



FY26 Annual GPFP Project Proposals

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Amendment to
Project Proposal for
REPUBLIC OF ARMENIA

June 2026

Component: Revenue

Module: RM-II: Revenue Administration



PROJECT SUMMARY

COUNTRY:	Republic of Armenia	
LEAD DEPARTMENT:	FAD	
REGION:	MCD	
PLANNED DATES:	FY27/28	
PROJECT MANAGERS:	Enriko Aav (Revenue Administration, FADR1, Lead) Charles Vellutini (Tax Policy, FADT1) Natalia Manuilova (Public Finance Management, FADM1)	
ESTIMATED BUDGET	US\$ 543,590	
BUDGET FOR ENDORSEMENT:	US\$ 543,590	
PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for RM-I: Tax Policy and RM-II: Revenue Administration modules	June 2024
AMENDMENT 1 / 2	Update of RM-II: Revenue Administration module to allow TADAT Assessment; addition of SM-II: Managing Public Finances module following IMF-WB 2025 Spring Meetings	June 2025
AMENDMENT 2 / 2	Additional CD capacity to assist with implementation of Revenue Administration CD in line with findings from the TADAT assessment and requests at the IMF-WB 2025 Annual Meetings.	June 2026

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ACRONYMS

CCAMTAC	IMF's Caucasus, Central Asia, and Mongolia Regional Capacity Development Center
CD	Capacity development
CRM	Compliance risk management
FAD	IMF's Fiscal Affairs Department
GovTech	Digitalization in Public Finance
GPFP	IMF's Global Public Finance Partnership
SBA	IMF's Stand-by Arrangement
SRC	State Revenue Committee of Armenia
STX	Short-term expert
TADAT	Tax Administration Diagnostics Assessment Tool
UDI	Universal Declaration of Income
VAT	Value-added tax

I. PROJECT AMENDMENT PURPOSE

Armenia is a long-time recipient of capacity development (CD), with a demonstrated ability to absorb and adopt recommendations. There is currently a window of opportunity for reform and successful CD support because of an end to regional conflict in 2025 and significant political will and leadership at the State Revenue Committee (SRC) of Armenia. The resourcing agreed to during the June 2025 Steering Committee meeting was applied to address Armenia's request for a TADAT (Tax Administration and Diagnostics Assessment Tool) assessment. This TADAT evaluation was conducted in May 2025 on an anticipatory basis coordinated with CCAMTAC, Swedish International Development Cooperation Agency and Expertise France. It assessed the core tax administration capabilities in the SRC, including compliance risk management (CRM) and established new capability baselines. The results helped authorities to clarify priorities for reform and provided greater insight into the CD need and absorption capacity in the SRC. Current amendment proposes a revised CD plan in response.

The TADAT assessment showed improvement in core tax administration and also established new capacity baselines and deeper insight into the authorities' ability to capitalize on CD. These conclusions were based on a comparison to a previous TADAT assessment of the SRC conducted in 2016. The 2025 TADAT highlighted improvements compared to the past tax administration performance and detected opportunities for significant improvements, including addressing large-taxpayer compliance with value-added tax (VAT), and converting more businesses from the shadow economy to registered taxpayers in the formal economy. SRC leadership has incorporated these priorities into a new "Strategic Plan for Tax Administration Reforms" (<https://www.src.am/am/getMenusContents/218>) and requested CD to support improving revenue administration practices.

Revenue administration CD in FY27 will address various administrative issues, including the implementation of a Universal Declaration of Income (UDI). Analysis of impact of UDI reform is envisaged. The CD will also address the registration process, managing large taxpayers, improving filing and payment, and improving SRC's performance. In addition, support to enhancing customs administration cooperation with the tax administration, by improving risk-assessment practices in customs is planned. CD may also address aspects of e-commerce such as small parcels duties and VAT challenges. To shrink the shadow economy, authorities require CD support to adopt machine learning techniques to achieve better and faster tax compliance gap assessments. CD will also help improve governance and strengthen revenue administration processes such as planning and performance management.

The authorities have a high capacity to absorb CD assistance. Deepening FAD engagement through a more robust CD program can build on the existing momentum created by focused and motivated SRC staff with a proven ability to make good use of the CD they receive. CD assistance in technical capabilities will also be enhanced by strengthening leadership capabilities.

A blended approach will be used for CD delivery. FAD will deliver CD by engaging short-term experts (STX) either in person or virtually, through virtual and in person support from HQ, and via the authorities engaging in regional peer-learning opportunities coordinated with the IMF's Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC). The latter will be virtual unless there is sufficient justification for in-person engagement.

Description of Modules

The amendment covers the revenue administration module, which includes tax and customs administration. Strengthening revenue administration management and governance and core tax administration functions will be applied on UDI; taxpayer registration; improved filing and payment performance by large taxpayers; addressing the shadow economy through improvements in risk management, taxpayer service, and compliance, but also the use of planning and performance measures. Improved customs administration will apply to risk assessment, including customs-tax cooperation, and possibly addressing aspects of e-commerce such as the small parcels duties and VAT challenges. CD will be provided through assignments of STX—either in person or virtually; supported by HQ staff; and via the engagement with the authorities through regional peer-learning coordinated with CCAMTAC. The latter will be mainly virtual. The proposed CD assistance on tax compliance gap will provide a three-way benefit of (1) the tax gap analysis itself; (2) applied CD in machine learning (a GovTech capability); and (3) support in addressing the shadow economy.

The estimated budget for this project amendment is US\$ 543,590, covered within the total budget endorsement request for Armenia of US\$ 1,604,296 through FY28.

II. BACKGROUND

Macro-fiscal situation

The macro-fiscal objectives for Armenia relate to strengthening medium- to long-term resilience, including fiscal strengthening. As a recently conflict-affected state they are dealing with refugee

challenges as well as regional fiscal shocks and regional challenges associated with the ongoing conflict in Ukraine. The more recent developments in the middle east are likely to provide challenges as around 10–11% of Armenia's imports (in 2025) transited via Iran, based on Armenian Center for Socio-Economic Studies (ACSES) estimates using Meghri crossing data, in addition to the pricing flow-through of oil supply disruptions on supplies of goods generally. A more modernized tax administration can ensure better compliance by taxpayers and suppress the shadow economy. These are operational components to advance the macro-fiscal objectives set out in the current IMF Stand-by Arrangement (SBA). The SBA objectives were reaffirmed in an Article IV mission undertaken in September 2025.

Country engagement and alignment to reform priorities

The country authorities responsible for revenue administration, in the SRC, have shown strong positive engagement with recent IMF CD support. The SRC had made excellent preparations for the 2025 TADAT assessment, and the assessment showed substantial improvement over a previous TADAT assessment undertaken in 2016. The current chair of the SRC is a former deputy minister of finance and there is evidence of good support for reform of the capabilities of the SRC from the chairman and from the Ministry of Finance. The SRC initiated some of their own work to make improvements to their administrative capability using the 2025 TADAT assessment results and amended their strategic plan accordingly. The staff of the SRC attend multi-country trainings and seminars, such as arranged by the Joint Vienna Institute (JVI) and CCAMTAC. This demonstrates positive engagement with the Fund, which seems to indicate a culture of learning and development with the SRC, such that CD assistance is likely to be effectively acted upon.

IMF priority areas / cross-cutting themes

There will be GovTech assistance under this proposal at least in the form of applied use of machine learning in tax gap assessments. There is the potential for other GovTech assistance in the field of CRM depending upon a more detailed analysis of the needs and capabilities of the SRC in this area. The utilization of the data from the UDI will also open up opportunities for GovTech-related CD and research including assessing the impact of the UDI reform with conclusions for informing Fund's CD advice on the topic to the wider IMF membership.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Armenia in the area of revenue administration. CD provided by the IMF's Fiscal Affairs Department (FAD) will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM II / Revenue Administration	- Strengthened revenue administration management and governance arrangements (especially as applied to UDI, planning and performance measures) - Improved customs administration functions (especially as applied to risk assessment, e-commerce and customs-tax cooperation) - Strengthened core tax administration functions (especially as applied to UDI, shadow economy and large taxpayer compliance)

A. RM II - Revenue Administration

Scope

Ongoing overall focus on increased domestic resource mobilization with an expanded scope to also improve risk management and compliance effectiveness in the customs administration and a sharpened focus on some tax administration functions. Key identified tax administration functions are as follows: registration integrity (related to UDI), CRM, improved compliance capability and quality, human resource management, applied GovTech solutions in support of tax gap assessment, VAT compliance by large taxpayers, and tackling issues related to the shadow economy.

Program Objectives

The CD support will be expected to increase the institutional strength of the SRC. This can be measured ex-post using TADAT indicators, estimating any improvements to tax-to-GDP performance, correlated with improved institutional strength. This CD assistance will be aligned to areas of development identified by the SRC as a result of the 2025 TADAT and prioritized in consultation between the SRC and FAD.

The CD assistance will also be strongly contextualized in either assisting efforts to improve VAT compliance by large taxpayers or to address the shadow economy.

Expected Results (outcomes)

The expected results are measured improvements in specific areas of core tax or customs administration capabilities (e.g., registration integrity, compliance effectiveness, human resource development, CRM, customs-tax cooperation, digital capability, etc.).

Overall institutional strengthening, including the tax-to-GDP impacts, can be measured by use of the TADAT and other metrics. Specific capabilities which can be measured by TADAT will be measured against those metrics with the intention of moving the capabilities towards a sound 'B' level in the 2019 TADAT framework. For CD in areas not measured by TADAT metrics, RA will work with the authorities to create other progress indicators.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this Global Public Finance Partnership (GPFP) project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement toward these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

This amendment reflects ongoing strong engagement of the SRC with revenue administration CD, allowing for an expansion to now include customs administration, to expand the intensity of CD on tax administration within the absorptive capacity of the SRC, and to create an opportunity for peer learning engagements with regional peers, in cooperation with CCAMTAC. The regional peer learning engagements are likely to be in the form of communities of practice in key topics. The most likely topics are audit capability and CRM. The execution of communities of practice also allows CD assistance to the SRC to be indirectly made available to other administrations in the region, expanding the effective impact

of GPFP donors. For example, as successfully deployed in other contexts, representatives from multiple administrations may be invited to participate in a (virtual or in-person) learning discussion on a topic such as audit techniques for the shadow economy. It may not be relevant to all administrations and administrations are not obliged to participate.

B. Delivery Modalities

CD will comprise of a mix of remote and in person activities. Virtual deliveries will be used to provide efficiencies to in person support, including pre-engagement meetings and follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX)** visits to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration. The STX assignments are expected to be a mix of field-based, virtual and hybrid.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the particular technical subjects.
- **Peer-to-peer (P2P):** Engagements, in the form of communities of practice, and in partnership with CCAMTAC will be designed for project beneficiaries to exchange their views and experiences on key areas of tax administration practice. Any community of practice or similar engagements will need to respect national sensitivities which can vary over time.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's Middle East and Central Asia Department country team and IMF Resident Representative	Disclosure and coordination of FAD activities. Support of any benchmarks under SBA or similar. Engagement on Article IV or similar reviews.	Revenue Administration	Each mission, otherwise bi-annual or as needed more frequently.
CCAMTAC	Disclosure and coordination of FAD activities. Coordination on communities of practice.	Revenue Administration	Each mission, otherwise bi-annual or as needed more frequently.
European Commission	Exchange of information on broad areas of CD engagement to avoid duplication and facilitate coordination	Revenue Administration	Each mission, otherwise bi-annual or as needed more frequently.
World Bank, Asian Development Bank, Swedish Tax Administration, Expertise France.	Exchange of information on broad areas of CD engagement to avoid duplication and facilitate coordination	Revenue Administration	At least annually

Note: The SRC is an integrated revenue authority responsible for both tax and customs administration. CD on matters such as Customs-Tax cooperation may include assistance on better relevant internal cooperation and coordination within the SRC.

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM II - Revenue Administration	CD delivery interrupted due to health crisis. Significant regional (border) tension.	Medium	Known techniques for virtual engagement and delivery of CD, if needed.
POLITICAL SUPPORT			
RM II - Revenue Administration	Political leadership has not always motivated the SRC to progress with reforms.	Low	If needed, engage the IMF's Middle East and Central Asia country team to assist in securing additional political support.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM II - Revenue Administration	SRC management and staff previously took a passive position during CD assignments, but this has not been observed recently.	Low	Low risk assessment, so we accept the risk. If authorities become passive, we can tailor mitigation, including proportionately reduced CD or active management of log frame milestones.
RESOURCE ADEQUACY			
RM II - Revenue Administration	Resources available do not allow the SRC to address some development areas. Resource adequacy has generally improved between 2021 and 2024, although some skills (e.g., analytics) present challenges in all administrations.	Low	Focus CD on those matters that do not have resource constraints. If needed, direct CD to the process of how to overcome skilled resource constraints.
OTHER RISKS			
RM II - Revenue Administration	Multiple donors are providing technical assistance on RA reforms, which may result in overlaps	Low	Seek out the participation of other donors for coordination meetings.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
HQ led CD mission	1	-	1
STX visits	4	4	8
Staff visits	-	1	1
Workshops (inc. during HQ and remote CD)	2	2	4
TOTAL	7	7	14

Note:

- In-person delivery was chosen in most instances to facilitate the detailed interaction with the authorities or the new engagement in customs administration.
- Remote delivery was chosen in several instances because of better suitability for regional peer learning, or to reduce costs.
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First Year Workplan

Timing	CD Modality	Proposed Topics of CD
RM II - Revenue Administration		
Q1/FY27	Field-Based work - FB	Tax HQ Mission (e-commerce small parcels) overlapping with Customs Risk and Valuation
Q1/FY27	Field-Based work - FB	Customs: Risk and Valuation
Q2/FY27	Field-Based work - FB	Tax: Compliance Risk Management (CRM)
Q2/FY27	Field-Based work - FB	Tax: Audit Quality and Effectiveness
Q3/FY27	Field-Based work - FB	Customs / Tax: Customs-Tax Cooperation
Q3/FY27	Duty station-based Work - DS	Tax: Large Taxpayer Filing and Payment
Q4/FY27	Virtual workshop	Coordinated with CCAMTAC – Customs risk assessment

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM II - Revenue Administration	334,861	173,167	508,028
Trust Fund Management Fee (7%)	23,440	12,122	35,562
TOTAL	358,301	185,289	543,590

Note: The estimated budget for this project is US\$ 543,590 and endorsement is requested for the full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM II – Revenue Administration

Objective: Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM	
Outcome(s)	Indicator(s)
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	Key performance indicators established, regularly reported and monitored
Corporate priorities are better managed through effective risk management	Improved monitoring and evaluation of compliance risk mitigation activities (TADAT POA2-5)
	Improved identification, assessment, ranking and quantification of compliance risks (TADAT POA2-3)
	Better identification, assessment and mitigation of institutional risks (TADAT POA2-6)

Objective: Improved customs administration functions (SDG17.1) - CAD	
Outcome(s)	Indicator(s)
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	A larger share of trade controlled progressively through a properly designed post clearance audit program

Objective: Strengthened core tax administration functions (SDG 17.1) - TAD	
Outcome(s)	Indicator(s)
Audit and other verification programs more effectively ensure accuracy of reporting	Appropriate range of tax audits and other initiatives used to detect and deter inaccurate reporting and fraud (TADAT 2015 POA6-16/TADAT 2019 POA6-19)
A larger proportion of taxpayers meet their payment obligations as required by law	On-time payment ratio improved (TADAT 2015 POA5-14/TADAT 2019 POA5-17)
The integrity of the taxpayer base and ledger is strengthened	Knowledge of taxpayer base and potential taxpayers improved through robust taxpayer registration policies and procedures (TADAT POA1-2)



Project Proposal for

AZERBAIJAN

June 2026

Component: Revenue and Spending

Module: RM-I: Tax Policy

SM-II: Public Financial Management



PROJECT SUMMARY

COUNTRY: Azerbaijan

LEAD DEPARTMENT: FAD

REGION: MCD

PLANNED DATES: FY27-28

PROJECT MANAGERS: Jean-Francois Wen (Tax Policy, FADT1, Lead)
Nino Tchelisvili (Public Financial Management, FADM1)

ESTIMATED BUDGET US\$ 556,400

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ACRONYMS

CD	Capacity development
FAD	IMF's Fiscal Affairs Department
MoF	Ministry of Finance, Azerbaijan
PFM	Public financial management
SOE	State-owned enterprises

I. PROJECT PURPOSE

Country request and relevance/importance

FAD has delivered capacity development (CD) in Azerbaijan during the past five years across several workstreams to mobilize and manage revenues, including improving tax policy and administration, and strengthening frameworks for managing public finances. The authorities have expressed interest in new CD activities to support the country's published medium-term budget framework 2027-2030, which prioritizes fiscal sustainability, transparency in public financial management (PFM), digital transformation, and broadening the tax base while fostering a favorable business climate. Key directions for revenue policy stated in the framework include improving tax policy efficiency through a review of tax expenditures and incentives and strengthening tax administration and compliance. This proposal addresses specific CD requests in the areas of tax policy and PFM. The CD program will take a country-centric approach by cooperating across workstreams to strengthen the macro-fiscal framework and mobilize revenues by curtailing tax expenditures and reducing tax distortions.

Description of Modules

The purpose of the Tax Policy module (RM I) is to support the Ministry of Finance of Azerbaijan (MoF) in estimating and evaluating tax expenditures, forecasting tax revenues, and taxing corporate groups on a consolidated basis. These activities will contribute to rationalizing tax expenditures by identifying cost-ineffective tax incentives for elimination; improving the accuracy and credibility of revenue forecasts for strengthening adherence to fiscal rules, including use of artificial intelligence applications; and enhancing tax neutrality and base protection through legislation on intra-group taxation.

On the PFM side (SM II), the focus will be on strengthening the medium-term budget framework, including integrating fiscal risks analysis; and advancing digitalization of fiscal operations.

Institutionalization of the rules-based fiscal framework in medium term budgets and fiscal strategies will support the MoF in reducing dependence on the oil sector and achieving structural diversification.

Enhanced monitoring of state-owned enterprises (SOEs) financial performance and fiscal implications will lead to tightened fiscal risk management, aiding fiscal consolidation, while implementing an integrated, digital government resource platform will provide policymakers a consolidated and timely view of government resources for greater spending efficiency.

The estimated budget for this project is US\$ 556,400, and endorsement is requested for the full amount through FY28.

II. BACKGROUND

Macro-fiscal situation

Azerbaijan's tax-to-nonoil GDP stands at about 31 percent in 2025, with nontax revenue—almost entirely Oil Fund revenues—adding another 18 percentage points. Existing oil and gas reserves are expected to be depleted in approximately 25 years and 40 years, respectively, at current extraction rates. Fiscal consolidation is needed to ensure that future generations benefit from the country's hydrocarbon wealth and to safeguard long-term fiscal sustainability. The authorities have broadly adhered to the fiscal rule since its introduction in 2022 and are committed to boosting non-oil revenue mobilization and maintaining expenditure discipline. However, achieving these objectives will require reinforcing policy frameworks and institutions to identify and implement a range of revenue and expenditure measures. This CD program will assist the authorities with gradually reducing tax expenditures and addressing base erosion risks, while strengthening the fiscal framework to achieve the medium-term fiscal consolidation.

Elevated energy prices stemming from the Gulf conflict may provide a temporary boost to Azerbaijan as an oil exporter, but they also heighten macroeconomic risks and may complicate efforts to rationalize tax expenditures supporting the non-oil sector.

Country engagement and alignment to reform priorities

Azerbaijan's tax system is complex and fragmented, characterized by numerous tax exemptions and rate reductions, as well as special regimes, for selected sectors and activities. Azerbaijan terminated a seven-year personal income tax holiday for nonoil, non-public sector employees at the end of 2025. With declining reliance on oil sector revenues, further rationalization of tax expenditures can mobilize revenues and reduce base erosion risks. A tax diagnostic mission conducted by the IMF's Fiscal Affairs Department (FAD) in 2021 covered all major tax policy areas—including personal and business income taxation, social insurance contributions, tax incentives, international taxation, indirect taxes, digital-economy tax issues, and property taxation—and recommended reforms aimed at broadening tax bases and improving economic efficiency, notably by reducing opportunities for tax arbitrage. The authorities followed the mission's advice not to renew the personal income tax holiday; however, profit tax exemptions were subsequently extended to IT companies in 2023. The mission discussed the implications of membership in global initiatives on BEPS and reviewed Azerbaijan's tax incentives in the

context of the OECD Forum on Harmful Tax Practices and the Code of Conduct Group of the European Union. Azerbaijan joined the OECD/G20 Inclusive Framework on BEPS in December 2022 and it signed the Multilateral Instrument on 20 November 2023. The authorities requested assistance in 2024 on questions of tax expenditure methodology and on the classification of revenue streams into oil versus nonoil, an issue relevant for the application of the fiscal rule. CD was delivered on these two topics through online sessions.

In 2026, the government requested assistance on its tax reform priorities of selecting cost-ineffective tax incentives for elimination, supporting nonoil revenue sustainability by improving revenue forecasts, and promoting neutrality and base protection by adopting rules for taxing corporate groups. Azerbaijan has also received considerable FAD support through the IMF's Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC) to improve tax administration, including TADAT training and CD on establishing an internal audit function. A Framework for International Tax Administration Strengthening (FITAS) assessment is planned for September 2026 regarding the country's capacity to effectively manage international tax risks.

The previous CD program on PFM - during the period 2019-2025 focused on implementing fiscal rules and managing fiscal risks, as well as establishing a medium-term expenditure framework and the PFM legal framework. Azerbaijan prioritizes further strengthening of the rules based fiscal framework and strategies to support medium-term fiscal consolidation and help maintain fiscal sustainability. It introduced revised fiscal rules, enhanced the macro-fiscal framework, and built MoF staff capacity in assessing fiscal risks, notably risks stemming from macroeconomic projections, SOEs and climate change. To strengthen the financial oversight of SOEs with the aim to reduce their fiscal burden, Azerbaijan established the SOE Monitoring Agency at the MoF and launched quarterly monitoring of SOEs financial performance. The authorities have launched pilot phase of developing medium-term expenditure framework in three sectors, which is expected to roll out to cover the entire budget. The key focus areas of the authorities medium-term plans include building the MoF's capacity in systematically assessing various risks to the fiscal framework, with the major focus on SOEs to inform medium term fiscal strategies; enhance integration of medium term budget plans in the annual budget process; and adopt advanced digital system as a key tool to improve public spending control and efficiency.

IMF priority areas / cross-cutting themes

GovTech. The project will advance PFM digitalization by supporting the implementation of an integrated, digital government resource platform that consolidates budgetary, fiscal risk, and SOE financial information. Tax policy support will also support the improvement of revenue forecasting accuracy and credibility through the use of AI.

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to Azerbaijan in tax policy and managing public finances. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM I / Tax Policy	- Strengthen Policy Monitoring, Evaluation, and Institutions - Improve Tax Policy Design
Spending	SM II / Managing Public Finances	- Strengthen budget management; - Strengthen macro fiscal frameworks; - Build sustainable fiscal institutions;

A. RM I – Tax Policy

Scope

As dependence on oil revenues diminishes, further rationalization of tax expenditures and mitigation of base erosion risks, along with improvements in tax administration, are critical to mobilize revenues. In this context, the authorities have requested CD support to assess the costs and benefits of tax expenditures to inform decisions on their retention or elimination, as well as on the taxation of corporate groups. In addition, they have requested CD on revenue forecasting methods, including the adoption of AI tools, which will support adherence to the fiscal rule.

The scope of this module will include developing institutional capacities on tax expenditures, base erosion risks, and revenue forecasting. CD will be delivered through a combination of topic-specific discussions with the technical staff and training workshops for both the MoF and the Ministry of Economy, as part of a comprehensive in-field mission in FY27. The first set of workshops will cover tax expenditure methodology, including establishing the reference tax system, and will discuss methods for assessing the impacts of tax incentive programs. The authorities will be encouraged to regularly produce and publish tax expenditure estimates and to periodically evaluate program impacts. The revenue

forecasting workshops will address methods used for different tax bases and will include the use of AI tools to improve forecasts. These tools enable the analysis of historical data, market trends, and taxpayer behavior, enhancing accuracy while allowing for real-time responsiveness. As part of this module, the CD team will assess the current forecasting models used by the authorities and their integration of AI techniques.

Program Objectives

The objectives of this module are to ameliorate tax policy design and strengthen policy-making institutions. To achieve this, the analytical capacity of the tax policy unit at the MoF to assess tax expenditures will be increased, enabling it to rationalize tax expenditures based on estimates of costs and benefits of different tax incentives; and its revenue forecasting techniques will be modernized. The planned CD activities will improve tax analytics, including estimating, evaluating, and reporting tax expenditures by the MoF, and using AI for revenue forecasting.

Expected Results (outcomes)

The expected results are tax reforms that mobilize revenues by broadening and protecting the tax base or improve economic efficiency. Milestones include the establishment of a reference tax system for tax expenditure evaluations, development of methods to identify cost-ineffective incentives, rationalization of tax expenditures, and annual publication of a tax expenditure report. A milestone for CD success on group taxation is the adoption of new legislation on the taxation of corporate groups. In addition, updating revenue forecasting techniques will produce more accurate forecasts, contributing to adherence to the fiscal rule. Milestones for revenue forecasting include the adoption of AI tools and systematic, material reductions in revenue forecast errors.

