue quantity.	2 Partially Achieved	AFR projects tax revenue to have increased by 0.4 percent of GDP between FY2023-24 and FY 2024-25.
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 0
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	1 Not Achieved	CD on tax expenditure evaluation and revenue forecasting has not yet been delivered under the GPFP.
RM II: 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.	2 Partially Achieved	An action plan was developed with CD from the IMF. Some CIPs have been produced.
Support functions enable more effective delivery of strategy and reforms	1 Not Achieved	Slow implementation of digitalization strategy delaying progress.
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	Authorities still conducting internal reviews and yet to clearly define required interventions.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External conditions/climate		
RM I: Failure to better coordinate East African Community trade rules undermines effective excise and tariff reform.	Low	Align excise rates with externalities from harmful goods consumption for both imports and domestic products.
Resource Adequacy		
RM I: Ministry of Finance (MoF) and URA lack sufficient resources to evaluate, formulate and promote effective tax policy reforms.	Medium	Provide CD to develop staff technical skills and set tax reform priorities.

Description	Rating	Mitigation Measures
RM II: Human and financial resources, and infrastructure are not available to support reform plans	High	Assist authorities with prioritization of reform budget.
Political Support		
RM I: Parliament opposes reduction of business tax expenditures as anti-growth. Rationalization of consumption taxes resisted to avoid raising living costs of the poor.	Medium	Develop analytical tools to quantify costs of generous tax incentives and public information campaign to publicize their revenue impact. Coordinate with social insurance agencies to compensate poor households for higher consumption taxes.
Management and Technical Staff Support and Commitment		
RM I: MoF and URA commitment to tax expenditure reduction and other revenue-raising measures appear substantial. Reform threats appear more likely from political influences.	Low	Support MoF and URA management with strategic advice on presentation and phasing of tax reforms; support technical staff with tools to help evaluate current tax policies and design effective reforms.
RM II: Poor engagement and support by Management	High	Constant follow-up with Management to ensure support

V. PROJECT MANAGERS CONTACT INFORMATION

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I. COUNTRY REFORM PROGRESS

The vast program of reforms in all areas of fiscal policy continues at great pace in Uzbekistan, with strong political support to maintain momentum. The merging of the Ministries of Economy and Finance (MEF) over a year ago continues to mature, and the integration of broad responsibilities over both revenue and expenditure under the Deputy Minister for the Budget has increased opportunities for integrated capacity development (CD) across all fiscal workstreams.

The presence of multiple development partners in the field (especially the World Bank, Asian Development Bank, International Labor Organization) has been factored into workplans of the IMF's Fiscal Affairs Department (FAD), with the two long-term experts (LTX), one for revenue administration and one for public financial management (PFM), playing a key role in facilitating engagement and coordination. Project managers of the four GPFP workstreams hold regular meetings with the IMF's Middle East and Central Asia Department (MCD) and Office of the Resident Representative to discuss short- and medium-term reform priorities and align messaging with the authorities; the country-centric format of the GPFP helps raise the profile of FAD's work program when engaging with both the authorities and other international financial institutions (IFI).

On the revenue side, years of FAD CD bolster the LTX's position as a point of contact for other IFIs, and plans to improve risk management at customs will further broaden the comprehensiveness of the work program; the Tax Committee's 2025-30 strategy, to be submitted to the President by end-2024, is an important milestone. On the PFM side, the PFM Strategy is a major step forward in empowering the MEF to prioritize reforms in the PFM space, including where other IFIs are involved, and the LTX's work on institution-building to improve the budget process has been a critical anchor. On the expenditure policy side, CD has been provided ahead of two important government reforms (on civil service pay and on pension sustainability), and further work will focus on building the institutional capacity to manage expenditure policy effectively, in close coordination with PFM work to improve the budget process.

Finally, the government's commitment to sustainable fiscal consolidation is providing new impetus to address fiscal challenges in a way that builds capacity in the process, with wholistic and coordinated CD as a key enabler, as was made clear by the authorities during the Annual Meetings.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: No activities were delivered in the past six months. Activities are expected to take place in November 2024 and March 2025.