B. SM II – Managing Public Finances

Scope

The authorities acknowledge the importance of strong institutional and technical capacity for fiscal analysis, planning and implementation, and have extensive CD needs. The scope of this program is to improve the designing of medium-term budget and operationalizing them in annual budgets. In addition, monitoring the fiscal performance of SOEs to identify early warning signals for a potential fiscal impact and other risks to the fiscal framework is another key objective. Advancing the digitalization and adoption

of the integrated government resource platform for a consolidated view of public finance, including the priority SOEs.

Program Objectives

The objectives of this module are to enable authorities to achieve their public finance goals through better medium-term budgeting, stronger assessment, monitoring and management of fiscal risks, and the capacity to leverage the advantages of digitalization of public finance. The program will have the following objectives:

- Strengthen budget management, including medium-term budget framework.
- Strengthen macro fiscal frameworks by assessing, monitoring and managing fiscal risks.
- Support the foundations for more sustainable fiscal institutions by greater capacity for implementing digitalization of public finance.

Expected Results (outcomes)

Authorities will roll out medium-term budgeting in two more sectors and advance their integration in the annual budget cycle by 2028. Support on monitoring SOEs will allow authorities to strengthen the MoF's financial oversight function and capacity to translate the monitoring efforts into actionable insights about how mitigate the risks exposure to the budget. With CD support, authorities will modernize the core PFM digital solutions to make the integrated government resource platform an efficient control tool for efficient spending.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

This is the first program funded with Global Public Finance Partnership (GPFP) resources for Azerbaijan. Previous CD included a comprehensive tax policy mission in 2021 and online CD delivery on tax expenditure methodology and revenue stream classifications in 2024. The request for new CD on tax expenditures in 2026 is broader in scope and will cover tax expenditure estimation and impact

assessments. Azerbaijan has also been heavily engaged with CCAMTAC and FAD revenue administration topics since 2024. The MoF has worked closely with FAD in the PFM workstream on budget management and strengthening the macro-fiscal framework.

B. Delivery Modalities

CD will comprise of in-person activities. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure short-term expert (STX) work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **STX visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration and public financial management.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
MCD country team, including resident representative	Sharing information, insights, and recommendations	Tax policy – priorities, recommendations, and status of reforms	Regular
CCAMTAC	Sharing information, insights, and recommendations	Tax policy/tax administration nexus	Regular
World Bank, EU	Information and experience sharing, coordination of activities	Identification of complementarities in CD provision, implementation of FAD advice, avoiding duplication and leveraging other donors' capacity to support improving tax policy, strengthening revenue collection, climate change and disaster risk, and PFM reforms	Quarterly

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM I - Tax Policy	Oil price fluctuations can delay tax reform initiatives.	Medium	Strengthen capacity for tax reform analysis.
SM II - Managing Public Finance	High dependence on hydrocarbon revenues poses risks to fiscal sustainability. Recent geopolitical crisis in Middle East and the oil shock have uncertain impact on the economy and fiscus.	High	Continue supporting the MoF in institutionalizing fiscal rules to anchor fiscal policy in non-oil aggregates.
POLITICAL SUPPORT			
RM I - Tax Policy	Responsibility for tax policy is shared between Ministry of Finance and the Ministry of Economy, potentially leading to coordination problems.	High	Provide joint workshops with staff from both ministries.
SM II - Managing Public Finance	There is strong political support to advancing PFM institutions for greater efficiency of spending to aid fiscal consolidation and private sector led economic diversification, likely to be maintained. However, these reforms require interdepartmental and intergovernmental coordination which proved to be difficult in Azerbaijan.	Medium	Quick wins and tangible results will help maintaining the reform momentum and political support. Emphasize the importance of setting formal coordination platforms and mechanisms during the CD engagement.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM I - Tax Policy	Technical staff capacity can be compromised by turnover. At the institutional level, the silo approach can create bottlenecks on tax reforms.	Medium	Coordinate with other DPs (WB, EU) to undertake comprehensive capacity building program.
SM II - Managing Public Finance	Multiplicity of PFM priority areas and frequent turnover in the MoF poses risks to reform implementation	Medium	In conjunction with CCAMTAC and the regional PFM advisors, enhance the strategic CD delivery with hands on support and practical trainings of the MoF teams and new recruits
RESOURCE ADEQUACY			
RM I - Tax Policy	Lack of technical expertise to implement new forecasting techniques.	Medium	Coordinate with other DPs (WB, EU) on CD for the tax policy unit.
SM II - Managing Public Finance	While the commitment is evident and the human capacities seem adequate, with the large scale and the scope of PFM reforms foreseen in the near term, the risk may arise that the resources will be spread thin across reforms.	Low	Continuity of CD and coordination with other CD providers, as well as, prioritization of reforms, will be important to maintain the adequacy of available resources

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
RM I – Tax Policy			
HQ led CD mission	1	-	1
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	1	-	1
Subtotal	2	-	2
SM II – Managing Public Finances			
HQ led CD mission	1	1	2
STX visits	1	1	2
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	-	-	-
Subtotal	2	2	4
Total	4	2	6

Note: In-person delivery was chosen in most instances because of the hands-on nature of the workshops and the need to obtain sensitive data.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM I – Tax Policy		
Q2/FY27	Field-Based work - FB	Revenue forecasting, tax expenditures and group taxation
SM II – Managing Public Finances		
Q3/FY27	Field-Based work - FB	MoF: PFM Digitalization (HQ)
Q2/FY27	Field-Based work - FB	MoF: SOE Monitoring – a follow up (STX)
Q1/FY28	Field-Based work - FB	MoF: Budget structure and classifications
Q3/FY28	Field-Based work - FB	MoF: SOE Monitoring – a follow up (STX)

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM I - Tax Policy	200,000	-	200,000
SM II - Managing Public Finance	160,000	160,000	320,000
Subtotal	360,000	160,000	520,000
Trust Fund Management Fee (7%)	25,200	11,200	36,400
TOTAL	385,200	171,200	556,400

Note: The estimated budget for this project is US\$ 556,400 and endorsement is requested for the full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM I – Tax Policy

Objective: Strengthen Policy Monitoring, Evaluation, and Institutions - TPM	
Outcome(s)	Indicator(s)
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	Revenue forecasts are implemented or improved.

Objective: Improve Tax Policy Design - TPD	
Outcome(s)	Indicator(s)
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	Adopt legislation that reduces economic distortions.

B. SM II – Managing Public Finances

Objective: Strengthen Budget Management - SBM	
Outcome(s)	Indicator(s)
Strengthened medium-term budget frameworks	Developed medium-term budget framework, and/or expenditure framework

Objective: Strengthen Macroeconomic Frameworks - SMF	
Outcome(s)	Indicator(s)
Strengthened identification, monitoring, and management of fiscal risks	Strengthened effectiveness of management and reporting public corporation's fiscal risks including quasi-fiscal activities

Objective: Build sustainable Fiscal Institutions - SFI	
Outcome(s)	Indicator(s)
Strengthened capacity to plan, implement and sustain digitalization	Strengthened functionality and/or IT architecture of PFM digital solutions



Amendment to
Project Proposal for

BOLIVIA

June 2026

Component: Revenue and Spending

Module: RM-I: Tax Policy

RM-II: Revenue Administration

SM-II: Public Financial Management



PROJECT SUMMARY

COUNTRY: Bolivia

LEAD DEPARTMENT: FAD

REGION: WHD

PLANNED DATES: FY27-28

PROJECT MANAGERS: Juan Redondo (Revenue Administration, FADR2, Lead)
 Azael Pérez Azcárraga (Revenue Administration, FADR2)
 Ana Cebreiro Gomez (Tax Policy, FADT2)
 Jean Baptiste Gros (Public Financial Management, FADM2)

ESTIMATED BUDGET US\$ 460,100

BUDGET FOR ENDORSEMENT:

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for RM II: Revenue Administration	January 2025
AMENDMENT 1/1	For RM II: Revenue Administration, no-cost inclusion of new customs administration work. Addition of new modules RM I: Tax Policy and SM II: Managing Public Finances	June 2026

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ACRONYMS

CD	Capacity development
FAD	IMF's Fiscal Affairs Department
MoF	Ministry of Finance of Bolivia
PFM	Public financial management
PIT	Personal income tax
VAT	Value-added tax
STX	Short-term expert

I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

Following the October 2025 elections and renewed authorities' engagement with the IMF, the government has requested support to design and implement tax policy reforms to mobilize domestic revenue, improve efficiency, and support macroeconomic stability. The country faces significant fiscal pressures, including external imbalances and declining hydrocarbon revenues, making revenue mobilization and expenditure efficiency critical policy priorities. The proposed CD support will help underpin the authorities' macroeconomic stabilization efforts by strengthening revenue mobilization, improving expenditure management, and supporting the sequencing and implementation of fiscal reforms.

The proposed amendment expands the ongoing project funded with Global Public Finance Partnership (GPFP) resources—currently focused on revenue administration—to include tax policy, additional revenue administration objectives, and new component for public financial management (PFM). This responds to identified gaps during the recent scoping missions and discussions with the authorities during the 2026 IMF Spring Meetings. This proposal aligns capacity development (CD) support with evolving reform priorities and potential IMF program engagement. Tax policy reforms and strengthened fiscal management will complement ongoing improvements in tax administration, thereby supporting fiscal consolidation, improving revenue performance, and preserving space for social and priority spending.

Description of Modules

The tax policy module will focus on strengthening tax policy design and institutions to support fiscal consolidation while fostering sustainable and inclusive growth. This support will contribute to the design of a comprehensive and coherent tax policy reform agenda. Key areas include rationalization of tax incentives and strengthening analytical capacity through microsimulation tools. The support will reflect authorities' priorities identified during the scoping mission in March 2026 and follow-up discussion with the authorities, focusing on sequencing reforms to enhance revenue while minimizing distortions.

The existing revenue administration module of this GPFP project works to strengthen tax administration - especially compliance risk management, IT alignment with best practices, including data governance, value-added tax (VAT) refund, and audit function modernization. This amendment adds additional scope (no cost) to the existing project focused on helping authorities modernize the Tax Procedure Code, improve dispute resolution, and consider a taxpayer ombudsperson, reflecting TADAT 2025 findings.

The PFM module will begin with a comprehensive diagnostic covering the full budget cycle, from budget preparation to execution and fiscal reporting. The diagnostic will produce a prioritized and sequenced PFM reform roadmap, aligned with the authorities' fiscal consolidation and macroeconomic stabilization strategy. Based on agreed priorities, targeted CD will be provided to strengthen core PFM processes and support the development of a medium-term orientation to budget management.

The estimated budget for this project amendment is US\$ 460,100, covered within the total budget endorsement request for Bolivia of US\$ 1,043,851 through FY28.

II. BACKGROUND

Macro-fiscal situation

Bolivia's macro-fiscal situation has deteriorated sharply, with large fiscal deficits (11.4 percent of GDP in 2025), rising public debt (around 90 percent of GDP), and persistently weak revenues amid declining hydrocarbon output and economic contraction. While the new administration has initiated a front-loaded stabilization strategy—including fiscal tightening, elimination of monetary financing, and stronger monetary policy—the economy has shifted into contraction and financing conditions remain tight, with vulnerabilities heightened by ongoing subsidy pressures and external constraints.

Restoring macroeconomic stability will require sustained fiscal consolidation, rebuilding reserves, and strengthening policy frameworks. Tax and PFM reforms will be critical to support these efforts by mobilizing revenues (tax revenue of 14.8 percent of GDP), reducing distortions, and improving expenditure control and fiscal planning. Strengthening the tax system—through base broadening,

improved design, and enhanced compliance—can provide more stable and equitable revenue sources, while PFM reforms will help anchor fiscal discipline, enhance budget credibility, and ensure efficient allocation of resources. Together, these reforms will underpin a socially sustainable fiscal consolidation, reduce reliance on ad hoc measures, and support a gradual return to growth and resilience.

Country engagement and alignment to reform priorities

The proposed amendment builds on a strengthened engagement between the IMF and Bolivia and the authorities' decision to pursue a comprehensive stabilization and reform agenda. Following the change in administration in late 2025, the authorities have initiated discussions on an Extended Fund Facility (EFF) arrangement with the IMF and are implementing an ambitious policy package aimed at restoring macroeconomic stability, addressing deep fiscal and external imbalances, and laying the foundations for sustained and inclusive growth.

The extended CD support ensures that activities remain aligned with evolving country priorities and complement ongoing work in revenue administration. Authorities have expressed commitment to advancing reforms in tax policy design, revenue mobilization, and fiscal management, consistent with macroeconomic stabilization objectives including fiscal consolidation, rebuilding international reserves, strengthening macroeconomic policy frameworks, and advancing structural reforms to enhance competitiveness and institutional capacity. By focusing on tax policy, tax administration and PFM, this CD support will help underpin the sustainability of the adjustment effort, improve the quality of fiscal policy design and implementation, and support the authorities' objective of achieving durable macroeconomic stability while protecting vulnerable groups. Given capacity constraints, reforms will need to be carefully sequenced and prioritized to ensure effective implementation and durability, while safeguarding social and priority spending.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Bolivia in the areas of tax policy, revenue administration and PFM. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM I / Tax Policy	- Strengthen Policy Monitoring, Evaluation, and Institutions - Improve Tax Policy Design
Revenue	RM II / Revenue Administration	Strengthen revenue administration management and governance arrangements
Spending	SM II / Managing Public Finances	Build Sustainable Fiscal Institutions

A. RM I – Tax Policy

Scope

Bolivia's tax system faces structural challenges, including distortions in the VAT and personal income tax (PIT) design, limited progressivity, fragmented regimes for small businesses, and weaknesses in the taxation of emerging sectors (e.g., digital services). The scoping mission – March 2026 - confirmed the need for a comprehensive reform strategy incorporating both revenue-enhancing and efficiency-improving measures.

This module proposes an initial one-year engagement to support authorities through analytical work and capacity building. This work will support the authorities to better analyze tax policy trade-offs (effectiveness, efficiency, equity and simplicity), contributing to the policy dialogue and identification of reforms under the IMF program. This includes developing reform proposals for rationalizing tax expenditures (including tax incentives) and strengthening tax policy analysis through microsimulation tools. Authorities have already expressed interest in support to improve the design of small taxpayer regimes and reviewing the PIT and VAT (including decoupling current integrated features), which could be covered if the project is extended to FY28. Given the high dependency of Bolivia's economy on natural resources—specifically natural gas, mining (zinc, silver, gold), and expanding lithium deposits - activities on these topics should also be expected. A medium-term engagement would allow the project to achieve the objective of improving tax policy design, including in the extractives sector.

Program Objectives

The objective is to strengthen authorities' capacity for tax policy analysis to support sustainable revenue mobilization and improve equity. This will be achieved through the development of analytical tools and the strengthening of technical skills, enabling authorities to design coherent tax reforms, improving progressivity, and aligning tax policy with macro-fiscal objectives.

Expected Results (outcomes)

Expected outcomes include (1) improved understanding of weaknesses in the current tax system; (2) enhanced analytical capacity for evaluating reforms; and (3) better alignment between tax policy and revenue mobilization objectives, contributing to stronger fiscal outcomes.

B. RM II – Revenue Administration

Scope

The current revenue administration module was approved by the GPFP Steering Committee Meeting in January 2025. The project seeks to strengthen revenue administration governance and core tax administration functions, with particular emphasis on compliance risk management (including KPIs and procedures), aligning new IT systems with international good practices, enhancing data governance and the VAT refund process, and modernizing audit functions through capacity building and training.

Consistent with the findings of the 2025 Tax Administration Diagnostic Assessment Tool (TADAT), the project aims to help modernize Bolivia's Tax Procedure Code to achieve a better balance between taxpayer rights and the powers of the tax administration, strengthen the effectiveness and efficiency of core tax processes, and provide an adequate legal basis for the digitalization of tax administration. In addition, the Tax Procedure Code will need to be updated to strengthen the administration of tax treaties, facilitate the exchange of information for tax purposes, incorporate General Anti-Abuse Rules, and introduce other measures needed to address international tax risks in line with international standards. Further reforms should include a review of dispute resolution mechanisms and consideration of a taxpayer's ombudsman function to address complaints, enhance transparency, build trust, and support voluntary compliance. This module aims to support the Bolivian Ministry of Finance (MoF) and the tax administration in these efforts.

Program Objectives

To complement the objectives outlined in the current project, this amendment aims to assist the Tax Policy unit at the MoF and the Bolivian tax administration (*Servicio de Impuestos Nacionales –SIN-*) in developing a draft bill for submission to the Legislative Assembly to adopt an updated and simplified Tax Procedure Code, redesigning the administrative dispute resolution process and including the establishment of a taxpayer ombudsperson to address complaints.

Expected Results (outcomes)

These reforms are anticipated to strengthen voluntary compliance and foster greater trust in the tax administration. Expected outcomes include (1) tax laws are updated, simplified, and better aligned with modern standards and international protocols; and (2) MoF and tax administration authorities are empowered to prepare a project bill to update the Bolivian Tax Procedure Code.

C. SM II – Managing Public Finances

Scope

Fiscal pressures are compounded by structural weaknesses across the budget cycle, including gaps in budget credibility, weak expenditure commitment controls, and limited effectiveness in cash and treasury management. Shortcomings in fiscal risk oversight—particularly regarding state-owned enterprises and decentralized entities—and the absence of a fully operational medium-term fiscal framework further undermine fiscal planning and policy credibility. Taken together, these challenges underscore the need for a comprehensive and well-sequenced PFM reform effort to restore fiscal discipline and support the authorities' stabilization strategy. As a first step, the program will undertake a diagnostic covering the full budget cycle—including budget preparation, execution (with a focus on treasury and cash management), and fiscal reporting—to identify priority reform areas. Targeted CD support will then be provided on agreed reform priorities with the objective of strengthening the core PFM processes.

Program Objectives

The diagnostic will result in a prioritized and sequenced PFM reform roadmap covering the full budget cycle, clearly identifying short- and medium-term reform actions. It will provide a detailed assessment of

weaknesses in key areas—including budget preparation and execution, commitment control, treasury and cash management, fiscal reporting, and fiscal risk oversight—and translate these into actionable recommendations. The exercise will also clarify institutional responsibilities, identify capacity constraints, and propose targeted CD interventions aligned with the authorities' reform priorities. In addition, it will serve to anchor the development of a medium-term fiscal framework and guide the design of subsequent CD activities under GPFP, including the prioritization of short-term expert missions and complementary diagnostics in areas such as public investment management and fiscal risks.

Expected Results (outcomes)

The project will strengthen Bolivia's PFM framework to support fiscal consolidation and improve fiscal policy credibility by delivering a prioritized and sequenced roadmap and guiding targeted capacity development support under GPFP. This will contribute to Bolivian authorities' ability to (1) enhance fiscal planning and budget credibility; (2) improve expenditure control, budget execution, and fiscal reporting; (3) strengthen treasury and cash management to ensure better predictability and use of resources; and (4) enhance fiscal risk oversight, particularly for state-owned enterprises and decentralized entities.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

The proposed amendment deepens an already strong engagement with Bolivia, expanding ongoing support in revenue administration to tax policy and fiscal management. FAD has an established relationship with authorities, including recent scoping and follow-up missions that identified priority reform areas and confirmed strong demand for continued engagement.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX) visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration and public financial management. The project will seek to use Spanish-speaking experts.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.
- **Peer-to-peer (P2P)**: engagements designed for project beneficiaries to exchange their views and experiences undertaking specific reforms, providing opportunities for Bolivian officers to observe practices adopted by other institutions that have robust arrangements in place in specific areas.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF Western Hemisphere country team	Information sharing, policy consistency	Tax policy, Revenue Administration performance and reforms and macro-fiscal alignment PFM	Regular
Inter-American Development Bank, World Bank, Inter-American Center of Tax Administrations (CIAT), European Union, US Treasury's Office of Technical Assistance (OTA)	Coordination of CD activities	Tax policy and administration, data and analytics PFM	Quarterly
MoF of Spain –Institute of Fiscal Studies IEF	Information sharing	Revenue administration training program	As needed

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM I - Tax Policy RM II – Revenue Administration SM II - Managing Public Finance	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 I - Tax Policy RM II – Revenue Administration SM II - Managing Public Finance	Lack of political support could affect the pace and scope of potential reforms, given the current coalition government.	High	Provide the technical assessments and tools to the new MoF team so they can start building consensus and adequately communicate the reform to the public.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM I - Tax Policy RM II – Revenue Administration SM II - Managing Public Finance	Lack of trained managers and staff's rotation undermines the absorptive capacity and support for reforms.	Medium	Liaise with the MoF and Bolivian tax administration (SIN) team and provide them with necessary technical tools to ensure they can follow through complemented with continuous / regular high-level engagement and monitoring.
RESOURCE ADEQUACY			
RM I - Tax Policy RM II – Revenue Administration SM II - Managing Public Finance	Low capacity of the counterpart teams at the MoF, tax administration and other agencies and staff turnover may limit absorptive capacity.	High	Combine remote and in-person support to incrementally improve tax policy tools and analysis.
OTHER RISKS			
RM I - Tax Policy RM II – Revenue Administration SM II - Managing Public Finance	Lack of coordination among capacity building partners duplicate efforts and deliver contradictory advice.	Low	Take an active role in engaging with other donors to ensure support is well coordinated, especially with the Inter-American Development Bank, World Bank, Inter-American Center of Tax Administrations (CIAT), European Union, US Treasury's Office of Technical Assistance (OTA).

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
RM I – Tax Policy			
HQ led CD mission	2		2
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	1	-	1
Subtotal	3		3
3RM II – Revenue Administration			
HQ led CD mission	-	-	-
STX visits	2	-	2
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	1	-	1
Subtotal	3	-	3
SM II – Managing Public Finances			
HQ led CD mission	1	-	1
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	-	-	-
Subtotal	1	-	1
TOTAL	7	-	7

Note: Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM I – Tax Policy		
Q1/FY27	Duty station-based Work	Development of Microsimulation models (includes remote CD)
Q1/FY27	Field-Based work	Free Economic Zones, Special Economic Zones and Incentives
Q3/FY27	Field-Based work	Tax expenditures
RM II – Revenue Administration		
Q2/FY27	Field-Based work	Workshop on Bolivian Tax Procedure Code update priorities
Q2/FY27	Field-Based work	Tax Laws: Tax procedure code update
Q3/FY27	Field-Based work	Tax laws: Tax procedure code update
SM II – Managing Public Finances		
Q2/FY27	Field-Based work	Budget Management Diagnostic

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM I - Tax Policy	280,000	-	280,000
RM II – Revenue Administration	-	-	-
SM II - Managing Public Finance	150,000	-	150,000
Subtotal	430,000	-	430,000
Trust Fund Management Fee (7%)	30,100	-	30,100
TOTAL	460,100	-	460,100

Note: The estimated budget for this project amendment, is US\$ 460,100, and endorsement is requested for the full amount. The inclusion of new customs administration work in RM II does not require additional funding. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM I – Tax Policy

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

B. RM II – Revenue Administration

Objective: Strengthen Revenue Administration Management and Governance Arrangements - RAM	
Outcome(s)	Indicator(s)
Tax laws are updated, simplified and better aligned with modern standards and international protocols	Substantive provisions of the tax laws are better aligned with modern standards

C. SM II – Managing Public Finances

Objective: Build Sustainable Fiscal Institutions - SFI	
Outcome(s)	Indicator(s)
Strengthened capacity to assess core PFM functions and develop reform strategies	Completed other PFM diagnostics



Amendment to
Project Proposal for
CAMEROON

June 2026

Component: Spending

Module: SM-I: Spending Policy/Climate



PROJECT SUMMARY

COUNTRY: Cameroon

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY27-28

PROJECT MANAGERS: Anthony Ramarozatovo (Revenue Administration, FADR2, Lead)
Jean Baptiste Gros (Public Financial Management, FADM2 Lead)
Junko Mochizuki (Climate Policy, FADCP Lead)

ESTIMATED BUDGET US\$ 214,000

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for modules below RM-II: Revenue Administration; SM-II: Managing Public Finances; SM-I: Spending Policy/Climate (<i>included</i>)	June 2024
AMENDMENT 1/1	For Climate Policy (SM I): Follow-up CD to identify fiscally relevant climate reforms and build disaster risk data collection and analytical capacity.	June 2026

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ACRONYMS

CD	Capacity development
CPD	Climate Policy Diagnostic
DRF	Disaster risk financing
DRFS	Disaster Risk Financing Strategy
FAD	IMF's Fiscal Affairs Department
NCP	National Climate Plan
NDC	Nationally Determined Contributions

I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

The authorities have requested follow-up CD to strengthen the implementation of the National Climate Plan (NCP) and Disaster Risk Financing Strategy (DRFS), supported by the original proposal. Appropriate anchoring of fiscal policies is critical for achieving Cameroon's climate commitments. Cameroon's 2021 Nationally Determined Contributions (NDCs) estimate total investment needs of US\$57.6 billion by 2030, comprising US\$25.8 billion for mitigation and US\$ 31.9 billion for adaptation. At the same time, Cameroon is increasingly exposed to climate-related disaster risks including floods and droughts, underscoring the need to strengthen fiscal and policy preparedness for climate shocks. This amendment will support the authorities' reform priorities by (1) identifying and prioritizing fiscally relevant climate reforms to operationalize the NCP via the Climate Policy Diagnostic (CPD) and (2) strengthening data collection and analysis that underpin implementation of the DRFS.

Description of Module

The amendment module is comprised of two activities that support the implementation of (1) Cameroon's climate policy agenda and (2) disaster risk financing (DRF), namely:

- **(1) Climate Policy Diagnostic (CPD)** - reviews Cameroon's existing mitigation and adaptation policy package across relevant sectors such as energy, forestry, water and disaster management and identifies priority, fiscally relevant, reform options. It focuses on the use of fiscal policy instruments (e.g., pricing, taxation, subsidies) plus regulatory measures, evaluating their fiscal and distributional implications, and advising on the institutional arrangements needed to implement the reforms.
- **(2) Strengthening of DRF Data Collection and Analytical Capacity** – supports the building of data collection and analytical capacities needed for the implementation of the high, immediate term priority actions as identified across the fiscal policy pillars of the DRF Strategy such as “establish a data collection system for disasters and specific expenditures”, “conduct an objective assessment of potential needs from contingent funds.” Evaluate Cameroon's existing institutional set up and operational practice of disaster related data and its use in expenditure planning and identify areas of improvement.

The estimated budget for this project amendment is US\$ 214,000, and covered within the total budget endorsement requested for Cameroon of US\$ 1,814,388 through FY28.

II. BACKGROUND

Macro-fiscal situation

Cameroon is a fragile and conflict affected state that continues to face development challenges rooted in economic and institutional weaknesses. The underlying macro-fiscal challenges remain, similar to those described in the original proposal with additional risk posed by the global and domestic factors. According to the 2026 Article IV consultation, Cameroon's economy has grown by 3.1 percent in 2025, a slower pace than previously forecast as election-related disruptions affected trade, services, and investment. Inflation declined to 3.4 percent, on average, through December 2025, driven by moderating food and transport prices. Preliminary estimates suggest the fiscal position weakened in 2025, with a non-oil primary deficit of 2.6 percent of GDP, exceeding the budget target of 1.4 percent of GDP. The deterioration was driven by the underperformance on non-oil revenues and slippage in current expenditures. Cameroon's current account deficit is expected to have widened to 3.9 percent of GDP in 2025 (from 3.3 percent in 2024), partly reflecting lower oil export receipts.

Country engagement and alignment to reform priorities

Cameroon's NCP anchors the country's climate commitments as described in the NDCs within the macro-fiscal planning, identifying priorities actions across 9 sectors including energy, forestry, agriculture and infrastructure. The use of fiscal policies will be keys to fostering identified actions such as the promotion of renewables, reduction in deforestation, and integrated management of water resources, but the authorities currently lack systematic knowledge regarding fiscal policy instruments to promote mitigation and adaptation actions. The planned CPD builds the authorities' capacity to identify and implement relevant fiscal policies to advance their climate actions.

Cameroon's DRFS aims to strengthen fiscal and financial resilience to climate-related shocks, ensuring resources are available on time for immediate response and recovery while preserving budget balance and economic stability. Cameroon's DRFS strategic priorities include (1) improve and consolidate fiscal buffers; (2) promote private sector

participation and resilient financial inclusion; (3) strengthen the institutional framework for disaster risk management/financing; (4) improve coordination plus monitoring and evaluation of DRR spending and financing. Strengthening disaster data collection and analytical capacity is fundamental to effective DRFS implementation, as it underpins risk quantification, the calibration of fiscal buffers and disaster risk-layering instruments, and more credible expenditure planning for emergency response, recovery, and reconstruction.

IMF priority areas / cross-cutting themes

This amendment aligns with the IMF's climate strategy by supporting member countries in addressing macro-critical climate risks through targeted capacity development on climate policy reform identification and resilience to climate shocks. The CPD will help the authorities identify and prioritize fiscally relevant reform options that support implementation of the NCP and are consistent with related ongoing reforms (including the NDC update and National Adaptation Plan currently under development). In parallel, strengthening DRF data collection and analytical capacity will improve expenditure planning and fiscal preparedness as disaster risks rise, by better informing budget allocations, contingency planning, and post-disaster economic recovery.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Cameroon on climate policy. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM-I: Spending Policy / Climate	Improved fiscal policies and institutional frameworks to combat climate change and its impacts

A. SM I – Spending Policy / Climate

Scope

The scope of the CD program is to help the **Cameroonian authorities in the implementation of the NCP and DRFS**. The project's activities will be a combination of diagnostic missions led from HQ (including workshops) and follow-up virtual meetings as needed to put in place their main recommendations.

Program Objectives

The program objective are two-fold: (1) **to gain clarity on fiscally relevant climate policy reform options** that will help advance the implementation of the NCP priorities across the mitigation and adaptation policy areas (e.g. promoting renewables, curbing deforestation, and improving water resources management) through CPD; and (2) **strengthen institutional coordination, reporting and analysis of disaster related data** for improved expenditure planning related to disaster response, recovery and reconstruction.

Expected Results (outcomes)

- **The authorities will have an improved understanding of a prioritized set of fiscally relevant climate policy reform options** to support implementation and monitoring of the NCP;
- **The authorities will strengthen capacity to compile and analyze disaster event and expenditure data** to better quantify resource needs and available financing for emergency response, recovery, and reconstruction

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

This amendment builds on successful prior engagement funded by the GPFP supporting **Cameroon's climate agenda**, including the development of the NCP and DRFS and associated institutional arrangements. It shifts the engagement from strategy preparation to implementation by providing missing technical inputs: the CPD will identify prioritized, fiscally relevant mitigation and adaptation reform options and advise on enabling institutions, while the DRF work will strengthen

disaster event and expenditure data systems and analytical capacity to quantify financing needs and improve budget planning for response, recovery, and reconstruction.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Workshops**, during the HQ missions, to share experiences, provide stakeholders with a view of progress achieved and challenges faced on technical subjects such as disaster related data collection.

C. Coordination / Cooperation

Coordination			
Partner	Type of coordination	Area of coordination	Frequency
IMF area department country team, IMF Resident Representative	CD design and delivery	Stakeholder engagement (IMF area department country team and Resident Representative)	Continuous
Cooperation			
Partner	Type of cooperation	Area of cooperation	Frequency
World Bank	Exchange information / agree on areas to be covered by each donor	Mitigation and adaptation activities	Continuous

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
Political Support			
SM-I – Spending Policy / Climate	Shifting government policy priorities during CD implementation	Medium	Phased approach to policy dialogue with the authorities, in which time will be allocated for sensitization of implementation priorities of NCP and DRFS.
Resource Adequacy			
SM-I – Spending Policy / Climate	Risks arising from lack of access to data and information needed to carry out CD activities	Medium	Close coordination with development partners regarding relevant analytical activities; the use of globally sourced data may substitute locally information.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
SM-I – Spending Policy / Climate			
HQ led CD mission	2	-	2
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	1	-	1
TOTAL	2	-	2

Note: In-person delivery was chosen in most instances because of the importance of face-to-face interaction in providing tailored CD support.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
SM-I – Spending Policy / Climate		
Q2/FY27	Field-Based work - FB	Climate Policy Diagnostics
Q3/FY27	Field-Based work - FB	Strengthening of Disaster related Data Collection and Analysis

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
SM-I – Spending Policy / Climate	200,000	-	200,000
Trust Fund Management Fee (7%)	14,000	-	14,000
TOTAL	214,000	-	214,000

Note: The estimated budget for this project amendment is US\$ 214,000 and endorsement is requested for the full amount. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. SM-I – Spending Policy / Climate

Objective: Improved fiscal policies and institutional frameworks to combat climate change and its impacts (SDG 13) - CLM	
Outcome(s)	Indicator(s)
Authorities have a baseline understanding of how well fiscal policies and institutional frameworks support environmental sustainability and opportunities for increase alignment	Diagnostic or scoping have produced baseline and opportunities for improvement
Improved fiscal policy for climate mitigation	Effectiveness of fiscal interventions to support climate objectives is regularly assessed and reported



Amendment to
Project Proposal for
CHAD

June 2026

Component: Revenue

Module: RM-I: Tax Policy



PROJECT SUMMARY

COUNTRY: Chad

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY27-28

PROJECT MANAGERS: **Eric Robert (Tax Policy, FADT1)**

Olivier Sanz (Revenue Administration, FADR2, Lead)

Severin Yves Kamgna (Public Financial Management, FADM2)

ESTIMATED BUDGET US\$ 342,400

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for module RM-II: Revenue Administration	January 2024
AMENDMENT 1/2	Seek inclusion of module SM II: Managing Public Finances (previously funded under the Government of Japan for fragile and conflict affected states in sub-Saharan Africa)	January 2025
AMENDMENT 2/2	Seek inclusion of module RM-I: Tax Policy, to assist the authorities with improving their tax expenditure framework, and reform their income tax system to encourage formalization	June 2026

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ACRONYMS

CD	Capacity development
CIT	Corporate income tax
FAD	IMF Fiscal Affairs Department
MoF	Ministry of Finance of Chad
NDP	National Development Plan of Chad
PIT	Personal income tax
STX	Short-term expert

I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

The country authorities have requested assistance from the IMF's Fiscal Affairs Department (FAD) to strengthen their capacity in mobilizing non-oil revenue, which is among the priorities of the new government under its National Development Plan (NDP) adopted in May 2025. Non-oil tax revenue in Chad remains low at around 8 percent of GDP in 2025, which is well below the often cited 15 percent threshold of tax-to-GDP ratio to support growth and development. Meanwhile, oil revenue is experiencing a declining trend, from 11.3 percent of GDP in 2023 to 8.6 percent (projected) in 2025, making the mobilization of non-oil tax revenue even more critical to restore macro-fiscal stability. Among the several tax policy challenges that affect non-oil tax revenue, the country's authorities identified the following priorities: improving reporting (including transparency) of tax expenditures, rationalizing tax exemptions, and reducing informality (both in respect of the taxation of individuals and businesses). While no capacity development (CD) work has occurred on tax policy in the past six years, a general diagnostic conducted in 2020 already identified these areas (i.e., tax expenditures and informality) as key priorities for tax policy reforms, with a number of recommendations. The new request and NDP indicate that the authorities are now committed to implementing reforms drawing on those earlier recommendations, with a view to reducing their dependence on oil revenue and improving their non-oil tax-to-GDP ratio. This amendment will complement the ongoing CD by FAD that aims to improve spending efficiency and tax administration, and will also support the objectives—including implementation of relevant structural benchmarks (in particular SB1, SB2 and SB6, which seek to raise non-oil revenue)—under the current Extended Credit Facility arrangement.

Description of Modules

The CD work on tax policy will support the government's priority areas for tax policy reforms by assisting and working closely with the Chad Ministry of Finance (MoF) in setting up a robust framework to identify, report and assess tax expenditures, including a cost/benefit analysis. This will be aimed at identifying and removing the incentives and loopholes in the system that have the lowest cost to benefit ratio. The CD work will then extend to reforming the income tax system for individuals and businesses, with a view to reducing informality and improving efficiency. Drawing on earlier recommendations, this will involve base broadening measures and simplifications aimed at improving the efficiency of Chad's income tax

system for businesses and individuals, including addressing international tax issues and improving gender equality (e.g. through the design of the personal income tax (PIT) system). These reforms will be critical in aligning Chad's tax framework with global standards and addressing persistent underperformance in key revenue areas.

The estimated budget for this project amendment is US\$ 342,400 and covered within the total budget endorsement request for Chad of US\$ 1,016,168 through FY28.

II. BACKGROUND

Macro-fiscal situation

Chad is a fragile or conflict state facing daunting development challenges. Economic activity remained robust in 2025 driven by a rebound in oil production, a further expansion of mining activities, and strong harvests. Following its peak of 5.6 percent in 2025, GDP growth is projected to remain close to 5 percent. The war in the Middle East is expected to have a net positive effect on the Chadian economy due to higher global oil prices. Medium-term prospects hinge on sustained reforms, effective implementation of the NDP, and favorable external conditions. These dynamics provide an opportunity to strengthen fiscal resilience and create space for priority social and capital spending. Despite recent progress, public finances face significant challenges and risks. Revenue mobilization remains weak, with authorities working to broaden the tax base and improve administration of the value-added tax, while oil dependence continues to expose the budget to price volatility. Declining but still elevated use of emergency spending procedures with limited absorptive capacity for investment, and delays in structural reforms—particularly in internal budgetary and accounting control—undermine fiscal discipline. Humanitarian pressures from hosting 1.5 million refugees, tight financing conditions, volatile oil revenue and vulnerabilities in debt management further constrain fiscal space. This makes tax policy reforms to strengthen non-oil revenue mobilization, together with strong public financial management reforms, enhanced cash management, and implementation of TSA, critical for program success.

Country engagement and alignment to reform priorities

Thanks to the CD support provided under the current project funded with Global Public Finance Partnership (GPFP) resources, significant progress has been made in Chad's public finance reform and in its core tax administration functions.

With respect to tax administration, since its launch in 2024 the CD project has strengthened taxpayer identification processes through digitalization, reduced administrative compliance costs for taxpayers, and supported improved tax compliance. The project has also facilitated enhanced data matching with external sources, including financial institutions and public administrations, thereby improving the accuracy, consistency, and effectiveness of compliance and control activities. Work carried out in FY26 supported continued broadening of the tax base and strengthened the integrity of the taxpayer register. Digital tools were further reinforced, notably through the expansion of e filing, electronic payment, and electronic invoicing, which helped reduce compliance costs and enhance transparency. These gains were supported by the signing of several data sharing protocols with banks and public administrations. In parallel, strengthened segmentation and monitoring of large and medium taxpayers, combined with the introduction of risk-based compliance approaches, contributed to improved institutional effectiveness. With respect to public finance management, among the most significant achievements are the creation of an Institutional Framework for Public Finance Reform (i.e., CIRFiP) and an Operational Reform Unit within the General Directorate of the Treasury and Public Accounting, ensuring the steering and coordination of the SRFP. An initial report on the implementation of the strategy has been prepared, while considerable capacity-building efforts have been carried out within the ministry's departments, supported by the establishment of training and communication plans.

Finally, at the request of the MoF, a Governance and Corruption Diagnostic work has been initiated in 2026 to support the authorities in identifying macroeconomically critical governance weaknesses and corruption vulnerabilities and designing specific sequenced recommendations and structural reform priorities. The government has committed to make the final report public. This shows its commitment to improve governance mechanisms that support effective management of public expenditures, stimulate competitiveness, and foster inclusive and sustainable growth.

IMF priority areas / cross-cutting themes

The project includes work on improving the efficiency of Chad's income tax system, which will involve reviewing the design of the PIT system and how this can contribute to **gender inclusion**. Many PIT systems – including Chad – include derogatory measures aimed at accounting for family expenses that can have implicit or explicit gender biases (e.g., household taxation), and hence contribute to gender inequality (e.g., discourage female employment). The review and reform of the income tax system will include identifying those implicit or explicit gender biases with a view to addressing them to support

inclusive growth. Importantly, this objective is also consistent with Chad's NDP, which includes greater “inclusion of women” among its transversal programs.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Chad on tax policy. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM I / Tax Policy	- Improve Tax Policy Design - Strengthen Tax Policy Monitoring, Evaluation and Institutions

A. RM I – Tax Policy

Scope

The CD work will assist local authorities – in particular the MoF – with (i) introducing a tax expenditure monitoring framework, and (ii) developing reforms aimed at improving the efficiency of the income tax system. The work will involve tailored hand-on support and possibly training of technical and senior staff in these areas, using a gradual approach that will adapt to the authorities' needs and expectations on an ongoing basis.

Program Objectives

The first objective of the project is to help local authorities set up a monitoring framework (including the related institutional arrangement, such as a tax policy unit) allowing to improve tax expenditure identification, costing, evaluation, and reform. This framework will be designed to support the ongoing rationalization of tax expenditures, including helping them adopt international best practices and standards in this area (e.g., in response to Pillar 2 implementation), and is expected to become a key tool at the disposal of the MoF to evaluate the impact of tax policy and identify reform priorities going forward.

The second objective of the project is to help local authorities develop a coherent and holistic reform plan for their income tax system that is both conducive to growth and revenue mobilization. This will include a wide range of improvements to corporate income tax (CIT) and PIT aimed at improving efficiency and equity (including gender equality, progressivity, etc.), with a view to reducing informality and increasing tax revenue. It will also include the review of CIT and PIT tax expenditures consistent with the prior objective.

Altogether, these two CD workstreams will be instrumental in helping local authorities to reduce their dependence on oil revenues and restore macro-fiscal stability. They could also lead local authorities to consider the development of a credible medium-term revenue mobilization strategy.

Expected Results (outcomes)

The outcome of this project will include:

- Increased fiscal transparency and accountability through the publication of tax expenditure reports (including quantification of revenue losses);
- More evidence-based approach to evaluation of tax policy reforms (incl. equity objectives);
- Increased tax revenue from rationalization of tax expenditures and amended CIT/PIT rates and bases;
- Increased formality and economic efficiency by minimizing the economic distortions imposed by CIT and PIT.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

While CD work in Chad has been extensive over the past years in the area of public financial management and tax administration, the amended project will include a new module on tax policy, where no work has been done since 2020. It will draw on the assessments and conclusions made from earlier

CD support on tax policy provided to Chad, which included tax expenditures and informality. The planned support was requested by the MoF and is aimed at improving non-oil tax revenues, a key development priority of the authorities' NDP. This support will be provided in parallel to the ongoing Governance and Corruption Diagnostic work initiated in 2026 at the request of the MoF, and the other CD activities by FAD.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure short-term expert (STX) work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **STX visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of tax policy, revenue administration and public financial management. The project will seek to use French-speaking experts.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's Regional Technical Assistance Center for Central Africa (AFC)	Sharing of information, insights, recommendations, and where available participation in missions	Tax policy – priorities, recommendations, and status of reforms	Regular
World Bank	Sharing of information and insights	Tax policy, work plan priorities	Bi-yearly

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM I - Tax Policy	External climate/conditions, including social protestations, armed conflicts, insufficient telephone networks or internet connections, can slow down or even stop reforms implementation	High	Ensure sufficient flexibility in program execution and allow for ability to adjust activities in the case of adverse events
POLITICAL SUPPORT			
RM I - Tax Policy	Limited political support, political instability or weak coordination between MoF and tax administration may delay or even stop reform implementation	High	Ensure political support upfront at the highest level, and that the reform aligns with the domestic agenda and priorities. Coordinate closely with other FAD divisions, Area department, and other contacts/partners in the country to ensure the different relevant agencies are informed/involved in the reform.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM I - Tax Policy	Senior management and technical staff may not be sufficiently committed and lack leadership. Further, unpredictable/regular rotations in management can disrupt the continuity of a project or momentum of key reforms. Limited technical skills among mid- and senior-level managers could also slow adoption and implementation.	High	Strengthen efforts to enhance local governance and institutional framework, with a view to improve commitment, leadership, and management culture over time. Project should include knowledge transfer and capacity-building activities targeted at managers throughout the project.
RESOURCE ADEQUACY			
RM I - Tax Policy	Authorities do not commit necessary resources to ensure implementation and sustainability of reforms. Insufficient funding, scarcity, misuse, inadequacy relative to needs, including insufficient IT systems to process data, and continual rotation of human resources hinder absorption capacity and cause inefficiency and permanent discontinuity.	Very high	Engage early with senior management and financial partners to mobilize financial and technical resources; explore phased implementation options to align with available funding and prioritize high-impact, cost-effective components.
OTHER RISKS			
RM I - Tax Policy	Overlaps with other CD providers activities. Quarantines due to pandemic.	Low	Ensure coordination with all CD partners/providers, and remain flexible/agile in case remote CD delivery is required.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
RM I – Tax Policy			
HQ led CD mission	2	2	4
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	1	1	2
TOTAL	3	3	6

Note:

- In-person delivery was chosen in most instances because technological conditions are far from optimal, and significant capacity gaps demand a very “hands-on” and pro-active approach which is easier with in person engagement.
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM I – Tax Policy		
Q2/FY27	Field-Based work - FB	Tax expenditures
Q3/FY27	Field-Based work - FB	Follow up Tax expenditures
Q4/FY27	Field-Based work - FB	Tax reforms to improve efficiency of the income tax system
Q2/FY28	Field-Based work - FB	Follow up Tax expenditures
Q3/FY28	Field-Based work - FB	Follow up Tax reforms to improve efficiency of the income tax system

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM I - Tax Policy	160,000	160,000	320,000
Trust Fund Management Fee (7%)	11,200	11,200	22,400
TOTAL	171,200	171,200	342,400

Note: The estimated budget for this project amendment is US \$342,400, and endorsement is requested for the full amount. . Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM I – Tax Policy

Objective: Improve Tax Policy Design - TPD	
Outcome(s)	Indicator(s)
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	Adopt legislation that reduces economic distortions.

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



Amendment to
Project Proposal for
UNION OF THE COMOROS

June 2026

Component: Spending

Module: SM-II: Managing Public Finance



PROJECT SUMMARY

COUNTRY: Union of the Comoros

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY27-28

PROJECT MANAGERS: Sebastien Leduc (Tax Policy, FADT2)
Anthony Ramarozatovo (Revenue Administration, FADR2, Lead)
Harilala Onintsoa Raoilisoa (Managing Public Finance, FADM2)

ESTIMATED BUDGET US\$ 214,000

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for module RM-II: Revenue Administration	January 2024
AMENDMENT 1/2	Addition of module RM I: Tax Policy	January 2025
AMENDMENT 2/2	Addition of module SM II: Managing Public Finances to strengthen core public financial management functions.	June 2026

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I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

Comoros is a small, fragile island state with very limited institutional and technical capacity and high vulnerability to external and climate-related shocks. In this context, strengthening public financial management (PFM) institutions is macro-critical and central to the success of the Extended Credit Facility-supported program. However, longstanding weaknesses across key PFM functions continue to undermine fiscal discipline, budget credibility, and the effectiveness of PFM. The recent discontinuation of resident advisor support (April 2025) has created a critical gap in hands-on capacity development (CD) at a pivotal stage of reform implementation, while demand for technical assistance from the authorities remains strong.

Description of Module

This new module will focus on providing CD to the Ministry of Finance, Budget and Banking Sector on PFM, with the key underlying objectives being to strengthen budget management and to build capacity on macro-fiscal forecasting. CD will focus on improving budget preparation process and enhancing macro-fiscal forecasting, with a view to progressively strengthening budget credibility. The delivery modality will emphasize sustained engagement, fostering stronger reform traction and ensuring greater effectiveness of CD over the medium term through the implementation of coherent, well-sequenced, and sustainable reforms.

The estimated budget for this project amendment is US\$ 214,000, and covered within the total budget endorsement request for Comoros of US\$ 2,386,766 through FY28.

II. BACKGROUND

Macro-fiscal situation

Comoros's macro-fiscal outlook has been impacted by the conflict in the Middle East and is constrained by persistent structural weaknesses and limited fiscal space. Growth has been modest, while fiscal performance has been affected by weak revenue performance and rising expenditure pressures. Continued reliance on externally financed public investment widened fiscal deficits and increased debt vulnerabilities. While Comoros has successfully completed the first five reviews under the IMF's Extended Credit Facility (ECF)-supported program, overall performance has been mixed. These challenges are compounded by underlying PFM weaknesses, including fragile budget preparation processes, limited macro-fiscal forecasting capacity, and gaps in fiscal transparency and control, which undermine budget credibility and policy implementation. Persistent weaknesses in budget preparation limit the effectiveness and traction of execution-focused reforms. In light of these challenges, strengthening these core PFM functions remains critical to support fiscal consolidation efforts and sustain reform momentum under the ECF-supported program.

Country engagement and alignment to reform priorities

The capacity development (CD) program is aligned with the Comorian PFM reform priorities set out in the ten-year public finance reform strategy for Comoros, adopted in 2024. While the authorities have demonstrated commitment to these reforms, implementation continues to be constrained by limited institutional and technical capacity. At the same time, Comoros remains committed to the objectives of its ECF-supported program, which places particular emphasis on strengthening cash management, enhancing fiscal transparency, and improving oversight of state-owned enterprises. In this context, sustained CD support to advance the implementation of priority reforms remains critical to ensure reform traction and achieve program objectives.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Comoros on PFM. CD provided by the IMF's Fiscal Affairs Department (FAD) will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM II / Managing Public Finances	- Strengthen budget management - Strengthen macro fiscal frameworks

A. SM II – Managing Public Finances

Scope

Comoros faces major challenges in budget preparation, including weak and insufficiently institutionalized processes, limited coordination among key actors, low macro-fiscal forecasting capacity, and fragmented institutional responsibilities, contributing to persistent gaps between budget projections and execution and undermining fiscal credibility. Against this backdrop, the project will focus on strengthening core PFM functions, with particular emphasis on improving budget preparation, enhancing macro-fiscal forecasting capacity, and improving overall budget management practices. It will strengthen the institutional framework, tools, and processes underpinning budget preparation. In addition, the project will support the authorities in operationalizing a credible budget calendar, improving coordination between key stakeholders, reinforcing the integration of macro-fiscal analysis into budget preparation, and supporting the gradual consolidation of operating and capital expenditure budgeting practices. The proposed support is fully aligned with the authorities' reform priorities and ECF commitments, contributing to strengthening fiscal discipline, improving budget credibility, and enhancing the efficiency of public spending.

Program Objectives

Support on macro-fiscal forecasting will aim to strengthen the reliability and consistency of forecasts by developing basic analytical tools, improving data sharing, and enhancing coordination across departments to better inform budget decisions and fiscal policy.

Support on budget preparation will focus on strengthening budget formulation process, reinforcing both top-down and bottom-up approaches, and improving the quality and coordination of budget submissions, including better integration of capital and recurrent spending.