Next Steps: Work areas to be covered are developing capacity of institutional structures (tax policy unit) and improving tax policy design of business taxation, personal income taxation, and natural resources taxation. Assistance in these areas will contribute to enhanced revenues and greater distributional fairness. Activities are coordinated within FAD.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: Initiatives taken during this period built on progress achieved under the project funded by the Revenue Mobilization Thematic Fund (RMTF). The Tax Committee (TC) has actively continued work to develop its 2025-30 strategy to be submitted to the President's Office by end-December 2024. It has also commenced the development of the 2025 National Audit Plan and the design of a compliance improvement plan focused on value added tax (VAT) with the support of the resident advisor. These initiatives are expected to be completed during the second half of FY25. One staff visit was

conducted to assure the authorities of FAD's continued support to their tax administration reform efforts and confirm FAD's CD program for 2024-27. During the visit, the newly appointed IMF Resident Tax Administration Advisor was introduced to the Ministry of Economy and Finance (MEF), the State Tax Committee (TC) and other Uzbekistan-based CD providers.

Next Steps: Four key outcomes are expected to progress, including the (i) finalization and approval of the 2025-30 tax administration strategy; (ii) approval of the strategy to address the challenges posed by the shadow economy; (iii) design of a National Audit Plan for 2025; and (iv) improved risk management at customs. These initiatives aim to strengthen taxpayer compliance, further modernize the tax and customs administrations, and improve their effectiveness.

SM I: Spending Module I – Spending Policy

Key Progress in FY25: (i) The MEF is planning a Civil Service pay reform, with a key decree due in December 2024. An FAD mission in July conducted a technical assessment, reviewed the government's draft plan, and developed a roadmap for reform; messaging was coordinated with FAD colleagues on public financial management (PFM), and work planning was coordinated with the World Bank, to ensure their upcoming Public Finance Review is complementary to FAD work; (ii) Pension reforms are expected to be introduced by decree in March 2025, and will build on the findings of a 2022 FAD mission; FAD has maintained ongoing engagement with the Pension Fund throughout 2024 and has organized a workshop (November 2024) involving several development partners (the World Bank, Asian Development Bank and International Labor Organization) to help the authorities develop policy options and a roadmap for implementation. The team will collaborate with FAD colleagues when considering options for financing of the pension reform. Open discussion with the World Bank is ongoing on both wage bill and pensions, to coordinate messaging and avoid overlaps with the World Bank's upcoming Public Finance Review.

Next Steps: FAD will continue to support the MEF and Pension Fund as they refine the draft pension reform ahead of the March 2025 Presidential Decree. Once the Presidential Decree on Civil Service pay reform is introduced (in December 2025), FAD will help to build capacity at the MEF to conduct policy analysis and improve wage bill management.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY25: The authorities developed a (PFM reform strategy and action plan, setting out their reform goals and specific measures to achieve them for the period 2025-30. The Strategy was supported by CD from the resident PFM advisor, funded under the program since August 2025, and an in-country CD mission in September 2025. The PFM mission team consulted other IMF CD departments on relevant elements of the Strategy, including revenue administration, statistics, and monetary and capital markets. The team also coordinated closely with the World Bank and other development partners, including by participating in a donor coordination meeting on the Strategy. It is anticipated that the Strategy will be submitted to the Cabinet of Ministers for approval before the end of 2025 and that it will play an important role in guiding PFM reforms over the next five years. The authorities also resumed preparation and publication of a Fiscal Strategy Statement to guide preparation of the 2025 budget.

Next Steps: An updated Public Investment Management Assessment (PIMA) and Climate-PIMA in early 2025 will inform development of a reform roadmap to strengthen public investment planning and allocation and capital budgeting. To prepare this, the resident PFM advisor will conduct a stock take of reform progress since the 2020 PIMA and continue to support further improvements to budget processes.