Technical assistance will be delivered through sustained, hands-on CD, with a strong focus on implementation support and practical tools and tailored to Comoros' limited absorptive capacity.

Expected Results (outcomes)

At the conclusion of this project, it is expected that Comoros will possess more credible budgets and more reliable macro-fiscal forecasts. Public resources will be more effectively allocated and there will be improved coordination across institutions.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

FAD's engagement in Comoros builds on ongoing reform areas in PFM, particularly budget preparation and macro-fiscal forecasting, where previous CD has laid analytical foundations, but implementation remains incomplete. The proposed support therefore aims to consolidate and operationalize existing reforms, rather than launching a new area of engagement. It also responds to the discontinuation of the resident advisor, which had ensured continuous, hands-on support at a pivotal stage of implementation. With HQ-based engagement constrained by limited funding, support has remained intermittent, increasing the risk of reform slowdown under low-capacity environment. In this context, the proposal seeks to restore continuity and provide a structured, medium-term CD aligned with program commitments and adapted to Comoros' limited capacity.

B. Delivery Modalities

CD will comprise a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Peripatetic Short-term expert (STX) visits** to help implement the recommendations from the February 2026 HQ mission on budget preparation; a limited number of targeted STXs will be assigned to provide specialized assistance in these specific areas of public financial management. The project will seek to use French-speaking experts.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's Area Department and Resident Representative in Comoros	Sharing information, insights, and recommendations	PFM priorities, recommendations and status of reforms	Regular
European Union	Technical coordination, sharing information to ensure complementarity in PFM reforms intervention	PFM priorities	During field-based missions

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
SM II - Managing Public Finance	High vulnerability to external shocks and climate risk	Very High	Strengthen CD support while remaining flexible in delivering CD workplan
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM II - Managing Public Finance	Weak capacity and limited commitment and reforms' ownership	Very High	- Improve the integration of CD and IMF program - Tailored CD support
RESOURCE ADEQUACY			
SM II - Managing Public Finance	Resource adequacy in the Ministry of Finance, including number of staff and skillset	Very High	Sequence CD and reform proposals to align with country capacity

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
SM II – Managing Public Finances			
STX visits	1	4	5
Workshops (inc. during STX and remote CD)	1	2	3
TOTAL	2	6	8

Note:

- In-person delivery was chosen in most instances because of low capacity, authorities' expected preference for such a modality, and the need to build and maintain relationships.
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
SM II – Managing Public Finances		
Q2/FY27	Field-based Work - FB	Budget preparation process follow-up
Q1/FY28	Field-based Work - FB	Annual of the budget law with the PFM legal framework
Q2/FY28	Field-based Work - FB	Calibration of the macro fiscal forecasting tool
Q3/FY28	Field-based Work - FB	Macro fiscal forecast follow-up
Q4/FY28	Field-based Work - FB	Macro fiscal forecast follow-up

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
SM II - Managing Public Finance	50,000	150,000	200,000
Trust Fund Management Fee (7%)	3,500	10,500	14,000
TOTAL	53,500	160,500	214,000

Note: The estimated budget for this project amendment is US\$ 214,000 and endorsement is requested for the full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. SM II – Managing Public Finances

Objective: Strengthen Budget Management - SBM	
Outcome(s)	Indicator(s)
Strengthened medium-term budget frameworks	Improved comprehensiveness and credibility of medium-term budget framework and/or expenditure framework (Record Score: PEFA PI-16, FTC 2.1.3)
Comprehensive, timely, and high quality fiscal reports	Strengthened completeness, timeliness and consistency of annual financial statements (Record Score: PEFA PI-29) FTC1.2.2
Strengthened asset and liability management processes	Strengthened effectiveness and timeliness of cash flow forecasting and cash balance management including for capital spending (DEMPA DPI 11, PEFA PI-21.2)
Strengthened annual budget process for more efficient and effective use of resources	Enhanced comprehensiveness of budget documentation (Record Score: PEFA
	Strengthened effectiveness, orderliness and timeliness of budget preparation process (Record Score: PEFA PI-17)

Objective: Strengthen Macroeconomic Frameworks	
Outcome(s)	Indicator(s)
Strengthened identification, monitoring, and management of fiscal risks	Enhanced analysis, disclosure and management of other contingent liabilities and specific fiscal risks
Strengthened medium-term fiscal frameworks	Improved comprehensiveness of macrofiscal forecasts



Amendment to
Project Proposal for

ECUADOR

June 2026

Component: Revenue and Spending

Module: RM-II: Revenue Administration

SM-I: Expenditure Policy

SM-IV: Fiscal and Macroeconomic Tools, Research, and
Analytical Work



PROJECT SUMMARY

COUNTRY: Ecuador

LEAD DEPARTMENT: FAD, ICD

REGION: WHD

PLANNED DATES: FY27-28

PROJECT MANAGERS: Virginia Alonso Albarran (Public Financial Management, FADM2, Lead)

Juan Carlos Benitez (Tax Policy, FADT2)

Miguel Pecho (Revenue Administration, FADR2)

Boele Bonthuis (Expenditure Policy, FADEP)

José Federico Geli Manzano (General Macro and Fiscal, ICDMF)

ESTIMATED BUDGET: US\$ 267,500

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for module SM-IV: Fiscal and Macroeconomic Tools, Research and Analytical Work (completed)	January 2024
AMENDMENT 1/2	Addition of modules RM-I: Tax Policy and SM-II: Managing Public Finances	June 2025
AMENDMENT 2/2	Addition of SM-I: Expenditure Policy, to analyze the fiscal sustainability of the pension system; and RM-II: Revenue Administration component to strengthen the tax gap analysis function and to better integrate it with tax and customs compliance risk management frameworks Addition of SM-IV Fiscal and Macroeconomic Tools, Research, and Analytical Work Fiscal for continuing and expanding support to enhance the macroeconomic framework, introduce nowcasting, and strengthen the forecast and policy analysis system.	June 2026

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ACRONYMS

BCE	Central Bank of Ecuador
CD	Capacity Development
CIT	Corporate Income Tax
CRM	Compliance Risk Management
FAD	IMF's Fiscal Affairs Department
ICD	IMF's Institute for Capacity Development
IESS	Ecuadorian Institute of Social Security (Instituto Ecuatoriano de Seguridad Social)
IPMEC	Macroeconomic Projection Instrument for Ecuador (Instrumento de Proyección Macroeconómica para Ecuador)
MEF	Ministry of Finance and Economy, Ecuador
PIT	Personal Income Tax

I. PART I: PROJECT AMENDMENT PURPOSE (FAD)

Country request and relevance/importance

During the 2026 World Bank -IMF Spring Meetings, authorities requested support from the IMF's Fiscal Affairs Department (FAD) related to tax compliance and pensions system. Specifically in revenue administration, the vice-minister requested support for estimating tax compliance gaps for corporate income tax (CIT) and personal income tax (PIT). As such, the proposed capacity development (CD) activities would support authorities in enhancing the tax gap analysis function of the Revenue Administration of Ecuador and align it with international good practices. On the spending side, the Vice Minister requested support to analyze the pension system, including quick gains and options to increase the sustainability of the system. In 2024, the Ecuadorian pension system spent US\$ 6.3 billion (5 percent of GDP) on pensions. By law, the state is required to cover 40 percent of pension spending of the Ecuadorian Institute of Social Security (Instituto Ecuatoriano de Seguridad Social, IESS). However, even with this state transfer the system is projected to run an actuarial deficit by 2055. The Vice Minister expressed concerns regarding the rising budgetary pressures, both in the short run driven by the legal obligation to cover a significant share of spending and the long run when this state spending in combination with employee and employer contributions will not be enough to cover all expenditures.

Description of Modules

Revenue Administration (RM II): Tax-gap is a measurement tool that identifies both policy and compliance gaps in a country's tax system. The tax gap analysis module of this program will provide a sense of where the revenue leakage is occurring. The analysis, which will be conducted for CIT and PIT, can point to specific industry sectors as representing a higher share of the compliance gap. This allows administrations to target their compliance efforts more effectively. Subsequent tax-gap analysis can provide feedback on the success of treatment strategies taken in the interim, as the goal would be to see a downward trend in the compliance gap.

Spending (SM I): The pension system analysis will establish baseline spending and revenue estimates and provide reform options to limit state transfers to the IESS for pensions. This analysis will be explicitly linked to the current fiscal position of the government.

The estimated budget for this FAD project amendment is US\$ 160,500, covered within the total budget endorsement request for Ecuador of US\$ 1,276,413.

II. BACKGROUND

Macro-fiscal situation

Ecuador's public expenditures remain elevated at around 40 percent of GDP in 2023–24, reflecting high current spending pressures (wages, pensions, and subsidies) alongside expanded social programs. Social outlays have risen as the authorities broadened cash transfer programs and protected social assistance to shield the vulnerable. Meanwhile, legally obligated transfers to the contributory pension scheme managed by the IESS adds to spending pressures.

IMF estimates indicate that Ecuador's tax revenues are below their potential level, with an estimated gap of around 6 percent of GDP in 2023. However, beyond its magnitude, the most relevant aspect is its evolution over time, with an increasing trend observed since 2015, indicating a progressive deterioration in the country's revenue mobilization capacity relative to its potential. The gap reflects, among other factors, vulnerabilities in the design of the tax system, low levels of tax compliance (explained by a combination of weak tax morale and weaknesses in tax administration), and the interactions between these factors; although the method does not allow for determining how much of the gap is explained by each of them.

Country engagement and alignment to reform priorities

This project has the goal of supporting the authorities to stabilize or reduce government transfers to the pension system while supporting the fiscal sustainability plans outlined under the current IMF program. The project will also support authorities' efforts to build a coherent and structured approach to reforming pensions over time.

Under Ecuador's current IMF-supported program, an Extended Fund Facility, approved in May 2024 and augmented in 2025, revenue mobilization is a central pillar of the fiscal adjustment strategy. The program does not set a single explicit "headline" revenue target in isolation; rather, it embeds revenue mobilization within quantitative fiscal targets (especially the non-oil primary balance) and medium-term tax-to-GDP objectives, supported by specific policy measures.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Ecuador on revenue administration and expenditure policy. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM-II / Revenue Administration	Strengthen revenue administration management and governance arrangements
Spending	SM-I / Expenditure Policy	Strengthen Expenditure Policy Formulation and Design

A. RM II – Revenue Administration

Scope

The module will provide training to tax officers on a range of methodologies for estimating tax gaps, including both top-down and bottom-up approaches. It will also support the development of the databases required to carry out these estimations and, subject to data availability, will facilitate the estimation of CIT and PIT gaps. The project will leverage ongoing analytical work supported under the GPFP, particularly the Revenue Administration Gap Analysis Program (RA-GAP) work on bottom-up techniques. Specifically, it will explore estimation approaches based on operational audits, addressing sample selection bias through econometric methods, clustering strategies, and expert judgment, as well as approaches based on machine learning. Once completed, the module will aim to integrate the results into tax and customs compliance risk management (CRM) frameworks, thereby supporting the design of targeted compliance improvement plans for both taxes.

Program Objectives

The objective of this project is to strengthen the authorities' capacity to independently estimate tax gaps in a consistent and sustainable manner, and to embed these estimates into regular analytical and operational processes. By building institutional capability - both in terms of technical skills and data infrastructure - the project will support the transition from ad hoc exercises to a systematic tax gap analysis function within the revenue administration. Over time, the project aims to ensure that tax gap

estimates are not only produced, but actively used as a core input into CRM frameworks. In particular, the analysis of tax gaps is expected to inform the identification of high-risk sectors, taxpayer segments, and compliance behaviors, thereby enabling more targeted and evidence-based compliance strategies.

Expected Results (outcomes)

As a result of this CD, authorities will be able to better explain shortfalls of tax revenues and, more importantly, to implement corrective actions for improving revenue performance, provides high-level performance indicators to assess the overall performance of revenue bodies in collecting tax revenues, and supports tax CRM.

B. SM I – Expenditure Policy

Scope

The project will deliver a report assessing the fiscal sustainability of Ecuador's pension system. The report will produce baseline projections of pension spending, contribution revenues, overall balances/deficits, and asset dynamics over the short-, medium- to long term, based on consistent macro-fiscal assumptions using a micro simulation model. The analysis will examine key pension design, demographic, labor market, and macroeconomic drivers; assess the evolution of pension fund assets; and quantify implicit and explicit state liabilities, integrating the results into the broader macro-fiscal framework to identify fiscal risks and budgetary pressures.

Program Objectives

The objective is to provide a rigorous, integrated assessment of the pension system's fiscal outlook and its interaction with public finances, strengthening the analytical basis for policy decisions. The work aims to clarify the magnitude and drivers of pension-related fiscal pressures and support informed discussion of policy trade-offs.

Expected Results (outcomes)

The project will deliver a clear baseline diagnosis of pension system sustainability, including projected deficits and asset trajectories, and a quantified assessment of fiscal risks stemming from the system. Based on this baseline, the project will develop and assess reform options aimed at containing pension-related deficits and limiting the need for state transfers, providing the authorities with a transparent and analytically sound foundation for considering pension reform within the medium-term fiscal framework.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

.Engagement with the tax administration has been very positive. In recent years, the authorities have frequently requested technical assistance in the area of tax administration, notably including the 2024 estimation of the VAT compliance gap, the 2023 Tax Administration Diagnostic Assessment Tool (TADAT) evaluation, the 2022 mission to strengthen large taxpayer management, and the 2019 diagnostic review of the tax code aimed at identifying opportunities for improvement.

FAD's work on pensions will explore a new area and a renewed engagement after a long hiatus on expenditure policy issues, with the last technical assistance on the public sector wage bill provided in 2019

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's area department and resident representative	RA: Sharing of information, insights, and recommendations.	RA: Status of reforms Expenditure Policy: priorities, recommendations, and status of reforms	Regular, after each mission
World Bank, IDB	Avoiding overlap. Sharing information, insights, and recommendations	Expenditure policy - pension policy	Before and after mission

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
POLITICAL SUPPORT			
RM-II – Revenue Administration	Political support for revenue administration reforms may weaken due to competing fiscal priorities, and sensitivity of compliance measures, potentially leading to delays, reduced ownership, and partial implementation of reforms.	Medium	The project will emphasize early delivery of tax gap estimates and their linkage to compliance interventions, to demonstrate tangible revenue gains and sustain political support.
SM-I – Expenditure Policy	Pension reforms are politically sensitive topics. Coordination with IESS needed.	Medium	To sustain high-level backing, the program will tailor engagement with key decision-makers through strategic communication and regular progress updates on outcomes. Senior authorities are kept closely informed of reform design progress and early results, helping to build consensus and maintain buy-in. Reforms should be sequenced with adequate lead times, allowing policymakers and the public to anticipate changes and muster broad support well in advance.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM-II – Revenue Administration	Limited and uneven commitment from management and technical staff, including capacity constraints, turnover, and competing priorities, may delay implementation and reduce ownership of reforms.	Medium	Strengthen senior engagement; formalize counterpart teams; provide hands-on capacity building; institutionalize knowledge; promote team-based approaches; link analytical work to CRM use; and maintain realistic sequencing and continuous monitoring
SM-I – Expenditure Policy	MEF may find it challenging to have absorptive capacity to implement the CD advice.	Medium	Delivery is calibrated to staff capacity while establishing feedback loops to incorporate staff input and adjust guidance. This tailored approach strengthens commitment by aligning advice with on-the-ground needs and fostering continuous engagement.
RESOURCE ADEQUACY			
RM-II – Revenue Administration	Limited financial, human, and technical resources—due to fiscal constraints, competing priorities, and capacity limitations—may delay implementation and affect the sustainability of reforms.	Medium	Prioritize cost-effective reforms; align activities with revenue objectives; leverage donor support; adopt scalable solutions; strengthen data and IT prioritization; optimize human resources; improve execution capacity; design sustainable solutions; and maintain flexible implementation.
SM-I – Expenditure Policy	Timely data availability and coordination between MEF and social security institute	Medium	Timely transmittal of data and information request. Follow up meeting to discuss request and troubleshoot emerging issues. Ask for contact person at social security institute.

VI. PART II: PROJECT AMENDMENT PURPOSE (ICD)

Country request and relevance/importance

The authorities of Ecuador requested a successor phase of technical assistance on macroeconomic frameworks at the 2025 World Bank -IMF Annual Meetings. The request reflects the need to move from a developed analytical framework to a fully operational forecasting and policy analysis system that can be used regularly in official projection rounds by the Ministry of Finance and Economy of Ecuador (MEF) and the Central Bank of Ecuador (BCE).

This support is relevant because Ecuador's macroeconomic policy framework operates under dollarization and therefore requires strong coordination between fiscal, external, monetary, and real-sector projections. A unified forecasting system is important to ensure that official macroeconomic scenarios are internally consistent, operationally reproducible, and useful for policy decisions, macroeconomic programming, and communication with senior management.

The proposed amendment continues and expands prior support under this module covered by an earlier macroeconomic frameworks project. The new phase will focus on operationalizing the macroeconomic projection tool, strengthening the production of no-policy-change, baseline, and macroeconomic risk scenarios, introducing near-term forecasting methods, and reinforcing forecast processes, documentation, and communication practices.

Description of Modules

Under this module, the IMF's Institute for Capacity Development (ICD) will support Ecuador in strengthening macroeconomic forecasting and policy analysis capacity through a successor engagement centered on the operational use of the *Instrumento de Proyección Macroeconómica para Ecuador* (IPMEC). The project will help the MEF and BCE move toward a unified forecasting process that supports official macroeconomic rounds and strengthens the consistency of policy analysis across institutions.

The technical assistance will be structured around three workstreams: (i) completing the operationalization of IPMEC and strengthening medium-term baseline and scenario processes; (ii) introducing near-term forecasting and nowcasting capacity; and (iii) strengthening governance,

communication, documentation, and sustainability routines so that forecast rounds become repeatable and embedded in the policy cycle.

This amendment seeks GPFP endorsement for US\$107,000 allocation in FY27 to support a more immediate focus on operationalizing nowcasting techniques under this ICD technical assistance project for Ecuador.

VII. BACKGROUND

Macro-fiscal situation

Ecuador entered 2025 after a sharp contraction in 2024, and the recovery surprised on the upside as the year unfolded. While early program messaging pointed to a modest rebound, by late 2025 the outlook had shifted toward a stronger recovery supported by domestic demand, record non-oil exports, and sizable external surpluses that helped rebuild reserve buffers.

The IMF-supported program has provided the main macroeconomic anchor during this period, with emphasis on fiscal sustainability, liquidity buffers, and macro-financial stability. Under these conditions, the credibility of the macroeconomic baseline and the explicit treatment of macroeconomic risks have become increasingly important for policy planning, liquidity management, and policy communication.

Dollarization raises the premium on a coherent macroeconomic framework. With limited adjustment instruments, Ecuador's forecasting process must rely on a shared set of external assumptions and internally consistent projections across the real, fiscal, monetary, and external sectors. This increases the value of a unified forecasting system that can support official rounds and strengthen coordination between the MEF and BCE.

Country engagement and alignment to reform priorities

Previous CD in this area (2022–2025) produced a functioning macroeconomic framework, but further work is needed to integrate it fully into official forecast rounds and policy processes. This proposed follow-on CD is therefore aimed at moving from a working analytical tool to an operational forecasting and policy analysis system, with stronger routines for coordination, scenario design, documentation, and communication.

More specifically, previous CD delivered a calibrated framework, automation modules, and documentation, and helped strengthen analytical capacity and coordination between the MEF and BCE. This proposed CD will focus on operational adoption, especially in the March and September forecasting rounds, and on addressing remaining institutional and process gaps that still limit the regular use of the tool.

The project is aligned with the authorities' reform priorities in three areas: improving the coherence of official macroeconomic programming, strengthening the integration of policy measures into the macroeconomic baseline, and reinforcing forecasting governance and communication practices. It is also aligned with the needs of the IMF-supported program, especially with respect to credible macroeconomic baselines (a pre-condition to realistic fiscal paths), and structured economic risk analysis.

VIII. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes support to Ecuador in Fiscal and Macroeconomic Tools, Research, and Analytical Work. This amendment will support the operationalization of the macroeconomic projection framework and strengthen forecasting and policy analysis capacity within the strategic objectives presented in Table 2.

Table 2. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM-IV / Fiscal and Macroeconomic Tools, Research, and Analytical Work	- Introduce near-term forecasting and nowcasting capacity at MEF and BCE, enabling staff to construct, backtest, and operate nowcasting models for GDP and key demand-side components, using high-frequency indicators. - Integrate nowcast-based signals into the regular forecast cycle, so that current-year projections used in official rounds are anchored to the latest available high-frequency data rather than relying solely on annual extrapolation. - Update forecasting documentation, workflows, and communication materials to incorporate nowcasting routines, including indicator catalogs, data-ingestion protocols, update governance rules, and briefing templates that reflect near-term signals.

A. SM IV – Fiscal and Macroeconomic Tools, Research, and Analytical Work

The scope of this module is to support the MEF and BCE in consolidating and operationalizing a unified macroeconomic forecasting and policy analysis system. The module will build on the existing macroeconomic projection tool developed under the previous technical assistance project and will focus on its regular use in official forecasting rounds.

The technical assistance will cover the production of no-policy-change, baseline, and macroeconomic risk scenarios; improvements in cross-sector consistency across real, fiscal, monetary, external, and oil blocks; the introduction of near-term forecasting methods; and the strengthening of documentation, reproducibility, and communication practices. The project will also support between-mission work, structured postmortems, and capacity transfer to ensure that the forecasting process becomes more structured and less dependent on ad hoc practices or individual staff knowledge.

Program Objectives

First, introduce near-term forecasting and nowcasting capacity at MEF and BCE, enabling staff to construct, backtest, and operate nowcasting models for GDP and key demand-side components, using high-frequency indicators.

Second, integrate nowcast-based signals into the regular forecast cycle, so that current-year projections used in official rounds are anchored to the latest available high-frequency data rather than relying solely on annual extrapolation.

Third, update forecasting documentation, workflows, and communication materials to incorporate nowcasting routines, including indicator catalogs, data-ingestion protocols, update governance rules, and briefing templates that reflect near-term signals.

These objectives are part of a broader technical assistance project that also covers the operationalization of the macroeconomic projection tool, IPMEC, and the strengthening of the medium-term macroeconomic forecasting process, funded separately. Should traction in FY27 warrant it, additional technical assistance activities in FY28 would aim to consolidate the full operating model across multiple forecast cycles and formalize sustainability and transfer arrangements.

Expected Results (outcomes)

The activities are expected to deliver the following results:

(Linked to Objective 1) MEF and BCE staff construct, backtest, and begin operating nowcasting models for GDP and its main demand-side components. By the end of FY27, staff are expected to independently produce and interpret nowcast updates, including indicator selection, data transformation, vintage control, and reconciliation of short-term signals with annual paths.

(Linked to Objective 2) Nowcast outputs are integrated into at least one official baseline round (April 2027). The authorities use the nowcast to improve the short-term anchor of the baseline, with a real-time dashboard showing latest signals against the prevailing projection. This strengthens the transition from high-frequency data to the annual forecast embedded in IPMEC.

(Linked to Objective 3) Staff at MEF and BCE use the updated materials—indicator catalogs, data-ingestion templates, update governance rules, and revised briefing formats—to execute at least one nowcasting cycle and produce a management briefing without direct guidance. The materials are tested and refined through use in the April 2027 forecast round.

IX. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

Country engagement under this module will center on close collaboration with the MEF and BCE, which jointly own the forecasting process and are the principal counterparts for this technical assistance. The engagement will focus on supporting the joint forecasting team, supervisory counterparts, and technical operators responsible for macroeconomic programming and policy analysis.

The project will remain closely coordinated with the IMF's Western Hemisphere Department, given the relevance of the forecasting framework for surveillance and for the ongoing IMF-supported program. Coordination with other IMF departments, including FAD and the Statistics Department where relevant, will also be important to ensure consistency across macroeconomic, fiscal, and statistical workstreams.

B. Delivery Modalities

CD will comprise a mix of in-person and remote activities. In-person delivery will be used at key technical stages, especially when the objective is to support integrated forecasting rounds, strengthen cross-agency coordination, conduct hands-on workshops, and engage directly with senior management. Remote delivery will be used to maintain continuity between missions, troubleshoot technical issues, review outputs, follow up on action items, and support structured between-mission exercises.