III. LOGICAL FRAMEWORK

Country – Uzbekistan		
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 1
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	1 Not Achieved	Activities are expected to take place in November and March 2025.
RM I: Objective – Improve Tax Policy Design - TPD		Rating - 1
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	1 Not Achieved	Activities are expected to take place in November and March 2025.
Increased/decreased revenue quantity	1 Not Achieved	Activities are expected to take place in November and March 2025.
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 3
Outcome	Rating	Narrative
Organizational arrangements enable more effective delivery of strategy and reforms	3 Largely Achieved	A joint tax policy and administration mission in April 2024 provided initial guidance to further improve the large taxpayer office's operations. Work to improve large taxpayers office (LTO) operations has commenced. FAD CD support focused on the LTO is planned in FY25.
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	3 Largely Achieved	This activity began in 2019 under the RMTF project. Good progress was made. A multi-year planning principle has been adopted. The strategy 2024-30 was developed. Guidance was provided in April 2024 to improve it, before it is submitted to the MEF. Improvements have been made with the support of the LTX.
Corporate priorities are better managed through effective risk management	2 Partially Achieved	A compliance risk management approach was adopted under the RMTF project. Work to develop compliance improvement plans is progressing.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 3
Outcome	Rating	Narrative
Audit and other verification programs more effectively ensure accuracy of reporting	3 Largely Achieved	This milestone was determined under the RMTF project. Good progress was made. A computer-based case selection system was developed. Further improvements are needed to address aggressive planning risks. A national annual audit plan for 2025 is being developed.

Taxpayer services initiatives to support voluntary compliance are strengthened	2 Partially Achieved	Outcome developed under the RMTF project. Good progress was made. The authorities plan to further improve communication and engagement with taxpayers to reduce compliance cost and improve voluntary compliance. This objective is highlighted in the draft 2025-2030 strategic plan.
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 2
Outcome	Rating	Narrative
Customs control during the clearance process more effectively ensures accuracy of declarations	2 Partially Achieved	Selectivity criteria are applied during the clearance process but not finely targeted.
Foreign trade operators better comply with their reporting and payment obligations	2 Partially Achieved	Customs procedures are not fully compliant with international standards.
Trade facilitation and service initiatives better support voluntary compliance	1 Not Achieved	There is no revenue collection model regarding e-commerce.
SM I: Objective - Strengthen Expenditure Policy Formulation and Design - EPD		Rating - 1
Outcome	Rating	Narrative
Public pension system sustainability is enhanced while ensuring the adequacy of retirement income	1 Not Achieved	The Presidential Decree introducing the pension reform is planned for March 2025.
Government pay and employment are more competitive and consistent with fiscal constraints	1 Not Achieved	The Presidential Decree introducing a new pay system is not due until December 2024. The July 2024 FAD mission provided a technical diagnostic, discussed the MEF's draft reform, and proposed a roadmap for implementation of the reform.
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 civil service reform mission in July reviewed the authorities' early reform draft; conducted a technical assessment of opportunities to improve the draft; and provided a roadmap for reform which includes institutional improvements. Work on institution building will continue after the December presidential decree.
SM II: Objective - Frameworks to Build Sustainable Fiscal Institutions and Frameworks – FIF		Rating - 2
Outcome	Rating	Narrative
Strengthened capacity to assess core PFM functions and develop reform strategies	3 Largely Achieved	FAD supported the authorities to prepare a PFM Reform Strategy and action plan for the period 2025-30. Further diagnostics are planned by IFIs to assist the Ministry of Finance in evaluating progress and identifying further actions to support reform.

Strengthened capacity to plan, implement and sustain infrastructure governance	1 Not Achieved	A PIMA update and C-PIMA diagnostic planned in early 2025 will assess progress and identify reform actions to strengthen public investment management.
SM II: Objective - Strengthened Budget Management - PBM		Rating - 2
Outcome	Rating	Narrative
Strengthened annual budget process, and effective allocation	2 Partially Achieved	This outcome will be assessed as part of the planned PIMA update and C-PIMA diagnostic.
Strengthened medium-term frameworks	2 Partially Achieved	Foundations for medium-term budget planning are in place, centered on preparation of a Fiscal Strategy Paper in June each year, but increased capacity to implement it and strengthen processes to support strategic budget prioritization are needed.
Strengthened asset and liability management processes	2 Partially Achieved	Authorities have developed a Treasury Reform Strategy that includes measures to strengthen cash balance management, supported by complementary CD under other funding programs.
SM II: Objective - Improve Fiscal Transparency and Reporting - FTR		Rating - 2
Outcome	Rating	Narrative
Comprehensive, timely, and high-quality fiscal reports	2 Partially Achieved	Authorities plan to adapt additional IPSAS during 2025. CD under this project has not focused on supporting accounting reform.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I: Impact of war in Ukraine on Uzbek fiscal policy	Low	Monitor the situation and discuss with the authorities.
RM II, SM I, SM II: External events create a more challenging environment to implement reforms.	Low	Agree with the authorities on remote activities in case of adverse events.
Political Support		
RM I: Political developments can be quite uncertain with ramifications for the progress on tax reform.	Medium	Seek to engage with key policy makers.
RM II: 2023 was characterized by political uncertainty, notably around the time of the MEF merger, inhibiting reform momentum.	Medium	- Engage regularly with senior government officers (e.g., Deputy Prime Minister, relevant deputy ministers), to foster and monitor government ownership of reforms.