The following CD activities will be delivered as a package:

- Headquarters-led missions and staff visits to support key forecasting rounds, review progress, provide strategic guidance, and engage with technical and senior counterparts.
- Virtual missions and remote technical sessions to advance model refinement, support scenario design, troubleshoot operational issues, and maintain implementation momentum between missions.
- Bi-weekly technical virtual engagements to support follow-up work, monitor commitments, review outputs, and sustain collaboration across the MEF and BCE.
- Targeted training, replication drills, and post mortems to strengthen staff capacity, reinforce reproducibility, and reduce reliance on parallel spreadsheet-based workflows.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
WHD	Sharing of information, policy context, and reform priorities	Macroeconomic outlook, program consistency, surveillance needs, and alignment of technical assistance with country priorities	Regular
MEF	Joint implementation and operational coordination.	Macro programming, forecast baseline integration, forecasting processes, data inputs, and policy communication	Continuous
BCE	Joint implementation and operational coordination	Macroeconomic forecasting, external and monetary projections, model operation, and scenario analysis	Continuous
FAD	Information sharing and technical coordination	Baseline forecast consistency and macroeconomic risks (especially with the FAD PFM TA workstream).	Continuous
STA	Information sharing and technical coordination	Statistical assumptions relevant to macroeconomic forecasting.	As needed

X. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	Changes in the broader macroeconomic environment, including fiscal pressures from social demands, uncertainty around revenue measures, and weak medium-term budgeting practices, may shift the authorities' attention toward short-term firefighting and away from establishing a structured macro-forecasting framework.	Medium	1) Regularly update senior management with TA outcomes (core team presentations, analysis, etc.). 2) Quickly link TA outputs to other policy-relevant workflows.
POLITICAL SUPPORT			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	Changes in strategic focus or leadership priorities may reduce support for introducing a forward-looking macro-framework, affecting resource allocation and timelines.	Medium	1) Regularly update senior management with TA outcomes (core team presentations, analysis, etc.). 2) Quickly link TA outputs to other policy-relevant workflows.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	Limited staff time, competing operational commitments, and uneven technical skills may slow progress in developing and integrating the forecasting framework in policy decision.	Medium	Maximize the use of asynchronous work by ensuring the right mix of blending delivery is implemented.
RESOURCE ADEQUACY			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	High staff turnover. Insufficient access to key data sources, IT capabilities, or adequate staffing could hamper timely implementation of the framework and its regular updating.	Medium	Constant documentation of procedures and tools. Minimize recourse to external IT providers. Tilt balance of tool complexity and simplicity towards simplicity.
OTHER RISKS			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	No other relevant identified risks.	Low	Periodically update risk assessment.

XI. PART III: CD DELIVERY PLANS - FAD AND ICD

Table 3. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
RM-II – Revenue Administration			
HQ led CD mission	1	-	1
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	1	-	1
Subtotal	2	-	2
SM-I – Expenditure Policy			
HQ led CD mission	1	-	1
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	-	-	-
Subtotal	1	-	1
SM-IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work			
HQ led CD mission	2	-	2
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	-	-	-
Structured virtual support	1	-	1
Subtotal	3	-	3
TOTAL	6	-	6

Note:

- The delivery plan for SM-IV module shows the present funding request, which is limited to the subset of activities proposed for GPFP endorsement at this stage. However, the project full technical path comprises additional activities through FY28.
- The mix between remote and in-person delivery was chosen to optimize the outcomes of the project and was based on *the* nature of the required work—a combination of short, high-intensity tasks with long, short-intensity virtual engagements.

Table 4. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM-II – Revenue Administration		
Q3/FY27	Duty station-based Work - DS	Tax: Top-down tax gap estimation for CIT
Q4/FY27	Field-Based work - FB	Tax: Bottom-up tax gap estimation for PIT
Q1/FY28	Workshop	Tax: CRM and tax gap estimation
SM-I – Expenditure Policy		
Q1/FY27	Field-Based work - FB	Pensions: pension system sustainability analysis
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work		
Q1/FY27	Duty station-based Work - DS	Phased refinement of IPMEC calibration and core properties NPC and baseline rounds, governance/documentation practices Replication of Spring 2026 round and post mortem.
Q3/FY27	Duty station-based Work - DS	Nowcasting foundations and initial GDP nowcasts.
Q4/FY27	Field-Based work - FB	Nowcasting backtesting. Integration into March 2027 baseline

XII. PROGRAM FINANCIALS – FAD AND ICD

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM-II – Revenue Administration	150,000	-	150,000
SM-I – Expenditure Policy	150,000*	-	150,000
SM-IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	100,000	-	100,000
SM-II – Managing Public Finances	-150,000*	-	-150,000
Subtotal	250,000	-	250,000
Trust Fund Management Fee (7%)	17,500	-	17,500
TOTAL	267,500	-	267,500

Note: *Budget for SM-I Expenditure Policy is a reallocation from SM-II Managing Public Finances, which has had a lower-than-expected execution rate. Therefore, the net estimated budget for this project is US\$ 267,500, and endorsement is requested for the full amount. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

XIII. TARGETED LOGICAL FRAMEWORK – FAD AND ICD

A. RM-II – Revenue Administration

Objective: Strengthened revenue administration management and governance arrangements (SDG 17.2) - RAM	
Outcome(s)	Indicator(s)
Corporate priorities are better managed through effective risk management	Improved identification, assessment, ranking and quantification of compliance risks (TADAT POA2-3)

B. SM-I – Expenditure Policy

Objective: Strengthen Expenditure Policy Formulation and Design - EP	
Outcome(s)	Indicator(s)
Public pension system sustainability is enhanced while ensuring the adequacy of retirement income	Public pension expenditure, in percent of GDP

C. SM-IV – Fiscal and Macroeconomic Tools, Research, and Analytical Work

Objective: Develop capacity in macroeconomic forecasting and policy analysis to support policy decision making and communications - MFR	
Outcome(s)	Indicator(s)
Authorities have a baseline understanding of their existing forecasting and analytical capabilities and opportunities for improvement.	Diagnostic/scoping produced a baseline workplan of CD engagement, including a tentative timeline for the CD project, indicative schedule for training and TA missions, and expected key outcomes and deliverables.
Improved analytical skills, and better macroeconomic forecasting and policy analysis capacity.	Relevant staff demonstrates the capability to independently operate the MPT and other auxiliary analytical models and tools.
Decision-making process is well-structured, streamlined, and documented, and associated roles and responsibilities are well-defined.	Macroeconomic Projection Tool (MPT) is developed in the form of an Excel-based macroeconomic framework for forecasting and policy analysis, respecting accounting relationships Fully operational nowcasting models and tools are developed
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	Forecasting team regularly interacts with policymakers



Amendment to
Project Proposal for
GUATEMALA

June 2026

Component: Spending

Module: SM-II: Public Financial Management



PROJECT SUMMARY

COUNTRY: Guatemala

LEAD DEPARTMENT: FAD

REGION: WHD

PLANNED DATES: FY27-28

PROJECT MANAGERS: Carolina Bloch (Expenditure Policy, FADEP, Lead)
Alessandro Scipioni (Public Financial Management, FADM2)

ESTIMATED BUDGET US\$ 237,540

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for module SM-I: Expenditure Policy	June 2025
AMENDMENT 1/1	Addition of module SM-II: Managing Public Finances to strengthen budget processes and the design and implementation of the medium-term fiscal framework.	June 2026

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ACRONYMS

CD	Capacity Development
FAD	IMF's Fiscal Affairs Department
MTEAMS	Medium-term Expenditure Allocation and Management Strategy
PFM	Public Financial Management
STX	Short-term expert

I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

During the 2026 World Bank-IMF Spring Meetings, the government requested continued capacity development (CD) engagement to strengthen public finances and support macro-fiscal stabilization. More specifically, the authorities aim at improving the quality of spending and the efficiency of budget execution. Improving the quality of spending is essential to achieving government policy objectives within a tight fiscal envelope. The limited scope for rapid revenue mobilization in the short run highlights the role of efficiency and value for money as critical enablers of improved fiscal outcomes.

The proposed amendment expands the ongoing GPFP project—currently focused on expenditure policy (SM I)—to include a module to support sound management of public finances (SM-II). Robust enabling of public financial management (PFM) laws, institutions and processes are critical to the efficient delivery of government spending decisions.

Description of Modules

The PFM module will focus on strengthening budget processes and the design and implementation of the medium-term fiscal framework. It aims to improve the monitoring and evaluation of budget execution, including the efficiency of cash and debt management. It will support authorities to strengthen public investment management processes and revise the Organic Budget Law and secondary regulations as key institutional enablers of these changes.

The estimated budget for this project amendment is US\$ 237,540, and covered within the total budget endorsement request for Guatemala of US \$511,245 through FY28.

II. BACKGROUND

Macro-fiscal situation

Guatemala's macro-fiscal situation remains broadly stable, underpinned by a long track record of prudent macroeconomic management. Economic growth has been resilient, inflation remains low and well anchored, and public debt is among the lowest in the region, providing important fiscal buffers. Fiscal policy has recently supported activity through an expansionary stance, while maintaining overall sustainability. At the same time, Guatemala continues to face significant structural challenges, including low revenue mobilization, low public spending levels, and weak public investment execution.

Going forward, sustaining inclusive growth and reducing poverty will require improving the efficiency and transparency of public spending, and advancing governance and PFM, particularly in a challenging political (elections scheduled in 2027) and external environment.

Country engagement and alignment to reform priorities

The proposed CD engagement with Guatemala is closely aligned with the authorities' ongoing reform in PFM. Envisaged CD supports the government's efforts to strengthen budget planning, execution, and transparency, as reflected in the General Government Policy 2024–2028.

The authorities have formally initiated a reform agenda centered on strengthening the medium-term fiscal and expenditure framework and modernizing the legal and institutional foundations of PFM. In particular, the Ministry of Finance requested CD support for the preparation of a new Organic Budget Law, intended to replace the current Decree 101-97 and provide a clearer framework for budget formulation, execution, and oversight.

In parallel, the authorities are engaging with the IMF on reforms to medium-term expenditure management, including the integration of medium-term fiscal and budget frameworks into the annual budget process. Discussions under the Medium-term Expenditure Allocation and Management Strategy (MTEAMS) initiative and in the context of IMF surveillance have emphasized the need to move away from a predominantly bottom-up, earmark-driven budget process toward a more binding top-down approach anchored in credible multi-year expenditure ceilings. These reforms are closely linked to efforts to improve coordination between treasury, cash, and debt management, an area identified as a major source of fiscal rigidity and investment under-execution.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Guatemala on PFM. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM II / Managing Public Finances	- Strengthen budget management - Build sustainable fiscal institutions

A. SM II – Managing Public Finances

Scope

The amended project will provide targeted CD to support Guatemala's PFM, focusing on the budget legal framework, treasury and cash management, and medium-term fiscal and expenditure planning by utilizing the MTEAMS initiative framework. Support will be concentrated at the Ministry of Finance and coordinated with ongoing IMF surveillance to ensure coherence, sequencing, and sustained engagement.

Program Objectives

The Managing Public Finances module aims to strengthen Guatemala's capacity to plan and manage public resources in a disciplined and predictable manner. It supports modernization of the PFM legal framework, improved use of medium-term fiscal and expenditure frameworks, and stronger cash, and debt management coordination to enhance budget credibility and execution.

Expected Results (outcomes)

For FY27, the project is expected to produce a detailed workplan to improve the medium-term fiscal and expenditure framework, suggest improvements in the budget legal framework and medium-term planning. For FY28, the project is expected to produce clear guidelines for the coordination between cash and debt management.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this project funded with GPFP resources may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

Capacity development under this amended GPFP project will be anchored in close engagement with Guatemala's Ministry of Finance and aligned with IMF surveillance and country team priorities. The support builds on ongoing dialogue and recent technical assistance PFM reforms, including strengthened medium-term fiscal and expenditure planning, and digital treasury management processes. Engagement will be coordinated with the IMF country team, and the Regional Technical Assistance Center for Central America, Panama and the Dominican Republic (CAPTAC-DR) to ensure coherence, appropriate sequencing, and effective follow-up, with regular interaction used to monitor progress and adjust the workplan as needed.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX) visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of expenditure policy and PFM. The project will seek to use Spanish-speaking experts.

- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's Western Hemisphere Department / CAPTAC-DR	Information sharing, policy consistency	Expenditure Policy performance and reforms. PFM reforms.	Regular
World Bank, Inter-American Development Bank, European Union delegation	Information sharing	Expenditure Policy performance and reforms. PFM reforms	Regular

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
SM II - Managing Public Finance	External events create a more challenging environment to implement reforms.	Low	None
POLITICAL SUPPORT			
SM II - Managing Public Finance	Change of government following 2027 elections could hamper moving forward with potential reforms	High	Provide the technical assessments and tools to the new MoF team so they can start building consensus and adequately communicate the reform to the public
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM II - Managing Public Finance	Lack of trained managers and staff's rotation undermines the absorptive capacity and support for reforms.	Medium	Ministry of Finance has established an interdepartmental working team for the reforms.
RESOURCE ADEQUACY			
SM II - Managing Public Finance	high and sustained demand for IMF technical assistance, particularly in public financial management. The absorption capacity of authorities will be under strain and the possibility for FAD to respond to all requests is limited	Medium	Prioritization and sequencing of the CD delivery
OTHER RISKS			
SM II - Managing Public Finance	Lack of coordination among capacity building partners	Low	Take an active role in engaging with other donors (World Bank, Inter-American Development Bank, European Union delegation) to ensure support is well coordinated

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
SM II – Managing Public Finances			
HQ led CD mission	1	1	2
STX visits	1	1	2
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	1	-	1
TOTAL	3	2	5

Note:

- In-person delivery was chosen in most instances because of low capacity, authorities' expected preference for such a modality, and the need to build and maintain relationships.
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
SM II – Managing Public Finances		
Q2/FY27	Duty station-based Work - DS	Remote Workshop/CD on the review of Organic Budget Law
Q3/FY27	Field-based Work - FB	HQ Inception Mission MTEAMS
Q4/FY27	Field-based Work - FB	STX follow-up mission MTEAMS
Q1/FY28	Field-based Work - FB	HQ mission on cash and debt management
Q2/FY28	Field-based Work - FB	STX follow-up mission on cash and debt management

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
SM II - Managing Public Finance	162,000	60,000	222,000
Trust Fund Management Fee (7%)	11,340	4,200	15,540
TOTAL	173,340	64,200	237,540

Note: The estimated budget for this project amendment is US\$ 237,540 and endorsement is requested for the full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. SM II – Managing Public Finances

Objective: Strengthen Budget Management - SBM	
Outcome(s)	Indicator(s)
Strengthened asset and liability management processes	Strengthened effectiveness and timeliness of cash flow forecasting and cash balance management including for capital spending (DEMPA DPI 11, PEFA PI-21.2)

Objective: Build Sustainable Fiscal Institutions - SFI	
Outcome(s)	Indicator(s)
Strengthened capacity to assess core PFM functions and develop reform strategies	Completed other PFM diagnostics
Strengthened institutional and legal frameworks	Strengthened PFM laws and regulations



Project Proposal for

GUINEA

June 2026

Component: Revenue

Module: RM-II: Revenue Administration



PROJECT SUMMARY

COUNTRY: Guinea

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY27-28

PROJECT MANAGERS: Pierre Kerjean (Revenue Administration, FADR2)

ESTIMATED BUDGET US\$ 155,202

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I. PROJECT PURPOSE

Country request and relevance/importance

Tax revenues have been low. Domestic revenue amounted to 9.6 percent of GDP after rebasing in 2025, a 0.3 percentage point increase from the year before, almost entirely driven by mining revenue that grew from 1.5 percent of GDP in 2024 to 1.8 percent of GDP. This performance remains low by regional standards. The authorities are considering developing a medium-term revenue strategy, with an objective of reaching a target of 18 percent tax-to-GDP ratio over the medium term. In this context, authorities have requested capacity development (CD) support from the IMF's Fiscal Affairs Department on revenue administration modernization. CD priority areas are aligned with the authorities' reform agenda under the transitional government's national development program (Simandou 2040), structured around mining growth.

Description of Modules

In line with the authorities' priorities, CD activities are expected to focus on strengthening domestic revenue mobilization, especially in the mining sector. The new CD project will focus on improving the data governance of tax and customs departments, improving the reliability and coverage of the taxpayer registry, and improving the management of tax compliance risks for large business, including in the mining sector, notably regarding the implementation of existing international tax provisions (valuation of exports with the reference price mechanism, transfer prices, etc.). These medium-term objectives were discussed with the authorities and agreed upon.

The estimated budget for this project is US \$155,202, and endorsement is requested for the full amount through FY28.

II. BACKGROUND

Macro-fiscal situation

Guinea has faced significant structural challenges and vulnerabilities, leading to multiple emergency financing needs in recent years. Negotiations for a Fund-supported program are ongoing. Recent developments, including renewed government commitment, the start of Simandou iron ore production (Africa's largest mining and related infrastructure project from one of the world's highest-quality iron ore deposits), the country's first sovereign credit rating (S&P's B+/B rating with stable outlook recently updated to positive outlook), and the confirmation of President Doumbouya through democratic elections (December 2025) present an opportunity to strengthen institutions, address social weaknesses, and advance Guinea's development potential. Growth remains resilient, bolstered by a strong mining sector and while revenue collection remains buoyant, the fiscal position has deteriorated in 2025. The overall fiscal deficit widened substantially.

Country engagement and alignment to reform priorities

Current capacities of revenue administrations are low, and authorities have expressed a wide range of CD needs over the last years to support ongoing reforms covering digitalization, internal governance and operational oversight, and management of key tax risks. FAD initiated several meetings with other technical partners (notably the World Bank, African Development Bank, the European Union and the German Agency for International Cooperation) to obtain a clearer view of current and future technical assistance provided to revenue administrations in Guinea. The current proposed work program aims to respond to the authorities' requests, while avoiding duplications and creating synergies with other partners' and IMF regional center's technical assistance.

IMF priority areas / cross-cutting themes

This project does not cover any priority areas or cross-cutting themes.

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to Guinea in the area of revenue administration. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM II / Revenue Administration	Strengthened core tax administration functions

A. RM II - Revenue Administration

Scope

This project aims to improve the tax administration's performance, increase tax compliance, and strengthen revenue collection.

This project will aim to boost large business revenues. The mining sector continues to offer significant revenue potential. As the Simandou iron ore mine is entering production phase, Directorate-General of Taxes (*Direction Générale des Impôts*, DGI) is facing new challenges to mitigate the major tax risks associated with the project. The authorities have started implementing the decree of July 2022, developed with IMF assistance, that applies reference prices to determine export values for tax purposes in the bauxite industry, and the obligation to declare sale prices was included in the 2024 budget law. Since 2023, the authorities have been conducting an evaluation of the implementation of the reference price framework but have requested IMF support to fully implement the new regulations. Similarly, the DGI created a new directorate specialized in mining and requested IMF support to capacitate this new directorate. This program will support DGI, closely coordinating with technical partners, to improve organizational arrangements in the large business and mining directorates, including through a systematic exchange of data with customs and the mining ministry, and reinforce staff skills.

Informal and fraudulent activities are one of the main challenges identified by the authorities. Two foundational steps for making progress are (1) improving taxpayer registry reliance and coverage, and (2) establishing strong data management and governance in both tax and customs departments, which is essential for strategic oversight and ensuring that the Mines-Tax-Customs Task Force has access to necessary data. In coordination with the IMF's Regional Technical Assistance Center for West Africa (AFW) and technical partners supporting digitalization efforts, the project will focus on the improvement of reliability and coverage of taxpayer identification, exchange of data between departments, and data governance.

Program Objectives

The program objective is to improve domestic revenue mobilization by strengthening its management of key tax risks, leveraging data acquisition and management, and improving staff management and technical skills necessary to manage tax risks of the large business segment (including international taxation and mining taxation).

Expected Results (outcomes)

Better data acquisition and management are foundational to improve data matching for a large number of taxpayers in view of risk analysis and combat tax fraud. This is critical to efficiently manage small and medium size taxpayers.

For the large business segment, access to key information and a good understanding of business fundamentals and international tax risks are key to ensuring a better tax contribution for this segment. In the mining sector in particular, the tax administration still lacks full capacity to identify and combat tax avoidance schemes based on the use of low tax jurisdictions and profit shifting through base eroding payments and transfer mispricing. The project aims to support the development and implementation of a compliance improvement plan for this sector.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

With the support of FAD and AFW, and despite substantial technical, political, and economic challenges, the tax administration has achieved some progress over recent years. The Tax Code was modernized through a complete re-write (which also included many policy changes, including on international taxation), and a Tax Procedure Code was prepared to improve the relationship between the Tax Administration and the taxpayers. A reform/strategic medium-term plan is under development, including the improvement of the tax administration's IT system. On mining revenue, the decree setting reference

prices for bauxite for tax purposes, developed with FAD support, has started to be implemented and has yielded more revenue.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX)** visits to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration and public financial management. The project will seek to use French-speaking experts.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.
- **Peer-to-peer (P2P)**: engagements designed for project beneficiaries to exchange their views and experiences undertaking specific reforms, providing opportunities for officers to observe practices adopted by other institutions that have robust arrangements in place in specific areas.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's area department and resident representative	Sharing of information, insights, and recommendations	Revenue administration policy – priorities, recommendations, and status of reforms	Regular, systematically after each mission
AFW	Coordination of workplans Sharing of analysis, information insights, and recommendations	Revenue administration policy – priorities, recommendations, and status of reforms	Regular, systematically after each mission
Other technical partners: World Bank, European Union, German Agency for International Cooperation, OECD/ Generation IV International Forum	Coordination of workplans Sharing of analysis, information insights, and recommendations	Revenue administration policy – priorities, recommendations, and status of reforms	Regular, systematically after each mission

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
POLITICAL SUPPORT			
RM II - Revenue Administration	Political instability and political economy (political interference)	Medium	- Engage regularly with senior management - Coordinate with other development partners
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM II - Revenue Administration	Lack of commitment/engagement by senior and technical staff (resistance to change)	High	- Integrate CD with surveillance / lending - Coordinate with other development partners
RESOURCE ADEQUACY			
RM II - Revenue Administration	Insufficient resource allocation and staff skills within the tax administration – Current revenue administration staff capacities are low	Medium	- Resource allocation: Ensure stability of core RA staff CD recipient. - Incorporate training activities and promote simplification measures and formulaic approaches - Foster coordination with other technical partners to ensure RA training needs are met

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
RM II – Revenue Administration			
HQ led CD mission	-	1	1
STX visits	3	3	6
Staff visits	1	-	1
Workshops (inc. during HQ and remote CD)	-	-	-
Total	4	4	8

Note:

- In-person delivery was chosen in most instances because of the poor technology available in Guinea
- Remote delivery was chosen in some instances to provide an agile peripatetic assistance on specific technical issues requiring hands-on support
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM II - Revenue Administration		
Q2/FY27	Field-Based work - FB	CRM large business
Q3/FY27	Field-Based work - FB	CRM large business
Q3/FY27	Field-Based work - FB	Data governance
Q4/FY27	Duty station-based Work - DS	CRM large business- peripatetic support

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM II - Revenue Administration	145,049	-	145,049
Trust Fund Management Fee (7%)	10,153	-	10,153
TOTAL	155,202	-	155,202

Note: The estimated budget for this project is US\$ 155,202 and endorsement is requested for the full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM II – Revenue Administration

Objective: Strengthened core tax administration functions (SDG 17.1) - TAD	
Outcome(s)	Indicator(s)
Audit and other verification programs more effectively ensure accuracy of reporting	Appropriate range of tax audits and other initiatives used to detect and deter inaccurate reporting and fraud (TADAT 2015 POA6-16/TADAT 2019 POA6-19)



Project Proposal for

KYRGYZ REPUBLIC

June 2026

Component: Spending

Module: SM-I: Expenditure Policy



PROJECT SUMMARY

COUNTRY: Kyrgyz Republic

LEAD DEPARTMENT: FAD

REGION: MCD

PLANNED DATES: FY27-28

PROJECT MANAGERS: Nick Carroll (Expenditure Policy, FADEP, Lead)

ESTIMATED BUDGET US\$ 160,500

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I. PROJECT PURPOSE

Country request and relevance/importance

The Kyrgyz Republic have requested support from the IMF's Fiscal Affairs Department (FAD) on managing the public sector wage bill. The public sector wage bill is high at 10 percent of GDP and tends to be adjusted infrequently, meaning that there are large variations in spending over time. In addition, the structure of pay has not been adjusted for many years, resulting in relatively low remuneration for doctors, nurses, teachers and some others in the social sector, and high wages for civil servants in the core apparatus. This capacity development (CD) will follow recent engagement on wage bill issues in the Kyrgyz Republic, provide a diagnosis of macro-critical government pay issues, and identify reform priorities to improve the fiscal sustainability and efficiency of spending. There may be opportunities to provide technical support on pension system modelling and energy subsidies as part of the project, given challenges in both areas.

Description of Modules

The Spending Policy module covers the assessment of public sector pay against private sector benchmarks using the household survey in FY2027. This will build on the earlier general assessment of the fiscal sustainability and efficiency of government wages, by looking at specific occupations and assessing their level against private sector and household benchmarks. This module will involve undertaking analyses and then training the authorities on household survey analyses so that they are able to undertake the analyses in the future.

In addition, this module includes training on overall government wage bill. This will provide a general assessment of spending, macro-critical reform priorities and capacity building. It will provide updated analyses following 2027 budget and payroll decisions and new data. It will be tailored to the government spending issues facing the Kyrgyz Republic at the time. This module may be adapted to include pension spending or subsidy issues depending on the requests from the authorities.

The estimated budget for this project is US\$ 160,500, and endorsement is requested for the full amount through FY28.

II. BACKGROUND

Macro-fiscal situation

Although the Kyrgyz government reduced public debt to about 36.6 percent of GDP by end 2024, the key challenge is ensuring that higher wage spending translate into better services. The policy debate therefore centers not on fiscal sustainability by itself, but on whether existing resources are used effectively, how compensation reforms can support productivity, and how to align wage increases with broader efforts to strengthen expenditure efficiency. Nevertheless, the large pipeline of infrastructure and development projects will increase gross financing needs and underscore the need for careful prioritization and medium-term fiscal sustainability, particularly for downside scenarios (2025 IMF Staff Report for the Article IV consultation with the Kyrgyz Republic).

Country engagement and alignment to reform priorities

The authorities are committed to preserving fiscal and debt sustainability and expressed strong confidence in their ability to maintain fiscal surpluses in the medium term. This CD has the goal of supporting the authorities to improve the efficiency of public wage bill spending while supporting the fiscal sustainability plans outlined in the budget. The project will support authorities' efforts to build a coherent and structured approach to updating and reforming the government wage bill over time.