Description	Rating	Mitigation Measures
		- Strengthen relationships with key officers to monitor reform progress, especially on critical milestones (e.g., as set out in the PFM Reform Strategy and Project implementation plan). - Leverage support from MCD.
SM II: Political support for PFM reforms is crowded out by other priorities, constraining reform momentum.	Medium	Ensure PFM CD is focused on priority areas and engage regularly with Ministers and senior government officers to ensure they understand the benefits of reform and to foster ownership.
Management and Technical Staff Support and Commitment		
RM I: There is a risk that the Ministry of Finance does not engage effectively in leading the interagency modeling team. Also, that agencies fail to collaborate effectively.	High	- Continue to work closely with the IMF support for implementation and have joint meetings/workshops with different agencies/ministries from the outset. - Establish formal Memorandum of Understanding between agencies from the outset
RM II: Low commitment of management and staff in TC and State Customs Committee (CC) to implement reforms.	Medium	Engage with senior management and technical staff and explain the rationale for the reforms.
SM I, SM II: While there is strong commitment to reforms at the management and technical level, there are risks that technical staff lack capacity to implement them effectively, compounded by staff turnover.	Medium	- Ensure CD advice considers current capabilities and incorporates institution and capacity building. - Regularly monitor progress on reform implementation and adjust CD plans when needed.
Resource Adequacy <i>risk</i>		
RM I: High turnover of public servants could mean that more resources might be needed to retrain and reengage with successors.	Medium	Identify key persons that are more likely to remain in their posts and provide more tailored training to them.
RM II: Insufficient technical capacity and human resources undermines the capacity in key entities (e.g., MEF, TC, CC) to implement reforms or absorb CD in key topics.	High	- Ensure CD plans include sufficient capacity building and training elements for both ongoing and new topics. - Prioritize CD to important or high-risk areas where resources are limited. - Conduct ongoing assessment of technical barriers to implementation. - LTX to provide continuous support to ensure reform stability and enhance momentum.

Description	Rating	Mitigation Measures
SM I, SM II: Insufficient staff resources and technical capacity undermines ability to implement reforms effectively.	High	- Ensure CD plans include sufficient capacity building and training elements for both ongoing and new topics. Prioritize CD to important or high-risk areas where resources are limited. - Ensure CD is well-coordinated with other donors.
Other Risks		
RM II: Multiple donors are providing technical assistance in overlapping topics (e.g., revenue administration and gaps, PPPs and SOEs).	Low	- Participate in regular donor coordination meetings. - Take an active role in engaging with other donors to ensure support is well coordinated.
SM I, SM II: Multiple donors are providing PFM technical assistance, raising coordination challenges.	Medium	- Participate in regular donor coordination meetings - Take an active role in engaging with other donors to ensure support is prioritized and well-coordinated

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I. REFORM PROGRESS

Since the launch of the first module in July 2021, the **Virtual Training to Advance Revenue Administration (VITARA)** program trained approximately 13,300 active course participants. The average learning gain is more than 13 percent. With the launch of the new Information Technology and Data Management (ITD) module, the VITARA portfolio has grown to 18 online course modules, five reference guides, and several microlearning videos. These online products and publications have become an integral part of the IMF's technical assistance and capacity development (CD) engagements. The project has a positive impact on IMF knowledge management and quality assurance. The VITARA brand is strong and the cooperation among the four founding organizations is robust. The project is on course to develop the full VITARA curriculum by FY27 as set out in the program initiation document.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module III - Training/Peer Learning and Fiscal and Macroeconomic Tools – Revenue