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to the Kyrgyz Republic in the area of expenditure policy. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM I / Spending Policy	Strengthen Expenditure Policy Formulation and Design

A. SM I – Spending Policy

Scope

The public sector wage bill is high at 10 percent of GDP and tends to be adjusted infrequently, meaning that there are large variations in spending. The structure of pay has not been adjusted for many years, resulting in relatively low remuneration for doctors, nurses, teachers and some others in the social

sector, and high wages in the core apparatus. This CD will follow recent engagement on wage bill issues in the Kyrgyz Republic and provide a diagnosis of macro-critical government pay issues and identify reform priorities to improve the fiscal sustainability and efficiency of spending.

It will provide an assessment of public sector pay against private sector benchmarks using the household survey, building on earlier general assessment of the fiscal sustainability and efficiency of government wages, by looking at specific occupations and assessing their level against private sector and household benchmarks. It will undertake analyses and then provide training to authorities on household survey analyses. The project will also support authorities to provide a general assessment of government wage bill spending, macro-critical reform priorities and capacity building. It will provide updated wage bill analyses following 2027 budget and payroll decisions and new data. It will be tailored to the government spending issues facing the Kyrgyz Republic at the time.

Program Objectives

Government wage setting should move from large ad-hoc one off adjustments, to a regular, structured approach aligned with available fiscal space. The government should develop a medium-term reform agenda for the structure of government pay that addresses inequities and inefficiencies in the structure of pay within and across occupations. The implementation of structural reform priorities is outside of the IMF mandate and will require support from the World Bank or other development partners.

Expected Results (outcomes)

A better understanding of the good practice of the process of updating government wages, including the identification of core metrics and criteria. A better understanding of the quantitative benchmarks for the structure of government wages, including with the private sector, global norms and other equity-related benchmarks. With the support of the IMF team, the authorities will have a clearer understanding of how these can be applied to the Kyrgyz Republic context. The baseline and target are for wage policy to support a government wage bill and primary spending remaining a constant share of GDP while avoiding explosive and volatile changes. Other factors drive these indicators and so the assessment of whether the activities are achieving results is based on whether wage policy is *consistent* with those outcomes.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

FAD maintained strong engagement with the authorities on government pay setting during 2024-26, involving three recent activities. These engagements have provided an assessment of the general policy framework, the available data, fiscal constraints and service delivery challenges. FAD has presented the global best practices on core elements of wage settings, as well as challenges that other similar countries have faced in government wages.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's area department and resident representative	Sharing of information, insights, and recommendations.	Expenditure policy – priorities, recommendations, and status of reforms	Regular, after each mission
World Bank experts in Bishkek and the region	Alignment of advice on priorities and of Capacity Development support.	Expenditure policy – priorities, recommendations, and status of reforms	Regular, after each mission

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
POLITICAL SUPPORT			
SM I – Expenditure Policy	Presidential elections and other political drivers lead to large one-off adjustments in wages.	High	Close and ongoing discussions of tailoring CD support to Kyrgyz Republic circumstances.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM I – Expenditure Policy	Ministry of Finance may find it challenging to have absorptive capacity to implement the CD advice.	Medium	Tailoring CD to Kyrgyz Republic context by focusing on good practice examples that could be applied more easily.
RESOURCE ADEQUACY			
SM I – Expenditure Policy	Insufficient resources to deliver and implement CD.	Medium	Coordinate with the World Bank and other development partners on the reform issues and proposals and focus on areas of core mandate.
OTHER RISKS			

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
SM I – Expenditure Policy			
HQ led CD mission	1	-	1
HQ led CD mission, including a workshops	1	-	1
Total	2	-	2

Note: In-person delivery was chosen because of the technical and country specific issues in wage bill management that require in depth discussion with key experts from across agencies.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
SM I – Expenditure Policy		
Q3/FY27	Field-Based work - FB	Wage bill policy benchmarking - analyses of public sector pay against private sector benchmarks using the household survey

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
SM I – Expenditure Policy	150,000	-	150,000
Trust Fund Management Fee (7%)	10,500	-	10,500
TOTAL	160,500	-	160,500

Note: The estimated budget for this project is US \$160,500 and endorsement is requested for the full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. SM I – Expenditure Policy

Objective: Strengthen Expenditure Policy Formulation and Design - EPD	
Outcome(s)	Indicator(s)
Government pay and employment are more competitive and consistent with fiscal constraints	Public wage bill, in percent of GDP
Public expenditure is fiscally sustainable and efficient	Primary spending, in percent of GDP



Amendment to
Project Proposal for
LIBERIA

June 2026

Component: Spending

Module: SM-I: Spending Policy / Climate
SM-II: Public Financial Management



PROJECT SUMMARY

COUNTRY: Liberia

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY27-28

PROJECT MANAGERS: Seydou Coulibaly (Tax Policy, FADT2, Lead)
Priscilla Banda (Revenue Administration, FADR2)
Daniel Bastidas (Climate Policy, FADCP)
Graham Prentice (Public Financial Management, FADM1)

ESTIMATED BUDGET US\$ 856,000

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for RM-I: Tax Policy and RM-II: Revenue Administration	January 2024
AMENDMENT 1	Addition of modules SM I: Spending Policy / Climate and SM II: Managing Public Finances	June 2026

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ACRONYMS

AAID	Arrest Agenda for Inclusive Development, 2025-29 (Liberia's national development plan)
AFW2	IMF's Second Regional Technical Assistance Center for West Africa (AFW2)
CD	Capacity development
DRFS	Disaster risk financing strategy
FAD	IMF's Fiscal Affairs Department
ECF	IMF's Extended Credit Facility
MFDP	Ministry of Finance and Development Planning, Liberia
PFM	Public financial management
RSF	IMF's Resilience and Sustainability Facility
TSA	Treasury single account

I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

Liberia is currently supported by IMF arrangements under the Extended Credit Facility (ECF), approved in September 2024, and the Resilience and Sustainability Facility (RSF) arrangement, approved in April 2026. This project amendment will provide support to two key reforms under these programs: improving cash management, through the implementation of a Treasury Single Account (TSA); and strengthening the management of climate risks. Both of these represent structural benchmarks or reform measures under the IMF's programs mentioned above.

The current government, elected in 2024, has published a national development strategy that identifies Governance and Anti-Corruption as one of six key pillars, with PFM reforms embedded under the Economic Transformation pillar. Following publication of the strategy, the authorities requested an IMF governance diagnostic and have taken steps to strengthen fiscal transparency and improve budget execution. At the same time, higher spending needs amid tighter development partner support underscore the importance of sustained improvements in public financial management (PFM) systems and institutions. The IMF's Fiscal Affairs Department (FAD) is viewed as a trusted provider of technical assistance to Liberia, and continued engagement will be critical to maintaining reform momentum. The authorities have requested further support in core PFM areas that are closely aligned with IMF's ECF structural benchmarks.

Liberia is also highly vulnerable to climate-related natural disasters and broader climate change risks, yet remains ill-prepared to manage these shocks. In this context, the authorities have requested IMF technical assistance to support implementation of RSF-related reforms aimed at strengthening resilience to pandemics and natural disasters.

Description of Modules

The proposed amendment will support cash management reforms such as the implementation of a TSA to improve the efficiency of treasury operations and the visibility and traceability of funds. The support will focus on compilation of comprehensive bank account inventory comprising all central government accounts outside the TSA, identifying optimal coverage of the accounts to be operated under the

extended TSA and suitable methods and modalities for the consolidation and operation of these bank accounts under the TSA and updating the current TSA Concept Note accordingly to guide the implementation of the TSA in line with the determined policy parameters. The support will also identify opportunities to enhance forecasting capacity to manage the government cash balances consolidated within the TSA with a higher level of efficiency and visibility.

Additionally, under the Managing Public Finance Module, support will provide hands-on engagement and training to develop and apply a national climate risk assessment methodology. This could include IMF tools such as a Quantitative Climate change Risk assessment Fiscal Tool (Q-CRAFT) to generate quantitative analysis of climate-related fiscal risks. This will include practical support to apply the methodology across critical public sector assets, revenues and expenditures, with the results from the assessment incorporated into fiscal risk analysis and the budget. This activity will be undertaken jointly by the PFM and Climate Policy Divisions of FAD.

Under the Climate Policy/Spending Module, support will assist the Ministry of Finance and Development Planning (MFDP) in designing a framework to systematically record the fiscal costs of disaster responses. This will include guidance on which expenditure categories to capture, how to define responsibilities across ministries for data collection and reporting, and how to structure and update the records following a disaster event. The output will provide the MFDP with a practical tool to track direct fiscal costs of disaster response, including event characteristics, for both natural disasters and health emergencies like pandemics.

Building on this, FAD will also provide support to develop an implementation plan for Liberia's Disaster Risk Financing Strategy (DRFS). This will include hand-on assistance to define time-bound actions with clearly assigned institutional responsibilities, establishing trigger mechanisms and procedures for accessing contingency funding, and ensuring the strategy adequately covers risk associated with both climate-related shocks and health emergencies. External stakeholders have been engaged when discussing such plans and will remain informed and consulted to properly tailor the technical assistance provided.

The estimated budget for this project is US\$ 856,000, covered within the total budget endorsement request for Liberia of \$2,344,036 through FY28.

II. BACKGROUND

Macro-fiscal situation

Economic activity in Liberia has strengthened in recent years, supported by an expansion in mining production and a broadly supportive political environment for reform. Real GDP growth accelerated to about 4.6 percent in 2025 and is expected to remain robust in 2026, notwithstanding elevated global uncertainty. Over the medium term, growth is projected to stabilize at around 5.1 percent, assuming continued implementation of the authorities' reform agenda under the IMF's ECF and the newly approved RSF agreement.¹

Macroeconomic stability has improved alongside progress with the fiscal adjustment, contributing to a reduction in debt vulnerabilities. Expenditure rationalization has enabled a partial reallocation of resources toward priority investment and social spending, while preserving overall fiscal discipline. Nonetheless, domestic revenue mobilization remains a key challenge, constraining fiscal space in the face of large development needs and increased exposure to external shocks. Boosting revenue, including through tax policy and administration reforms, remains a central pillar of the authorities' medium-term fiscal strategy and of the ECF-supported program. These objectives are supported by the existing Global Public Finance Partnership (GPFP) project, which covers both tax policy and revenue administration work.

Despite recent progress, PFM weaknesses remain a significant constraint on fiscal policy effectiveness. Gaps in cash management, commitment controls, and fiscal reporting continue to undermine budget credibility and complicate in-year expenditure management. Addressing these weaknesses is essential to support fiscal adjustment, safeguard priority spending, and reduce the risk of arrears accumulation, particularly in an environment of constrained financing and heightened spending needs.

At the same time, Liberia's exposure to recurrent natural disasters and health emergencies poses growing fiscal risks that the current institutional framework is not well equipped to manage. The absence of systematic mechanisms to track disaster-related fiscal costs and the lack of an operational disaster risk financing framework limit the government's ability to plan, budget, and mobilize resources effectively in response to shocks—vulnerabilities that are further compounded by increasing donor withdrawal.

¹ [Liberia: 2025 Article IV Consultation and Second Review Under the Extended Credit Facility Arrangement and Request for a Waiver of Nonobservance of a Continuous Performance Criterion-Press Release; Staff Report; and Statement by the Executive Director for Liberia; IMF Country Report No. 25/290; November 16, 2025.](#)

Addressing these gaps will strengthen fiscal resilience and reduce the economic and social costs of future disasters.

Country engagement and alignment to reform priorities

Liberia has benefited from extensive CD support and has been among the countries receiving the most intensive engagement from FAD over the past two years. Support has been delivered through multiple funding sources, notably funding under the Japan Administered Account for Selected IMF Activities for fragile and conflict affected states in sub-Saharan Africa, and continuous assistance from the IMF's second Regional Technical Assistance Center for West Africa (AFW2). These resources have enabled a comprehensive program of HQ-led diagnostic work, complemented by regular in-country follow-up by long-term resident advisors (LTXs). Support has focused on PFM strategy and regulations, budget execution, cash management, public investment management, fiscal reporting and fiscal risk.

The national development plan published by the authorities, the Arrest Agenda for Inclusive Development (AAID 2025-29), includes Governance and Anti-Corruption as one of six key pillars, with PFM reforms embedded under the Economic Transformation pillar. Cash management reforms including a TSA will contribute to the “improvement of the public expenditure management system and process” which is listed as an intervention under the PFM program. They also align with “the adoption of e-government platforms, automated systems, or digital tools introduced”, which falls under the governance and anti-corruption pillar. Support to implement RSF Reform measures are aligned to the Environmental Sustainability pillar in the AAID 2025-29.

This support will build on previous FAD support on cash management, public investment and climate related public investment. This includes development of a TSA concept note in 2021 and follow up LTX support on TSA and cash management. The authorities requested an updated public investment management assessment (PIMA) and climate-related PIMA, which was last undertaken in 2024 and which has informed PFM-related RSF reform measures.

IMF priority areas / cross-cutting themes

Liberia is highly vulnerable to climate-related shocks, including natural disasters and pandemics, which pose increasing risks to macroeconomic stability and long-term growth. The recently approved RSF arrangement aims to strengthen resilience through reforms that enhance climate adaptation, support

climate-resilient investment, and improve preparedness for pandemics and natural disasters. Integrating climate risks into macro-fiscal frameworks, public investment processes, and fiscal risk analysis will be critical to preserving stability and supporting sustainable growth.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Liberia in the areas of climate policy and PFM. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM I: Spending Policy / Climate	Improved fiscal policies and institutional frameworks to combat climate change and its impacts
Spending	SM II: Managing Public Finances	Strengthen budget management

A. SM I – Spending Policy / Climate

Scope

Despite relatively low physical exposure to natural disasters, recurrent floods have had severe economic and social consequences in Liberia. The RSF arrangement for Liberia aims, among others, at enhancing the country's capacity for disaster risk management and financing. A key weakness towards that objective is the absence of systematic mechanisms to record and report the fiscal costs of disaster responses. Expenditure records remain fragmented across ministries, budget allocations for disaster response are irregular and often not disbursed, and there is no centralized framework to capture the full fiscal cost of shocks—including direct spending, budget reallocations, contingent liabilities, and revenue impacts. In parallel, while a DRFS has been under development, it remains unadopted and lacks an operational implementation plan with clearly defined institutional responsibilities and guidelines for accessing contingency funding.

The proposed support will assist the authorities in creating a public database to record disaster-related fiscal expenditures following international methodologies. It will also provide hands-on support to the MFDP, in coordination with relevant line ministries, to develop and adopt a time-bound implementation plan for the DRFS, clarify budgetary mechanisms for disaster response, and ensure alignment with the International Health Regulations on pandemic preparedness. This work is consistent with Liberia's program commitments under the RSF and with government priorities under the AAID 2025-29.

Program Objectives

This support aims to equip the MFDP with the tools needed to systematically record and disclose disaster-related fiscal costs, and to translate the DRFS into an actionable implementation plan, strengthening Liberia's institutional capacity to mobilize resources rapidly and accountably in response to shocks

Expected Results (outcomes)

On disaster expenditure tracking, the support will help the MFDP define which expenditure categories to record, which ministries are responsible for data collection, and how information should be compiled and updated following a disaster event, in line with international methodologies. This will provide a clear framework for recording the fiscal costs of disaster responses and support their integration into fiscal risk analysis.

On disaster risk financing, the support will help identify operational weaknesses in the current framework, including unclear triggering mechanisms for contingency funding and limited coordination between the MFDP and relevant agencies. Through the preparation of the implementation plan for the DRFS, the authorities will have a concrete roadmap with time-bound actions and clearly assigned responsibilities, establishing more structured procedures for resource mobilization.

B. SM II – Managing Public Finances

Scope

The proposed support will focus on strengthening cash and liquidity management to address persistent weaknesses in the management of government cash resources. Liberia continues to operate with fragmented government banking arrangements and limited centralized oversight of cash balances,

contributing to inefficient use of public funds, weak expenditure control, and governance risks. This work is aligned with government priorities under Liberia's AAID 2025-29 to strengthen governance and PFM. It also builds on the ECF recurring structural benchmark for MFDP to conduct semi-annual surveys of Government of Liberia bank accounts at the Central Bank of Liberia and commercial banks to keep the inventory of Government of Liberia bank accounts up to date.

The support will also focus on strengthening the identification, analysis, and integration of climate-related fiscal risks. Liberia is highly vulnerable to climate-related shocks, which pose increasing risks to macroeconomic stability and public finances, while existing frameworks for assessing these risks remain underdeveloped. The project will provide support to develop and apply a national climate risk assessment methodology, this could include IMF tools to generate quantitative analysis of climate-related fiscal risks. This will include practical support to apply the methodology and incorporate results into fiscal risk analysis and the budget. The activity is aligned with program commitments under the RSF and government priorities under Liberia's AAID 2025-29 to develop strategies that strengthen climate resilience.

Program Objectives

On cash management, the objective is to support the authorities in establishing a modern, effective TSA framework that consolidates government cash resources, enhances visibility over public funds, and improves the efficiency of budget execution. Improved oversight of cash balances across government should also help to reduce governance vulnerabilities in budget execution.

Support for climate risk assessment will enable the MFDP to better understand fiscal exposure to climate risks across revenues, expenditures, public assets, and the broader public sector. The resulting analysis will be incorporated into a fiscal risk statement within the national budget, strengthening transparency around climate-related vulnerabilities and supporting more informed budgeting and investment decisions by government and development partners.

Expected Results (outcomes)

On cash management, the project will support the authorities in developing a revised TSA concept note, building on lessons learned from the 2021 concept note prepared under the previous government. The revised note will be informed by a comprehensive inventory of all government bank accounts and will set

out key policy choices, including the scope of TSA coverage, the preferred TSA model for consolidating government cash balances, and arrangements for its day-to-day operationalization.

The project will also support improvements to the cash forecasting framework to enable more effective management of consolidated cash balances. As a result, the authorities will have a clear roadmap for advancing TSA reforms, strengthening the management of cash resources, and supporting improved aggregate fiscal discipline and expenditure control.

Implementation of this work is expected to result in (i) a completed inventory of all government bank accounts, and (ii) a defined TSA model with associated implementation steps for consolidating these accounts within a TSA. Overall, strengthened cash management practices will enhance fiscal transparency and reduce risks to fiscal stability.

On climate change risk, the support will help MFDP to develop a national climate risk assessment methodology to evaluate fiscal exposure and guide climate-informed budgeting and investment decisions. This will help them understand the vulnerability of key national infrastructure, expenditures, revenue and assess how the wider public sector is exposed to climate risks. The outputs of this assessment will be incorporated into the fiscal risk analysis in the national budget. As a result of support on climate related fiscal risk, fiscal risks in Liberia will be more comprehensively identified, analyzed, and disclosed, strengthening fiscal planning and budget decision-making. This work aligns with and supports work being undertaken under the Climate Policy module.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

FAD's engagement in Liberia is strong, long-standing, and well established, with sustained support across multiple PFM reform areas over recent years. A mix of HQ-led diagnostic missions and AFW2 led follow up support has covered medium term budget preparation, budget execution, cash management, fiscal reporting, PFM regulations, public investment management and climate-public investment.

The proposed amendment builds on an existing and intensive engagement, aimed achieving the objectives in Liberia's national development strategy, the AAID 2025-29 by making the greatest use of domestic funding as donor funds decline. FAD support is closely coordinated with the IMF's African Department, the Resident Representative, AFW2, and other development partners, and combines long-term in-country presence with targeted headquarters and short-term expert support. This deep and continuous engagement positions FAD to effectively support ongoing reforms, address emerging risks, and anchor institutional improvements in core fiscal functions.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX) visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of PFM

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's African Department and Resident Representative	Sharing of information, insights, and recommendations	All	Quarterly
AFW2	Join relevant discussions during AFW2 missions	Cash management, budget credibility, SOEs, general PFM workshops, other	Ongoing
World Bank	Coordination on TA support	RSF reform measures relating to water security	Quarterly
World Health Organization	Consultation on TA outputs	RSF Reform Measures related to pandemic resilience, water and sanitation.	Half yearly
European Commission	Join relevant discussions. Shared expertise	All	Ad hoc (mission debriefs)

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
SM I – Spending Policy / Climate	Coordination challenges across relevant line ministries creating delay risks.	Medium	MFDP-led effort to ensure early and continuous engagement with relevant agencies
SM II - Managing Public Finance	Many actors involved in PFM reforms including donors, creating a risk of duplication and tension with competing priorities	Medium	Work closely with stakeholders and explicitly involve World Bank and World Health Organization on relevant RSF reform measures, and undertake mission de-briefing for donor partners in the PFM area.
POLITICAL SUPPORT			
SM I – Spending Policy / Climate	Reforms are linked to RSF agreed commitments and lead to disbursements. Progress requires coordination and commitment from authorities from different agencies, but reforms have already been negotiated with authorities.	Medium-Low	TA is linked to agreed RM within the RSF arrangement
SM II - Managing Public Finance	Progress on TSA reforms in particular requires a high level of political engagement as it reduces the discretion for line ministries to manage their own cash balances. This is currently only included as an MEFP commitment in the ECF program.	Very High	Link TSA reforms identified in the concept note to ECF program structural benchmarks to raise the profile of reforms.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM I – Spending Policy / Climate	Low capacity/experience on climate-related topics within the MFDP to lead and implement reform measures from the RSF	High	Provide continued support and leverage capacity development of other development partners.
SM II - Managing Public Finance	Coordination challenges as progress requires coordination across Ministry of Finance and Central Bank	High	Foster coordination by inviting multiple stakeholders to meetings and training
RESOURCE ADEQUACY			
SM I – Spending Policy / Climate	Lack of resources from the authorities for reaching all counterparts for reform	Medium	Ensure an adequate estimation of resources required for the reform and that the authorities can meet those requirements
SM II - Managing Public Finance	Inadequate staffing and domestic funding allocated to carry out reforms necessary IT system reforms.	Medium	AFW2 to undertake a pre-mission discussion with the authorities on IT system and capacity gaps to ensure the national budget provides funding for TSA and related system reforms.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
SM I – Spending Policy / Climate			
HQ led CD mission	1	-	1
STX visits	1	-	1
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	-	-	-
Subtotal	2	-	2
SM II – Managing Public Finances			
HQ led CD mission	1	1	2
STX visits	1	1	2
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	-	-	-
Subtotal	2	2	4
TOTAL	4	2	6

Note: In-person delivery was chosen in all instances because of the poor technology available in Liberia.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
SM I – Spending Policy / Climate		
Q1/FY27	Field-Based work - FB	Fiscal cost of disasters database
Q4/FY27	Field-Based work - FB	Disaster risk financing strategy implementation plan
SM II – Managing Public Finances		
Q3/FY27	Field-Based work - FB	Climate risk methodology, analysis and disclosure
Q4/FY27	Field-Based work - FB	STX follow up – climate risk implementation
Q1/FY28	Field-Based work - FB	TSA and cash management
Q2/FY28	Field-Based work - FB	STX follow up – TSA and cash management implementation

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
SM I – Spending Policy / Climate	300,000	100,000	400,000
SM II - Managing Public Finance	200,000	200,000	400,000
Subtotal	500,000	300,000	800,000
Trust Fund Management Fee (7%)	35,000	21,000	56,000
TOTAL	535,000	321,000	856,000

Note: The estimated budget for this project is US \$856,000, and endorsement is requested for the full amount. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. SM I – Spending Policy / Climate

Objective: Improved fiscal policies and institutional frameworks to combat climate change and its impacts (SDG 13) - CLM	
Outcome(s)	Indicator(s)
Authorities have a baseline understanding of how well fiscal policies and institutional frameworks support environmental sustainability and opportunities for increase alignment	Diagnostic or scoping have produced baseline and opportunities for improvement
Improved fiscal policy for climate mitigation	Tax and spending policies are supportive of transition to greener energy sources
Enhanced use of fiscal policy for building resilience to climate and disaster risks	An effective risk management strategy is developed
	Domestic capacity to develop and implement fiscal strategy to address slow moving climate and disaster risks is enhanced

B. SM II – Managing Public Finances

Objective: Strengthen Budget Management - SBM	
Outcome(s)	Indicator(s)
Strengthened asset and liability management processes	Improved extent of consolidation of cash balances by the Treasury including for capital spending (Record Score: PEFA PI-20.2, PIMA 12.c)
Strengthened identification, monitoring, and management of fiscal risks	Strengthened effectiveness of management and reporting of climate related fiscal risks



Project Proposal for Workshops on
Macrofiscal-critical Climate Adaptation Issues
in African Countries:
From Science and Data to Policies

June 2026

Component: Spending

Module: SM-III: Spending / Climate Policy



PROJECT SUMMARY

COUNTRY: AFR Multiple Countries

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY27-28

PROJECT MANAGERS: Emanuele Massetti (Climate Policy, FADCP, Lead)

ESTIMATED BUDGET US\$ 160,500

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I. PROJECT PURPOSE

Country request and relevance/importance

The proposed training and peer learning activities are designed to address requests from African countries seeking capacity building to integrate climate change adaptation and natural disaster risk management into macro-fiscal policy frameworks. Weather extremes and natural disasters pose challenges to macro-fiscal stability by reducing GDP, increasing government expenditure on reconstruction and welfare, lowering tax revenues, and discouraging private investment. Climate change exacerbates these risks through increased frequency and intensity of weather events, as well as gradual productivity losses resulting from warming, sea-level rise, and other slow-onset changes. It is essential for countries to enhance their disaster risk management strategies to address current threats and effectively adapt to the long-term challenges of climate change while maintaining fiscal sustainability. Accordingly, comprehensive training and peer learning are required in climate data collection and analysis, disaster risk management practices, methods to assess the macro-fiscal impacts of weather shocks and climate change, principles for effective fiscal policy in adaptation, and sector-specific adaptation strategies for highly exposed sectors.