Key Progress in FY25: Launch of the Enterprise Risk Management and the ITD module. Publication of four VITARA Reference Guides on Organization, Human Resource Management, Reform Management Fundamentals and Reform Management Specific Topics. In FY25, 1,600 active participants with an average learning gain of 12 percent. Vast majority of the participants are from emerging market economies and low-income countries (85 percent). Africa remains the biggest benefactor of the courses (43 percent of users), followed by Europe and Middle East and Central Asia (15+ percent both). Several technical assistance missions and CD engagements have benefitted from and utilized VITARA content.

Next Steps: Launch of the Taxpayer Registration online module. Publication of the Institutional Governance, the Performance Management, and the Compliance Risk Management Reference Guides. Content development of Taxpayer Services, Filing as well as Payment and Debt Management modules. Starting development of the Dispute Resolution, Revenue Management, and Introduction to Revenue Administration online modules.

III. RISK ASSESSMENT

Description	Rating	Mitigation Measures
Resource Adequacy		
Competing demands for IMF technical expertise, e-learning design and publication support. Language barriers inhibit the delivery of modules to non-English speaking countries.	Medium	Translation of modules needs to be scaled up. Partnership extension has been considered. Outreach is ongoing for obtaining support for dissemination of products.

Description	Rating	Mitigation Measures
		Close collaboration with internal IMF departments involved in the development and delivery of products.
Political Support		
Coordination among the four partners.	Low	Executive Council of partners oversees the project development.
External Climate and Conditions		
Demand for online training is expected to remain significant among countries.	Low	Continue the production and delivery of online modules and outreach activities. Support country-centric CD with online delivery.
Management and Technical Staff Support and Commitment		
The IMF and its partners continue to show strong commitment to the project.	Low	Continue engagement with senior management and technical staff of partner organizations.

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I. COUNTRY REFORM PROGRESS

Zambia is making continued progress in implementing economic reforms, although the outlook remains challenging. The near-term outlook has worsened due to the deeper-than-projected drought, a slower recovery in copper production, and higher contraction in agriculture and electricity. Zambia is under an IMF Extended Credit Facility (ECF) for 38 months, approved in August 2022, and augmented in June 2024. The authorities are interested in developing their climate policy and have indicated interest in the IMF Resilience and Sustainability Facility (RSF).

The GPFP capacity development (CD) reforms are intended to support Zambia to deliver structural reforms set out under its ECF arrangement, as well as to inform the ongoing reform in climate through enhancing the climate sensitivity of the public investment. Given the constrained fiscal environment and climate vulnerability, maximum investment efficiency is paramount.

The availability of the major CD support by multiple cooperating partners in the field (especially, Good Fiscal Governance project jointly funded and run by the European Union, the German Agency for International Cooperation (GIZ) and the United States Agency for International Development (USAID), as well as the World Bank) has been considered in the IMF's Fiscal Affairs Department's (FAD) workplans for all workstreams. Regular engagement with the IMF's African Department (AFR), often through the fiscal economist, helps ensure that FAD CD aligns with the most pressing CD needs of the authorities, where the IMF has a comparative advantage (such as, broad diagnostics, e.g. public investment management assessment (PIMA) and Climate-PIMA), and addresses the important structural and fiscal reforms identified in the ECF. The programmatic country-centered approach also helps to incorporate lessons learnt in each workstream to deliver impactful CD.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: The tax revenue-to-GDP ratio is at 16.3 percent, with an overall fiscal deficit of 3.3 percent of GDP. The authorities have been contacted about initiating the project work but have not yet responded. Their immediate focus appears to be on short-term revenue measures, given the current fiscal and economic pressures.

Next Steps: For the remainder of FY25, FAD will continue to reach out to the authorities to begin work. A key area will be CD with the estimation and evaluation of tax expenditures, following a request from the authorities at the 2024 Annual Meetings. The authorities are also considering whether to request additional assistance on mining taxation.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: The Zambia Revenue Administration (ZRA) has highlighted the priority to institutionalize Compliance Risk Management (CRM). The Commissioner General has reinforced to government, the public, and his staff that the implementation of CRM is an organizational priority. The Zambian Minister of Finance has emphasized this as a key initiative for ZRA in his 2025 Budget speech, and it is expected to be featured in the soon-to-be-released 2025-27 Strategic Plan. The plan is expected to articulate a clear commitment to improving compliance, reducing the tax gap, and prioritizing a set of activities that will contribute to the implementation of CRM. The ZRA has also developed the specifications for its value added tax (VAT) control model project, including refunds, and it has been incorporated into the CRM framework. The e-invoicing system is mandatory for all VAT taxpayers. The mandatory phase started on July 1, 2024, for approximately 20,000 taxpayers; however, a grace period without the application of penalties was granted until October 1, 2024, due to taxpayers' difficulties in adapting their systems.

Next Steps: Next missions will target: (i) consolidating e-invoicing implementation; (ii) helping operationalize the CRM Committee and the Risk Management Unit; and (iii) helping develop Compliance Improvement Plans (CIPs) for large taxpayer segment and main taxes.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY25: To support the authorities' access to RSF, under the public finance management (PFM) module, the PIMA update and Climate-PIMA (C-PIMA) are underway (November 6-19, 2024). These assessments will identify opportunities to improve the efficiency of public investment in Zambia and to ensure climate considerations are appropriately incorporated in public investment practices. It will support strengthening the capacity in relevant institutions to plan, implement and sustain infrastructure governance; and implement and sustain priority reforms relating to climate. The work is being conducted in close coordination with development partners, particularly the EC and GIZ who are conducting a comprehensive public expenditure and financial accountability (PEFA) assessment with the complementary modules on climate and gender. The IMF agreed to carry out a peer review of PEFA and its complementary modules.

Next Steps: The PIMA/C-PIMA will identify main gaps and weaknesses in public investment management, including from a climate perspective, and develop targeted recommendations and a prioritized action plan for addressing them. Where relevant, further capacity development by FAD and other institutions to support the implementation of the action plan will also be proposed.

III. LOGICAL FRAMEWORK

Country – Zambia		
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 1
Outcome	Rating	Narrative
Improved transparency and outreach	1 Not Achieved	Oct 2024 – TA delivery has not yet started.
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	1 Not Achieved	Oct 2024 – TA delivery has not yet started.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	The e-invoicing system is mandatory for all VAT taxpayers; however, there is no specific obligation for government bodies. The VAT control model, including refunds, has been incorporated into the CRM framework.
RM II: 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	2 Partially Achieved	The ZRA has highlighted the priority to institutionalize CRM. The Commissioner General has reinforced to government, the public, and his staff that the implementation of CRM is an organizational priority.

		Zambia's Minister of Finance has emphasized this as a key initiative for ZRA in his 2025 Budget speech, and it is expected to be featured in the soon-to-be-released 2025-27 Strategic Plan. The plan is expected to articulate a clear commitment to improving compliance, reducing the tax gap, and prioritizing a set of activities that will contribute to the implementation of CRM.
SM II: Objective – Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 1
Outcome	Rating	Narrative
Strengthened capacity to assess core PFM functions and develop reform strategies	1 Not Achieved	The November FAD PIMA update / CPIMA is being conducted in coordination with development partners, particularly the EC and GIZ who are conducting a comprehensive PEFA assessment and complementary modules on climate and gender. IMF agreed to carry out a peer review of PEFA and its complementary modules.
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender, and SDGs	1 Not Achieved	The PIMA update and C-PIMA were undertaken during November 6-19, 2024. These assessments will identify opportunities to improve the efficiency of public investment in Zambia and to ensure climate considerations are appropriately incorporated in public investment practices.
Strengthened capacity to plan, implement and sustain infrastructure governance	1 Not Achieved	The PIMA update and C-PIMA were undertaken during November 6-19, 2024. These assessments will identify opportunities to improve the efficiency of public investment in Zambia and to ensure climate considerations are appropriately incorporated in public investment practices.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/conditions		
RM I, RM II: Deterioration of fiscal situation may impact availability of resources to finance reforms.	High	Careful alignment of reforms with the main priorities of the government. Reforms at ZRA and Ministry of Finance are underpinned by comprehensive strategic plans, and the project results from the respective governments' strategic decision to reduce non-compliance and modernize its risk management capabilities.
SM II: Volatility on commodity market, climate events and spillovers from crises in other countries worsen inequality and trigger social unrest, which may impact CD delivery	Medium	Flexible CD delivery.