Description of Module

The training and peer learning activities, delivered by workshops, are organized around three main topics with the goal of integrating adaptation to climate change into fiscal policy: climate science and data, disaster risk management, and macro-fiscal principles for adapting to climate change. Additionally, optional subjects are tailored to fit the needs of participant countries. These topics include: (1) econometric techniques for estimating and incorporating extreme weather and gradual warming impacts into macro-fiscal frameworks, as well as sectoral analyses to develop fiscally sound adaptation strategies for (2) sea level rise, (3) agriculture, and (4) fisheries.

The estimated budget for this project is US\$160,500, and endorsement is requested for the full amount through FY28.

II. BACKGROUND

Building upon previous climate policy diagnostics and engagement in the context of the IMF's Resilience and Sustainability Facility lending programs in selected countries, and on the experience of similar trainings that have attracted participants from 13 countries in East and West Africa, this activity supports climate change governance reforms by strengthening macro-fiscal resilience to current and future climate risks. The training also supports other initiatives such as the Resilience and Sustainability Trust, green public financial management and climate-related public investment management assessments, by strengthening analytic and policy skills to implement effective and efficient reform measures.

III. PROJECT MODULES - DESCRIPTION

This proposal will provide capacity development (CD) support to African countries in climate policy. CD support from the IMF's Fiscal Affairs Department (FAD) will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM III: Spending Policy / Climate	Improved fiscal policies and institutional frameworks to combat climate change and its impacts

A. SM III – Spending Policy / Climate

Scope

Through practical training sessions, these workshops are designed to help African governments address the challenges involved in developing effective and efficient macroeconomic policies for managing recurrent weather disasters and long-term climate change effects. The workshops utilize data sets, analytic methodologies, and policy research conducted by the Climate Policy Division within FAD, which are applied in surveillance, technical assistance, and CD initiatives.

Program Objectives

These workshops aim to equip participants with practical skills and insights to use data and macroeconomic analysis for effective disaster risk management and climate adaptation policies. Hands-on sessions with climate datasets build skills in risk analysis and fiscal policy development. Training in

disaster risk financing is designed to strengthen macroeconomic resilience against weather shocks. Applying economic theory and public finance principles ensures adaptation spending has maximum impact and incorporates climate risks into projections such as debt sustainability. Sector-focused discussions on agriculture, sea level rise, and fisheries highlight specific risks, adaptation strategies, and best practices crucial for participating countries.

Expected Results (outcomes)

At the end of these workshops, participants will:

- Command key principles to develop effective and efficient adaptation policies
- Be able to use data on climate trends and projections in macroeconomic analysis and fiscal policy;
- Be able to assess and implement reform options to strengthen a country's disaster risk financing readiness.

The objectives of this project financed with Global Public Finance Partnership (GPFP) resources may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

The weeklong workshops are designed for African government officials working on disaster risk management and climate change adaptation. These training activities will be delivered in coordination with IMF's Regional Technical Assistance Centers (RTAC) in Africa that will assist with participant selection, venue choice, and workshop logistics. Tentatively, the workshops will be delivered in the RTAC for Central Africa (AFC), Southern Africa (AFS) or the Africa Training Institute instead of one of the RTACs.

B. Delivery Modalities

CD consists of in-person week-long workshops conducted by IMF staff for groups of 20–30 participants from countries associated with one of the supporting RTACs. Workshops emphasize interactive learning, with ample space for discussions, hands-on activities, and policy simulations. Participants are

encouraged to actively engage, with plenty of time allocated for class discussions, hands-on work with datasets commonly used by IMF staff for climate risk assessments, and policy simulations.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
Specific African RTAC will be determined based on interest and availability	CD delivery, including logistical and administrative aspects.	Climate policy	Three meetings to define broad issues. Daily email exchanges in the two weeks prior to the meetings.

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
SM III – Spending Policy / Climate	Security concerns at the training location	Low	Close coordination with supporting RTAC to select the best location (country and facility) to deliver training.
POLITICAL SUPPORT			
SM III – Spending Policy / Climate	No risks associated with political support are identified	Low	No mitigation measures needed.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM III – Spending Policy / Climate	No risks associated with management and technical staff support and commitment are identified.	Low	No mitigation measures needed.
RESOURCE ADEQUACY			
SM III – Spending Policy / Climate	Staffing constraints	Low	Training delivered by a pool of HQ-based staff familiar with all the parts of the training.
OTHER RISKS			
SM III – Spending Policy / Climate	None	Low	No mitigation measures are needed.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
SM III – Spending Policy / Climate			
HQ led CD mission	-	-	-
STX visits	-	-	-
Staff visits	-	-	-
Workshops	2	-	2
Total	2	-	2

Note: In-person delivery was chosen because it best supports effective learning and peer-to-peer exchanges.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
SM III – Spending Policy / Climate		
Q2/FY27	Workshop I	Full workshop in first group of countries
Q3/FY27	Workshop II	Full workshop in second group of countries

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
SM III – Spending Policy / Climate	150,000	-	150,000
Trust Fund Management Fee (7%)	10,500	-	10,500
TOTAL	160,500	-	160,500

Note: The estimated budget for this project is US\$ 160,500 and endorsement is requested for the full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. SM III – Spending Policy / Climate

Objective: Improved fiscal policies and institutional frameworks to combat climate change and its impacts (SDG 13) - CLM	
Outcome(s)	Indicator(s)
Improved fiscal policy for climate mitigation	Effectiveness of fiscal interventions to support climate objectives is regularly assessed and reported



Amendment to
Project Proposal for
ISLAMIC REPUBLIC OF MAURITANIA

June 2026

Component: Spending

Module: SM-II: Managing Public Finances



PROJECT SUMMARY

COUNTRY: Mauritania, Islamic Republic of

LEAD DEPARTMENT: FAD

REGION: MCD

PLANNED DATES: FY27-28

PROJECT MANAGERS: Faycal Sawadogo (Tax Policy, FADT1, Lead)
Fadia Sakr (Revenue Administration, FADR1)
Celine Thevenot (Expenditure Policy, FADEP)
Natalia Salazar (Public Financial Management, FADM1)

ESTIMATED BUDGET This is a zero-cost amendment.

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for RM-I: Tax Policy; RM-II Revenue Administration; SM-I: Spending Policy; SM-II: Managing Public Finances (Climate)	January 2024
AMENDMENT 1/2	Addition of macro-fiscal policy work to SM-II: Managing Public Finances	March 2026
AMENDMENT 2/2	Seek inclusion of new CD modality to implement existing scope for macro-fiscal policy work to SM-II: Managing Public Finances	June 2026

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ACRONYMS

CD	Capacity development
FAD	IMF's Fiscal Affairs Department
GPFP	Global Public Finance Partnership
LTX	Long-term resident advisor
MFU	Macro-fiscal unit of the Ministry of Finance, Mauritania
MTFF	Medium-term fiscal framework
PFM	Public financial management
STX	Short-term expert

I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

To ensure the continued and effective development of macrofiscal unit (MFU) functions, on-the-ground continuous support of a long-term resident advisor (LTX) is needed:

- In response to the recommendation from the 2025 scoping mission by the IMF's Fiscal Affairs Department (FAD) on the macro-fiscal function, supported by the Global Public Finance Partnership (GPFP), the Ministry of Finance established a Macro-Fiscal Unit (MFU) in December 2025 by Order No. 01527/MF/DGB/2025. The MFU was subsequently incorporated into the Ministry's new organizational structure by Decree No. 030 of 2026. The MFU has been assigned central responsibilities that are critical for macroeconomic management and the success of the reform agenda. These include preparing the medium-term fiscal framework (MTFF) to guide the budget preparation process, in line with the fiscal rule approved by parliament on May 15, 2026, and developing a robust fiscal risk assessment and management function. Under the IMF-supported program, the MFU is also expected to serve as the principal counterpart on macro-fiscal issues, making its effective functioning essential for IMF-supported program implementation.
- These responsibilities are highly complex and need to be operationalized within a short timeframe. The MFU began operations at the end of January 2026 with a team of five staff members, including the coordinator. While the team brings a diverse mix of profiles, it requires intensive, hands-on support to build the necessary technical and operational capacity. FAD, with GPFP support, has already mobilized significant assistance through HQ-based training and remote engagement by a short-term expert (STX). However, despite the strong commitment and effort demonstrated by both the authorities and FAD, these modalities need to be complemented by continuous help via an LTX to support the rapid and sustained development of such a critical function.
- The previous project amendment had noted the potential need for an LTX. Given the importance of operationalizing the MFU's mandate, sustained on-the-ground support is now needed. In this context, the deployment of a LTX is essential to anchor the reform process, provide continuous capacity development, and ensure the timely delivery of key macro-fiscal outputs.

- The proposed LTX would focus exclusively on strengthening macro-fiscal functions and would play a pivotal role in consolidating the MFU over a one-year period.¹

Description of Modules

The technical assistance modules remain the same as in the current project; only the delivery modality changes, from HQ/STX missions to support provided through an LTX.

- The proposed LTX would focus exclusively on macro-fiscal issues, fully aligned with the capacity development modules of the current project. Specifically, the support would cover: (1) sustained assistance to consolidate and operationalize the MFU; (2) strengthening the macro-fiscal projections underpinning the MTFF; (3) supporting implementation of the fiscal rule approved by parliament in May 2026; and (4) advancing the assessment and management of macro-fiscal risks.

II. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes to include an LTX delivery modality to execute CD support to Mauritania on macro fiscal issues. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM II / Managing Public Finances	Strengthen macro fiscal frameworks

¹ The authorities have requested an LTX to strengthen the macro-fiscal function since 2024. FAD has consistently indicated that a dedicated team needed to be established for this function for an LTX's work to be effective. With the creation of the MFU at the beginning of 2026, this condition has now been met.

A. SM II – Managing Public Finances

The scope, objectives, and expected results for this module remain unchanged from the original amendment (March 2026). They will be supported by CD that will be executed through a new modality: a resident advisor.

III. ORGANIZATIONAL ARRANGEMENTS

A. Delivery Modalities

The current PFM module uses HQ and STX missions. This amendment proposes to incorporate as delivery modality LTX support. The LTX will be based in Nouakchott, Mauritania.

B. Coordination / Cooperation: Public Financial Management

Partner	Coordination Type	Coordination Area	Frequency
Within the IMF: Institute for Capacity and Development, the Middle East and Central Asia Department's country team and the Regional Technical Assistance Center for West Africa	Coordination to ensure that CD is aligned to the countries' reform priorities. Sharing information, insights, and recommendations	PFM	As needed
World Bank, Expertise France	Coordination to ensure complimentary and incremental CD in macro fiscal issues	PFM	As needed

IV. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
POLITICAL SUPPORT			
SM II - Managing Public Finance	Reform commitment is high under the IMF program. Lower political support for the reform process is not expected.	Low	On the ground support from the LTX would ensure clear and continual communication of reform requirements and ensure early alert of any shift in political support.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM II - Managing Public Finance	Reform commitment is high under the IMF program. Technical capacity within the MoFE is low.	Medium	Ensure coordination among MoF departments and other key institutions. Ensure continuous training support. <i>The LTX will support the MFU in establishing coordination mechanisms:</i> 1) <i>information sharing protocols;</i> 2) <i>a Macroeconomic Task Force; and</i> 3) <i>a high-level Fiscal Policy Committee in which macro-fiscal outputs will be discussed and validated.</i>
RESOURCE ADEQUACY			
SM II - Managing Public Finance	Public administration issues and constraints affect PFM functions within the Ministry of Finance: predominance of short-term contracts, lack of career incentives, high turnover rate and low salaries	High	<i>The LTX will support the technical capacity improvement of the MFU staff</i>

V. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
LTX – duty station/in person	1	1	2
TOTAL	1	1	2

This accounts for a one-year LTX assignment that may span across FY27-28 depending on timing of recruitment, as indicated in Table 3.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
SM II – Managing Public Finances		
Q2/FY27	LTX	- Support the improvement of medium-term macro-fiscal projections of the MTFF - Support the preparation of the MTFF 2027-29 to guide the 2027 budget. - Support the MFU to verify the alignment of the sectoral (line ministries) ceilings established by the budget programming department and of budget appropriations during budget formulation and the overall expenditure envelope/ceiling of the MTFF. - Support the formalization of information sharing protocols from and to the MFU. - If the recommendation of FAD TA is adopted, support the MFU in the establishment of the Macro Fiscal Task Force, attended by technical staff of the MFU, Ministry of Economic Affairs, the Central Bank and the Statistics Office (ANSADE) responsible for preparing macroeconomic projections and producing macroeconomic statistics, to discuss the medium-term macroeconomic projections 2027-2030.
Q3/FY27	LTX	- Support the MFU on the identification on main fiscal risks (macroeconomic and contingent liabilities). - Support the MFU on the assessment of macroeconomic fiscal risks (quantification of the fiscal impact of macroeconomic shocks – scenario analysis). - Support the MFU on the preparation of manual of the medium-term fiscal projections tool (TOFE-CBMT). - If the recommendation of FAD TA is adopted, support the Ministry of Finance on the establishment of the high-level Fiscal Policy Committee for the validation of macro-fiscal outputs (medium-term fiscal targets, medium-term fiscal projections, overall expenditure ceiling/envelope, macro-fiscal monitoring reports).
Q4/FY27	LTX	- Support the MFU on the quantification of main contingent liabilities. - Support the macro fiscal unit on the preparation of the fiscal risks statement to be included in the document of the medium-term macro fiscal framework. - Support the MFU on the design of the quarterly macro-fiscal monitoring report.
Q1/FY28	LTX	- Support the MFU on the integration of the numerical fiscal rule into the medium-term fiscal programming exercise 2028-2030. - Support the improvement of the different macro-fiscal output.

VI. PROGRAM FINANCIALS

This is a zero-cost amendment.

VII. TARGETED LOGICAL FRAMEWORK

A. SM II – Managing Public Finances

Objective: Strengthen Macroeconomic Frameworks - SMF	
Outcome(s)	Indicator(s)
Strengthened medium-term fiscal frameworks	Improved comprehensiveness of macrofiscal forecasts
Strengthened identification, monitoring, and management of fiscal risks	Improved preparation and disclosure of macro-fiscal sensitivity analysis or alternative scenarios

Note: The logical framework remains unchanged from the previous amendment.



Project Proposal for Workshops and
Outreach on Implementation Guidance
for the Revised MTRS Framework

June 2026

Component: Revenue

Module: RM-II: Revenue Administration



PROJECT SUMMARY

COUNTRY: Multi-country Medium-Term Revenue Strategy (MTRS) Outreach and Implementation Guidance for the Revised Framework

LEAD DEPARTMENT: FAD

REGION: AFR / APD

PLANNED DATES: FY27

PROJECT MANAGERS: Pascal Biziamana Ruganintwali (Revenue Administration, FADR2, Lead)

ESTIMATED BUDGET US\$ 408,740

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I. PROJECT PURPOSE

Country request and relevance/importance

This capacity development (CD) project will support countries in Africa and Asia regions to strengthen domestic revenue mobilization by developing credible and implementable medium-term revenue strategies (MTRS) based on its revised framework. Consistent with the MTRS approach developed by the Platform for Collaboration on Tax (PCT) – a joint IMF, OECD, UN and World Bank initiative, an MTRS provides a country-led, whole-of-government framework for setting medium-term revenue objectives and translating them into a prioritized and sequenced reform program across tax policy, revenue administration, and the legal framework.¹

Description of Modules

The project will deliver a structured package of learning and hands-on capacity development support - combining four regional workshops in Africa and Asia and in-country engagements in four selected countries - to help authorities move from pre-formulation to formulation of an MTRS revised framework. Workshops and in-country engagements will focus on the following topics and activities : (i) diagnostics and baseline-setting (including tax gap analysis where feasible); (ii) defining clear and measurable revenue objectives linked to policy priorities and expenditure needs; (iii) designing, prioritizing, and sequencing a coherent reform package; and (iv) establishing governance and monitoring arrangements to sustain implementation over the medium term, drawing on IMF CD experience and operational guidance.

The estimated budget for this project is \$408,740, and endorsement is requested for the full amount through FY27.

II. BACKGROUND

Strengthening domestic revenue mobilization remains a core priority for many low-income and emerging market economies, particularly in the context of rising development and social spending needs and

¹ Platform for Collaboration on Tax (IMF, OECD, UN, World Bank). 2016. *Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries* (Report to the G20 Finance Ministers).

tighter financing conditions. An MTRS provides a country-led framework to articulate a medium-term revenue objective, translate it into a coherent package of tax policy, revenue administration, and legal reforms, and anchor implementation in sustained political commitment and coordinated capacity development support.²

The MTRS concept was introduced by the Platform for Collaboration on Tax (PCT) as part of a broader agenda to enhance the effectiveness of external support in building tax capacity. The framework emphasizes a whole-of-government approach and the need to build broad societal support for reforms, given the political economy challenges inherent in tax system reform.³

IMF experience shows that translating the MTRS concept into an actionable strategy requires disciplined diagnostics, realism about administrative and political constraints, and clear sequencing from quick wins to deeper structural reforms. Good practice also calls for a results-oriented implementation roadmap and governance arrangements that support coordination across ministries and agencies and enable routine monitoring of progress and adjustments over time.⁴

Against this background, the revised MTRS framework strengthens practical guidance on readiness, diagnostics, sequencing, and implementation management. However, effective uptake depends on consistent messaging and hands-on support that helps country teams move from awareness to application. This proposal therefore combines regional peer learning with country-specific engagements to (i) socialize the revised framework; (ii) provide practical clinics on core MTRS building blocks (revenue objectives and baselines, reform design and sequencing, governance and monitoring); and (iii) support selected countries to draft key MTRS formulation outputs and agree next steps with stakeholders.

² Platform for Collaboration on Tax (IMF, OECD, UN, World Bank). 2017. *Concept Note on the Medium-Term Revenue Strategy (MTRS): Embarking on an MTRS* (February)

³ Platform for Collaboration on Tax (IMF, OECD, UN, World Bank). 2016. *Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries* (Report to the G20 Finance Ministers).

⁴ Breuer, L. E., J. Guajardo, and T. Kinda (eds.). 2018. *Realizing Indonesia's Economic Potential*. Washington, DC: International Monetary Fund (see chapter on implementing a Medium-Term Revenue Strategy).

III. PROJECT MODULES - DESCRIPTION

This project proposals CD support to four countries in Africa and Asia in revenue administration. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM-II: Revenue Administration	Strengthened revenue administration management and governance arrangements

A. RM II: Revenue Administration; RM IV: Fiscal and Macroeconomic Tools, Research, and Analytical Work

Scope

This project will deliver targeted outreach and implementation guidance for the revised Medium-Term Revenue Strategy (MTRS) framework. The scope includes support for partner countries in Africa (the eight UEMOA member states and the seven EAC member states) and Asia (the nine CCAMTAC member countries) to strengthen domestic revenue mobilization through a combination of regional peer learning and tailored in-country support. Key activities include conducting four regional workshops to foster common understanding and practical application of the MTRS approach and providing direct technical assistance in four selected countries (identified through the workshops) to advance MTRS formulation and implementation readiness.

The project will focus on core elements: comprehensive diagnostics and baseline-setting, definition of measurable revenue objectives aligned with national policy and expenditure priorities, design and sequencing of coherent reform packages, and establishment of robust governance and monitoring arrangements. Delivery will be coordinated with relevant development partners to ensure complementarity, minimized duplication, and promote sustainable country ownership. Outputs will include diagnostic notes, reform roadmaps, implementation plans, and documented arrangements for stakeholder engagement, monitoring, and reporting.

Program Objectives

The program's objective is to strengthen country ownership and implementation of readiness by supporting the completion of core MTRS formulation deliverables. These are expected to include, as appropriate: a diagnostic and baseline note (including tax gap estimates where feasible), a statement of medium-term revenue objectives, a prioritized reform roadmap with sequencing and an implementation plan, and documented governance and monitoring arrangements. The project will be implemented in coordination with relevant development partners to promote complementarity and reduce duplication of efforts.

Expected Results (outcomes)

The proposed MTRS workshops and bilateral engagements aim to strengthen countries' capacity to develop a country-owned MTRS and increase readiness to implement medium-term revenue reforms.

Measurable outcomes would include:

- Increased common understanding among participants of essential MTRS elements and prerequisites for formulation (including baseline-setting/diagnostics, tax policy and administration reform planning, governance, and monitoring)
- Completion (or substantive advancement) of country MTRS formulation deliverables through bilateral engagements, such as: (i) a diagnostic and baseline note (including tax gap estimates where feasible); (ii) a clear statement of medium-term revenue objectives; (iii) an MTRS reform roadmap with prioritized and sequenced measures across tax policy, revenue administration, and the legal framework; and (iv) agreed MTRS governance and coordination arrangements, with a results framework/indicators for monitoring
- Improved whole-of-government ownership and coordination for revenue reform—reflected in clearer roles and responsibilities, stronger stakeholder engagement, and agreed mechanisms to resource, sequence, and monitor MTRS implementation.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this project funded with GPFP resources may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

FAD will provide demand-driven tailored support in collaboration with IMF's Area Department country teams to apply the MTRS approach and formulate and draft an MTRS including scoping, sequencing, diagnostics, and stakeholder process support, delivered by **three experts per country** (mix of tax policy/PFM, administration, and process facilitation expertise). CD will also empower authorities with the skills to identify practical sequencing and implementation arrangements.

Delivery Modalities

CD support will be anchored to in-person delivery given the emphasis on application and peer exchange. However, virtual missions will provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings.

CD delivery will combine in-person regional workshops with in-country engagements in selected countries in Africa and Asia. This delivery model is intended to support progression from awareness of the MTRS approach to application in country contexts, consistent with the MTRS emphasis on country ownership, whole-of-government engagement, and disciplined sequencing of reforms.

Workshops will be used to socialize the revised framework, present good practices, and run practical clinics on core MTRS building blocks (diagnostics and baselines, revenue objectives, reform design and sequencing, governance and monitoring).

In-country missions will provide hands-on support to develop country-specific MTRS formulation outputs and agree with the next steps with counterparts. Short, targeted virtual touchpoints may be used

between events to sustain momentum and support drafting, but the program is anchored in in-person delivery given the emphasis on application and peer exchange.

The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share hands-on experiences in conducting diagnostic evidence; drafting problem statements and objectives; mapping reform measures to the tax policy, administration, and legal pillars; and outlining a time-bound reform roadmap. Workshops will also provide structured opportunities for peer exchange and for countries to present draft components for feedback.
- **Bilateral engagement and Peer-to-peer (P2P)**: engagements designed for project beneficiaries to exchange their views and experiences undertaking specific reforms. In-country engagements and peer learning support country teams to apply the MTRS approach and develop draft formulation outputs, complemented by structured peer learning (case sharing, small-group clinics, and facilitated exchanges) to help authorities identify practical sequencing and implementation arrangements.

B. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's area department and resident representative	Sharing of information, insights, and recommendations	Revenue administration– priorities, recommendations, and status of reforms	Regular, bi-yearly
IMF Regional Capacity Development Centers	Sharing of Information, joint activities, better coordination of activities and complementarity of resources	Providing hands on support to HQ recommendations, coordinating activities with the project	Monthly through backstopping meetings, as and when is needed during execution of the CD plan.
African Tax Administration Forum, World Bank, African Development Bank, European Union	Sharing Information and joint and well-coordinated CD activities	Coordination of CD to avoid duplication	As and when needed and during missions.

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM II – Revenue Administration	Risk that external events create more challenges for countries to participate in workshop or bilateral engagement	High	Contribute to conduct policy and tax gaps analysis and provide templates useable for MTRS formulation
POLITICAL SUPPORT			
RM II – Revenue Administration	Lack of political support for transparency and accountability inhibits required actions or resources being allocated to formulate an MTRS evidence-based decision-making and planning	Medium	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			
RM II – Revenue Administration	Low commitment of senior management or technical staff to participate in workshop or country bilateral engagement	Medium	Engage with senior management and technical staff proactively and explain the importance of participating in MTRS formulation
OTHER RISKS			
RM II – Revenue Administration	Uncoordinated development partners leading to CD duplication.	Low	Better development partners coordination

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
HQ led CD mission	2	-	2
STX visits	-	-	-
Staff visits	2	-	2
Workshops (inc. during HQ and remote CD)	2	-	2
Total	6	-	6

Note:

- In-person delivery was chosen to support a new engagement for large adoption of the revised MTRS framework formulation by countries.
- Activities may still need to be held in remote / hybrid format to achieve the project/program outcomes, considering the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM II – Revenue Administration		
Q1/FY27	Duty station-based Work - DS	- Inception, stakeholder mapping, confirmation of regions and partner institutions, and selection of countries interested in bilateral engagement for MTRS formulation. - Outreach package development (slides, facilitator guide, templates) and logistical preparation for workshops.
Q2/FY27	Field-Based work - FB	- Deliver at least two regional workshops. - Conduct at least two in-country missions and produce country support packages / engagement notes.
Q3/FY27	Field-Based work - FB	- Deliver at least two regional workshops. - Conduct at least two in-country missions and produce country support packages / engagement notes.
Q4/FY27	Duty station-based Work - DS	- Consolidate results, finalize lessons learned, disseminate updated materials, and complete final reporting.