Description	Rating	Mitigation Measures
Political Support		
SM II: Large number of competing reform priorities may impact the political commitment to Gender and Climate related reforms	Medium	Coordinate closely with AFR and other development partners (donor troika) on the ground to ensure political commitment. Engage with senior political officials on actions to implement.
Management and Technical Staff Support and Commitment		
RM I, RM II: Continuous rotation of managers and staff undermine the absorptive capacity and provoke permanent discontinuity.	Low	Encourage authorities to implement administrative reforms that contribute to a more stable staff. Continual/regular high-level engagement and monitoring.
SM II: Risk to the level of commitment by the authorities' staff and their supervisors to undertake the desired tasks and decisions, and follow-through with recommended actions provided under the CD	Low	Coordinate with AFR.
Resource Adequacy		
RM I, RM II: Resources are misused, not properly accounted for, do not achieve value for money.	Low	Project resources will be employed in accordance with the Fund's policies and procedures, including in particular its Travel Policy.
SM II: Whether human and financial resources and/or suitable physical infrastructure (buildings and equipment) and technology are adequate within the targeted unit(s) to conduct the desired function	Medium	N/A
Other Risks		
RM I, RM II: Multiple donors are providing technical assistance on CRM topics; and gaps, or overlaps may arise as a result.	Low	Take an active role in engaging with other donors to ensure support is well coordinated, especially with GIZ and USAID.

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I. COUNTRY REFORM PROGRESS

Zimbabwe recorded growth rates of 6.1 percent in 2022 and an estimated 5.3 percent in 2023. This growth trajectory is largely attributed to expansions in the agriculture and mining sectors, along with service sector growth driven by remittances. However, projections indicate that real GDP growth may decelerate to approximately 2 percent in 2024, primarily due to the adverse impacts of El Niño-induced droughts. Nevertheless, economic recovery is anticipated in 2025, with growth expected to rebound to around 6 percent as the adverse effects of drought—particularly on agricultural output and hydropower generation—begin to alleviate.

In the context of the Global Public Finance Partnership (GPFP), the Zimbabwe Revenue Authority (ZIMRA) has made notable advancements in system development, evidenced by the successful implementation of the initial two modules of the Tax and Revenue Management System (TaRMS). During the annual meetings, the authorities affirmed their request for a Tax Administration Diagnostic Assessment Tool (TADAT) evaluation. This assessment aims to benchmark the current state of the tax administration system against established international good practices and to inform future reform initiatives. The TADAT assessment is slated for delivery in the first quarter of the calendar year 2025. Additionally, the authorities have identified significant challenges associated with taxing the informal sector and are actively seeking assistance in this regard.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: In Tax, the ZIMRA was assisted to evaluate the implementation of the Tax and Revenue Management System (TaRMS) project activities. The assessment concluded that the planned activities were executed effectively within the established resource parameters. The ZIMRA was encouraged to intensify efforts in establishing a credible and reliable taxpayer register. Additionally, it was recommended to expedite the recruitment and skill transfer to the ZIMRA's software system engineers to ensure self-sufficiency in the configuration and maintenance of TaRMS, which is a key investment objective. A leadership development assignment was also executed to enhance leadership capabilities for effective reform management at ZIMRA. In customs matters, the ZIMRA has received support to manage and control the profession of customs brokers (clearing agents). Weaknesses in the status of these intermediaries between the administration and economic operators are causing inaccuracies in declarations, facilitating fraud, and leading to integrity issues. Recommendations have been proposed for a new regulatory framework, in compliance with international standards.

Next Steps: A Tax Administration Diagnostic Assessment Tool (TADAT) evaluation is planned for February 2025 to assess the system of tax administration and determine whether there has been progress since the last assessment. A follow-up assignment on compliance risk management (CRM) to assist the tax administration with monitoring and evaluation of risk mitigation strategies will be delivered in March 2025.

SM I: Spending Module I – Spending Policy

Key Progress in FY25: An initial scoping mission was undertaken. The authorities expressed enthusiasm and strong commitment for the new medium-term programmatic CD on expenditure policy. They expressed appreciation for the envisaged support from the IMF's Fiscal Affairs Department (FAD) highlighting the pertinence of proposed topics for their reform agenda. The mission agreed with Director Mupuriri that capacity development (CD) activities will focus on wage bill management, subsidies, SSNs, and investments/SDGs with the wage bill being the top priority.

Next Steps: A field-based workshop on public sector wages is being explored with authorities.

III. LOGICAL FRAMEWORK

Country – Zimbabwe		
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 3
Outcome	Rating	Narrative
Corporate priorities are better managed through effective risk management	2 Partially Achieved	Additional work is needed to embed the risk management practices.
Support functions enable more effective delivery of strategy and reforms	3 Largely Achieved	TaRMS system has been implemented. Additional work is required for leadership development.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened	1 Not Achieved	There is ongoing work to cleanse the taxpayer register.
A larger proportion of taxpayers meet their filing obligations as required by law	1 Not Achieved	The rates for on-time filing have yet to be determined.
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	The payment rates are still below the TADAT standard for good practice. However, data integrity issues impact the statistics for on-time filing.
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	Some work has been done to improve the accuracy of reporting. Additional work is planned in the next financial year.
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 2
Outcome	Rating	Narrative
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	1 Not Achieved	The rates for post-clearance audits are yet to be determined.
Customs control during the clearance process more effectively ensures accuracy of declarations	2 Partially Achieved	The ZIMRA has weak capacity to manage and control clearing agents. This weakness is a niche for bad practices and non-compliance. A visit assessed the gaps against international standards and provided recommendations to align the control over clearing agents to international standards. The full implementation of the recommendations will require the support of the government to change the guarantee system applied to clearing agents.
SM I: Objective - Strengthen Expenditure Policy Formulation and Design - EPD		Rating - 2
Outcome	Rating	Narrative
Public expenditure is fiscally sustainable and efficient	2 Partially Achieved	An initial scoping mission was undertaken. The authorities expressed enthusiasm and strong commitment for the new medium-term

		programmatic CD on expenditure policy. They expressed appreciation for the envisaged FAD support highlighting the pertinence of proposed topics for their reform agenda. The mission agreed with Director Mupuriri that CD activities will focus on wage bill management, subsidies, SSNs, and investments/SDGs with the wage bill being the top priority.
SM I: Objective - Strengthen Policy Evaluation and Institution Building - PEI		Rating - 2
Outcome	Rating	Narrative
Authorities have an understanding of opportunities to enhance the adequacy, efficiency, and sustainability of public expenditure	2 Partially Achieved	An initial scoping mission was undertaken. The authorities expressed enthusiasm and strong commitment for the new medium-term programmatic CD on expenditure policy. They expressed appreciation for the envisaged FAD support highlighting the pertinence of proposed topics for their reform agenda. The mission agreed with Director Mupuriri that CD activities will focus on wage bill management, subsidies, SSNs, and investments/SDGs with the wage bill being the top priority.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM II, SM I: Risk that external events create a more challenging environment to implement reforms.	Medium	Ensure sufficient flexibility in program execution and allow for ability to adjust activities in the case of adverse events.
Political Support		
RM II, SM I: Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhancements to fiscal risk management of institutions and practices.	Medium	Ensure CD is focused on priority areas and engage regularly with ministers and senior management to ensure government ownership of reforms.
Management and Technical Staff Support and Commitment		
RM II, SM I: Low commitment of management and staff in finance, other ministries, and revenue administration to adopt and implement fiscal risk management practices.	Medium	Engage with senior management and technical staff proactively and explain the importance of strengthening fiscal risk management.
Resource Adequacy		
RM II, SM I: Insufficient technical capacity and human resources necessary to implement reforms	High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
Other Risks		

Description	Rating	Mitigation Measures
RM II, SM I: Multiple donors are providing technical assistance on fiscal risk topics and gaps, or overlaps may arise as a result.	Medium	Take an active role in engaging with other donors to ensure support is well coordinated.

V. PROJECT MANAGERS CONTACT INFORMATION

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