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM II – Revenue Administration	382,000	-	382,000
Trust Fund Management Fee (7%)	26,740	-	26,740
TOTAL	408,740	-	408,740

Note: The estimated budget for this project is US\$ 408,740, and endorsement is requested for this full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM II – Revenue Administration

Objective: Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM	
Outcome(s)	Indicator(s)
Authorities have baseline understanding of current state of the government's revenue administration, management and governance arrangement and core revenue administration operation	Procedures for internal and/or external review of revenue administration management, governance, and operations are established to produce baselines and identify opportunities for improvement
Capacity for reform increased due to clear reform strategy and strategic management framework adopted and institutionalized.	Reform management capacity strengthened or in place for reform implementation, including dedicated resources



Project Proposal for

NAMIBIA

June 2026

Component: Revenue

Module: RM-II: Revenue Administration



PROJECT SUMMARY

COUNTRY: Namibia

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY27-28

PROJECT MANAGERS: Thabo Letjama and Bernard Sanya (Revenue Administration, FADR2)

ESTIMATED BUDGET US\$ 283,930

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ACRONYMS

AFS	IMF's African Regional Technical Assistance Center for Southern Africa
CD	Capacity development
EI	Extractive industries
FAD	IMF's Fiscal Affairs Department
NamRA	Namibian Revenue Agency
SACU	Southern African Customs Union
TADAT	Tax Administration and Diagnostic Assessment Tool

I. PROJECT PURPOSE

Country request and relevance/importance

The Namibia economy faces multiple challenges, including heightened global trade policy tensions particularly related to war in the Middle East, U.S. tariffs, increased climate-related shocks and a structural shift in the global diamond market. These factors are expected to dampen growth momentum, with a real GDP growth forecast at 3.75 percent for 2025 and 2026. Growth is projected to remain subdued in the near-to-medium term, averaging around 3 percent, constrained by structural rigidities despite increased public capital expenditure. The main challenge is to build stronger institutions and technical capacity to improve fiscal forecasting and spending efficiency while mobilizing more stable revenue, including high-potential oil and gas extractives, to safeguard sustainability amid volatile Southern African Customs Union (SACU) receipts. International oil companies continue to explore oil and gas investment opportunities, bringing in significant foreign direct investment. The debt-to-GDP ratio is projected at 62.3 percent for 2025. Tax revenue is estimated at 34.5 percent of GDP for 2024/25, with SACU receipts accounting for 11.2 percent but declining.

Namibia's extractive industries (EI) play a central role in the economy and are expected to become even more significant in the medium term. Mining has long been a key pillar of economic activity, contributing materially to GDP and export earnings. More recently, major offshore oil and gas discoveries have positioned Namibia as a prospective new petroleum producer. The final investment decision on large-scale offshore oil and gas projects is expected in 2026, with production potentially commencing within a relatively short timeframe. Experience from comparable countries shows that the window between the final investment decision and production can be short, leaving little time to put in place the institutional, procedural, and technical arrangements needed to administer the sector effectively. This rapid transition from exploration to production creates an urgent need for Namibia to strengthen its revenue administration capacity before oil production begins.

Description of Modules

This project is proposed to mainly support the authorities on strengthening tax administration. Work will be implemented by the IMF's Fiscal Affairs Department (FAD) under the revenue administration module. It is also designed to provide technical support to the Namibia Revenue Agency (NamRA) to enhance its capacity for effective compliance management in EI, with specific emphasis on oil and gas. Recent diagnostic missions focused on EI revenue administration identified several critical gaps, including the need to develop EI specialization and expertise within NamRA, develop EI-specific risk assessment frameworks, improve data collection and reporting for EI operations, strengthen customs controls for

high-value imports and exports, and improve coordination and data sharing between NamRA and sector regulators.

This initiative will commence with a Tax Administration and Diagnostic Assessment Tool (TADAT) evaluation to establish a baseline for reforms and pinpoint significant weaknesses to be addressed in reforming the revenue administration landscape into the medium term. The project will also continue to support leadership capacity development (CD) for the executive leadership team and middle management of NamRA.

The estimated budget for this project is US\$ 283,930 and endorsement is requested for the full amount through FY28.

II. BACKGROUND

Macro-fiscal situation

Namibia faces mounting macro-fiscal challenges, with worsening debt dynamics projected to reach 71 percent of GDP without additional fiscal measures and increased inflationary pressures from higher fuel prices. Achieving fiscal sustainability and safeguarding the exchange rate peg with South Africa will require stepped-up fiscal consolidation, tighter expenditure controls, and reinforced financial sector oversight. Strengthening NamRA's capacity to effectively manage compliance in the oil and gas sector, including timely VAT refunds, is crucial for improving revenue mobilization and public trust. Enhanced revenue administration reforms, including stronger compliance management for the oil and gas sector, improved capacity to manage reforms and implement recommendations for improvement on timeliness, and timely payment of legitimate refunds, will support the authorities' medium-term expenditure framework goals. This will help to stabilize debt, rebuild fiscal buffers, and promote sustainable growth. Efficient management of oil and gas revenues—supported by transparent frameworks and timely refunds—will not only reduce fiscal risks but also foster greater economic resilience and support Namibia's long-term development objectives.

This context makes fiscal reform urgent. The authorities have requested support in strengthening capacity for management compliance for the oil and gas sector, strengthening capacity for reform, and improving the management of VAT refunds, especially those emanating from the oil and gas exploration phase.

Country engagement and alignment to reform priorities

NamRA has completed implementation of its maiden strategic plan 2021-26 and is developing a successor strategy for 2026-31. A TADAT assessment will help set the baseline for reforms and identify key reforms to be included in the new strategic plan. As required by its mandate, optimizing revenue collection and minimizing revenue leakage are key objectives of NamRA and cross-cutting themes across its reforms. The project will aim to advance progress in these areas through better mitigation of the oil and gas sector revenue risks and strengthening public trust, voluntary compliance in the tax system through better management of refunds, and embedding reform management into leadership capacity in support of the overall strategic framework. Authorities aim to advance fiscal consolidation over the medium term to place the public debt-to-GDP ratio firmly on a declining path and rebuild fiscal buffers. Key reforms include civil service and public enterprise reforms, greater spending efficiency, and strengthened tax administration, which is the main focus of this project.

IMF priority areas / cross-cutting themes

This project will help NamRA better manage compliance in the oil and gas sector. In doing so, it will also help strengthen digitalization through improving functionality of the revenue administration systems and advising on best practice for leveraging revenue administration systems and data for enhanced compliance risk management.

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to Namibia in revenue administration. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM II / Revenue Administration	- Strengthened revenue administration management and governance arrangements - Strengthened core tax administration functions - Improved customs administration functions

A. RM II - Revenue Administration

Scope

With SACU revenues expected to continue to decline, and public debt levels remaining elevated, enhancing revenue mobilization will continue to be a high priority in the medium term. NamRA is a new organization with nascent capacity in many areas and no experience in the oil and gas industry. This project will provide targeted CD to develop specialized EI skills and expertise, including supporting NamRA in setting up EI specialized organizational arrangements, risk-based compliance management processes, and EI-specific data and analytical tools. The project will support the timely preparation of NamRA for first oil and expanded mining activity, aligning revenue administration practices with international good practice including on timely payments of refunds, and ensuring that the EI contribute fully to Namibia's fiscal objectives. The authorities have identified CD in EI revenue administration as a strategic priority, recognizing the fiscal risks associated with inadequate preparation. This proposal translates recent diagnostic missions' recommendations into a structured, medium-term CD plan designed to prepare NamRA for the demands of a rapidly expanding EI sector. It will also continue to strengthen executive leadership capacity as the key enabler for driving reforms.

Program Objectives

The project aims to strengthen revenue administration management and governance arrangements, by primarily continuing to increase capacity for reforms through supporting development of a clear reform strategy and helping NamRA to adopt and continue strengthening its strategic management framework. In the EI sector, support will prioritize enhancing compliance and administrative effectiveness for large resource taxpayers, where revenue risks are most concentrated; developing specialized EI audit capabilities; and improving data sharing across tax, customs, and sector regulators. These targeted measures, combined with strengthened core revenue administration processes across NamRA, will enable more effective risk assessment and mitigation, bolster enforcement, thereby securing revenues from the sector.

Expected Results (outcomes)

Desired outcomes for the project are improved revenue collection through better management of reforms and better management of compliance of the oil and gas sector, which is expected to be a major contributor of revenue to the Namibian economy. By project completion, NamRA will have established specialized units and staff for EI revenue administration, implemented risk-based compliance management for the EI, and strengthened EI customs administration. These improvements, alongside

enhanced data systems and inter-agency cooperation, should secure extractive revenues and sustainably integrate new practices into NamRA's operations. It is also expected that NamRA management will have improved effectiveness in driving strategic change and implementing high-impact reforms on time.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

With support from FAD, NamRA was established in 2021 and continued to work with both HQ and the IMF's African Regional Technical Assistance Center for Southern Africa (AFS) to strengthen executive leadership capacity in managing strategic change; improving audit capacity; and strengthening customs procedures. Good traction is expected, as the authorities have signaled strong interest and commitment to CD, including prioritizing EI revenue administration within their broader reform agenda. This ownership is reflected in sustained demand for targeted technical support, willingness to strengthen institutional capacity, and a commitment to developing the capacity to address key compliance and revenue risks in the sector.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX) visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration and public financial management.

- **Long-term resident advisor support.** The country will benefit from a regional long-term resident advisor focused on improving EI compliance in revenue administration across multiple countries.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's area department and resident representative	Sharing information, insights, and recommendations	Revenue administration priorities, recommendations, and status of reforms	Regular, bi-yearly, and prior to missions.
IMF's Legal Department	Engagement in the development of legislation	Legislation development.	As and when needed.
AFS	Sharing of Information, joint activities, better coordination of activities and complementarity of resources	Providing hands on support to HQ recommendations, coordinating activities with the project, and striking synergies.	Monthly through backstopping meetings, as an when is needed during execution of CD plan.
African Tax Administration Forum, World Bank, African Development Bank, European Union	Sharing Information and joint and well-coordinated CD activities.	TADAT; coordination of activities to avoid duplications.	As and when needed and during missions.

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM II - Revenue Administration	Changes in offshore oil project timelines or global commodity markets could affect the pace or focus of capacity development	Medium	Flexible sequencing: Adjust workplans if needed to stay aligned with evolving sector developments. Maintain dialogue with authorities to recalibrate support as conditions change.
POLITICAL SUPPORT			
RM II - Revenue Administration	Current strong support for reforms not sustained over the reform period, including weak political sponsorship and providing inadequate resources.	High	Continue to capacitate NamRA on effective stakeholder engagement and managing better the political economy of revenue reforms.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM II - Revenue Administration	Management and Staff Support to reforms and accountability for proposed reforms.	Medium	Continue guidance on executive leadership on effective leadership and management of strategic reforms.
RESOURCE ADEQUACY			
RM II - Revenue Administration	Inadequate resources allocated to reforms.	Medium	Continue to encourage NamRA to engage stakeholders on revenue reforms and make business cases for reforms based on cost-benefit-analysis.
OTHER RISKS			
RM II - Revenue Administration	Limited cooperation or data sharing from sector regulators may hinder integrated risk management.	Medium	Formalize data sharing arrangements and hold joint workshops with regulators to promote collaboration. Clearly communicate mutual benefits to all agencies.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
RM II – Revenue Administration			
HQ led CD mission	1	1	2
STX visits	4	2	6
Staff visits	-	1	1
Workshops (inc. during HQ and remote CD)	-	1	1
Total	5	5	10

Note:

- In-person delivery was chosen in most instances to support a new engagement in a crisis/program country.
- Remote delivery was chosen in several instances because of the cost of travel.
- Hybrid delivery was chosen in several instances to enable the IMF's African Department colleagues and other development partners to join the opening and closing meetings.
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes considering the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM II - Revenue Administration		
Q2/FY27	Field-Based work - FB	Tax: Initial mission to apply TADAT
Q2/FY27	Field-Based Work- FB Duty Station-Based Work-DS (Hybrid)	Tax and Customs: provide support to the NamRA executive leadership to lead, embed and sustain recommended reforms including engagement of stakeholders especially in the oil and gas sector.
Q2/FY27	Field-Based work – FB	Tax: VAT refunds management
Q3/FY27	Field-Based work - FB	Tax: Oil and gas upstream risks and EI risk assessment, and its alignment to the NamRA-wide CRM framework. Commence development of oil and gas risk matrices.
Q4/FY27	Duty station-based Work - DS	Tax: Audit capacity and risk continued development of matrix for EI sector.

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM II - Revenue Administration	89,011	176,344	265,355
Trust Fund Management Fee (7%)	6,231	12,344	18,575
TOTAL	95,242	188,688	283,930

Note: The estimated budget for this project is US\$ 283,930 and endorsement is requested for the full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM II – Revenue Administration

Objective: Strengthened revenue administration management and governance arrangements (SDG 17.1)- RAM	
Outcome(s)	Indicator(s)
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	Reform management capacity strengthened or in place for reform implementation, including dedicated resources.
	Key performance indicators established, regularly reported and monitored.

Objective: Strengthened core tax administration functions (SDG 17.1) - TAD	
Outcome(s)	Indicator(s)
Audit and other verification programs more effectively ensure accuracy of reporting	Appropriate range of tax audits and other initiatives used to detect and deter inaccurate reporting and fraud (TADAT 2015 POA6-16/TADAT 2019 POA6-19).

Objective: Improved customs administration functions (SDG 17.1) - CAD	
Outcome(s)	Indicator(s)
Customs control during the clearance process more effectively ensures accuracy of declarations	Customs control during the clearance process more effectively ensures accuracy of declarations.



Project Proposal for

SRI LANKA

June 2026

Component: Macroeconomic Framework

Module: SM-IV: Fiscal and Macroeconomic Tools, Research,
and Analytical Work



PROJECT SUMMARY

COUNTRY: Sri Lanka

LEAD DEPARTMENT: ICD

REGION: APD

PLANNED DATES: FY27

PROJECT MANAGERS: Tubagus Feridhanusetyawan (Institute for Capacity Development, ICDMF)

ESTIMATED BUDGET US\$ 321,000

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ACRONYMS

EFF	IMF's Extended Fund Facility
ICD	IMF's Institute for Capacity Development
FAD	IMF's Fiscal Affairs Department
MOF	Ministry of Finance, Sri Lanka
MPT	Macroeconomic projection tool
TA	Technical Assistance

I. PROJECT PURPOSE

Country request and relevance/importance

Sri Lanka experienced a severe economic crisis in 2022 and has implemented economic reform program supported by the IMF's Extended Fund Facility (EFF) arrangement starting in 2023. The Sri Lankan authorities requested technical assistance (TA) to develop customized financial programming toolkits for policy analysis to provide input for policy formulation. The Institute for Capacity Development (ICD) has provided macroeconomic framework TA to the Ministry of Finance (MOF) and central bank since 2022. In 2024, the authorities requested to restructure the TA program to focus on supporting the MoF authorities strengthen their capacity in macroeconomic analysis and forecasting.

Description of Modules

This module will continue to support authorities on the integration of the forecasting work into policy formulation in the MOF, which remains incomplete as the projection results have not been embedded in the MOF's regular budget-preparation cycle. Further work is also needed to ensure that the team can operate the projection tools independently and to write the user manual.

This proposal seeks endorsement from the Global Public Finance Partnership (GPFP) for a US\$ 300,000 allocation (excluding Trust Fund Management Fees) in FY27 to support this work under a TA project for Sri Lanka.

II. BACKGROUND

Macroeconomic context

Sri Lanka has been implementing ambitious reform program supported a 48-month arrangement under the EFF approved by the IMF Executive Board in March 2023. Economic reforms implemented by the authorities have continued to support economic recovery, with reserves accumulating and real GDP growth and revenue mobilization outperforming expectations. The Press Release from the IMF Staff Visit in April 2026 reported that economy grew by 5 percent year-on-year in 2025, inflation rebounded to 2.2 percent in March 2026, and gross international reserves reached US\$ 7 billion at end-March 2026. Fiscal performance in 2025 was strong, primarily supported by tax collections, while debt restructuring is nearing completion.

Despite this strong performance, Sri Lanka is significantly exposed to the Middle East conflict, which has raised energy prices, disrupted tourism, and affected Sri Lankans working in the region. At the same time, the country needs to address the infrastructure and spending needs caused by Cyclone Ditwah that severely hit Sri Lanka in late 2025. Heightened downside risks to the economy from natural disasters, persistent trade policy uncertainty, and conflict in the Middle East emphasize the urgency to accelerate the reform momentum to safeguard economic stability, enhance resilience to shocks, and maintain the economy on a path towards economic recovery and inclusive growth.

Country engagement and alignment to reform priorities

The objectives of Sri Lanka's reform program supported by the EFF include: (i) raising government revenue while strengthening social safety nets and ensuring cost-recovery energy pricing; (ii) restoring debt sustainability; (iii) restoring and maintaining price stability; (iv) building foreign reserves and safeguarding financial stability; and (v) reducing corruption vulnerabilities and implementing structural reforms to sustain growth.

The IMF has strong commitment to providing capacity development (CD) to Sri Lanka to support the authorities' effort in implementing their reform program. The authorities requested two separate macroeconomic framework TA projects with the MOF and the central bank, which have been delivered by ICD, including in coordination with the South Asia Regional Training and Technical Assistance Center (SARTTAC). Macroeconomic framework TA provided by ICD has helped the authorities strengthen their analytical capacity and policy formulation to restore macroeconomic stability, improve fiscal situation, restore debt sustainability, maintain price stability, building international reserves, and sustain growth. This GPFP-funded TA is focused on building capacity in macroeconomic analysis and forecasting to strengthen policy discussion and formulation in the MOF.

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD in the form of TA to support the Sri Lankan authorities in Macroeconomic Projection Tools, Research, and Analytical Work. The CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Macroeconomic Framework	SM IV / Fiscal and Macroeconomic Tools, Research, and Analytical Work	Develop capacity in macroeconomic forecasting and policy analysis to support policy decision making and communications.

A. SM IV – Fiscal and Macroeconomic Tools, Research, and Analytical Work

Scope

This project will help the MOF develop capacity in macroeconomic analysis and forecasting. Previous IMF TA activities have helped the authorities develop macroeconomic projection tools (MPT) to produce multi-sector (real, external, fiscal, and monetary) macroeconomic analysis and projection. Although good progress has been made by previously-delivered TA, projection results have not been embedded in the MOF's regular budget-preparation cycle. The core team is relatively small, and most staff are busy with various tasks, making the project vulnerable to staff turnover. Further work is also needed to ensure that the team can operate the projection tools independently and to strengthen collaboration with the central bank.

In view of these needs, the TA proposed in this proposal will further strengthen the capacity of the MOF team. The TA activities in FY27 will focus on ensuring that the core team could operate the projection tools independently, integrating the results into MOF policy formulation, and completing the user manual of the tools to sustain capacity development moving forward. The TA activities will also help the authorities analyze the impact of war in the Middle East and fuel shortages and operationalize the projection tools to support the discussion under the IMF-supported program.

Program Objectives

The overall objective of this project is to improve the authorities' capacity in macroeconomic analysis and forecasting to support policy formulation. The specific objectives are as follows:

- Reviewing and updating the MPT and results to ensure their robustness and consistency, including by assessing the impact of the conflict in the Middle East and analyze the government's policy responses. Presenting the results to policymakers.
- Integrating the tools and outputs into policy discussions in the MOF, including by developing regular projection calendar and formalizing a mechanism in which the analytical team could provide inputs to decision-makers.
- Completing the user manual for the projection tools to train new team member and sustain capacity development going forward. Ensuring that the MOF team could operate the MPT independently, analyze the projection results, and present it to policymakers. Formalizing the integration of the tools and projection in the budget-preparation cycle.

Expected Results (outcomes)

This project is expected to produce the following outcomes.

- The authorities will have a baseline understanding of their existing macroeconomic forecasting, policy analysis and analytical capabilities and opportunities for improvement.
- The authorities will have improved analytical skills, and better macroeconomic forecasting and policy analysis capacity.
- Analytical models and forecasting tools are developed and operational to provide consistent macroeconomic projections.
- Decision-making process in producing macroeconomic analysis and projection is well-structured, streamlined, and documented, and associated roles and responsibilities are well-defined.
- Decisionmakers understand the structure and function of the MPT and use staff's MPT-based analysis and forecast in the policy formulation process.

The objectives and outcomes of this project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

This project supports authorities' efforts in implementing policy recommendations under the 2023 EFF-supported program. In this macroeconomic context, this project will continue to build capacity in macroeconomic analysis and forecasting. By developing and operating macroeconomic projections tools, the authorities will be able to make consistent macroeconomic projections and analyze the impact of shocks and policy changes on the economy, contributing to a better policy formulation. This TA project focused on the core issues of macroeconomic analysis and policies in the MOF, by helping the authorities develop macroeconomic projection tools customized to the Sri Lankan economy, operate the tools to generate macroeconomic projections, and integrate the tools and results into policy formulation in the MOF.

Building on the previous IMF support to the country, the activities envisaged in this project will focus on integrating the projection results into policy formulation. First, the TA team will help the authorities' team review the projection results including by analyzing the impact of the conflict in the Middle East. Then, the TA team will help their team formulate projection calendar to update the projection and present the results to policymakers. Finally, the TA team will ensure that the authorities' team could operate the tools independently and assist them to complete the user manual of the tools to sustain capacity development.

B. Delivery Modalities

The TA will comprise primarily headquarters-led (HQ) in-person missions and virtual meetings to provide strategic recommendations, conduct regular follow-ups, assess progress, coordinate with other CD providers, and adjust reform implementation plans. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's Asia and Pacific Department Sri Lanka team	Sharing information on TA progress, seeking endorsement of mission plan, preparing for meeting with the authorities during the Spring and Annual meetings.	Overall objectives of TA mission, policy priorities under the IMF-supported program, and general direction of the TA implementation	Quarterly
IMF's Fiscal Affairs Department (FAD) TA teams	Sharing information and strengthening coordination with FAD TA projects	TA implementation and recommendations, ensuring complementarity and consistency, avoiding duplication	Semi-annually
Development partners, including relevant MOF counterparts	Outreach event with development partners during TA missions	Sharing information and providing updates on TA progress	During in-person mission

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	Travel Restrictions: Global health or geopolitical developments can lead to travel restrictions.	Low	Virtual engagement, and flexible mission schedule.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	Lack of engagement by Ministry of Finance (MOF) could slow the momentum of the project. Political developments could create distraction, and any changes of MOF management could undermine commitment to the project	Low	Senior management at the MoF has identified a clear need for the TA project. Project design will incorporate measures to foster ownership and commitment. Regular engagement with the authorities (both virtual and in-person) will help to keep the project on track.
RESOURCE ADEQUACY			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	Staff turnover could undermine TA implementation, and MOF staff also face competing pressures and high priority ad-hoc requests.	Medium	The mission recommends filling all vacant positions as soon as possible. The development of user manual of the macroeconomic projection tools will help mitigate the risk of staff turnover, train new staff, and sustain capacity development.
OTHER RISKS			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	Policy coordination: The project was originally established to support both the MOF and central bank, but it has been restructured to work only with the MOF. The are risks on policy coordination that could affect TA implementation..	Medium	This risk has receded. The TA team continues to encourage meetings between the MOF and central bank to facilitate coordination and discussion.
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	Multiple TA projects: The IMF-supported program has made Sri Lanka a priority country for TA. There is therefore a risk that involvement in other TA projects or missions crowds out time for this project.	Medium	The project will be mindful of the authorities' time constraints in scheduling missions and in setting project deadlines. The TA team will also coordinate closely with other IMF TA departments to avoid duplication and/or scheduling conflicts.
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	Multiple tools: The tools developed by the MOF may have different objectives compared to those developed by the central bank or other ministries. Different tools could produce different results that need to be reconciled to produce coordinated macroeconomic policies.	Medium	The TA team continues to make best efforts in encouraging the MOF to share the projection tools and results with the central bank and other ministries.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	Grand Total
HQ-led TA mission	November 2026 March 2027	2
Virtual meetings to update the TA progress and cover specific topics	-	As needed
Total	2	2

Note: In-person delivery is chosen in most instances to strengthen interaction with the authorities' team and facilitate hands-on training to support the engagement in a program country. Virtual meetings may be utilized as needed to discuss TA progress, clarify specific topics, and maintain the momentum of TA implementation.

Table 3. FY27 workplan

Timing	CD Modality	Proposed Topics of CD
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work		
Q3/FY27	Field-Based work – FB	Continue calibrating the projection tools and refining the projections under the baseline and alternative scenarios; Presenting the projection results to policy makers for discussions. Start integrating the projection results into MOF policy formulation; Developing regular projection calendar.
Q4/FY27	Field-Based work – FB	Completing the user manual of the projection tools to sustain capacity development. Ensuring that the MOF team can operate the macroeconomic projection tools independently; Formalizing the integration of the tools and projection in the budget-preparation cycle. Reviewing TA implementation and preparing the groundwork for a follow-up TA.
In between missions, as needed	Virtual meetings	Updating the TA progress and discussing specific topics.

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
SM IV - Fiscal and Macroeconomic Tools, Research, and Analytical Work	300,000	-	300,000
Subtotal	300,000	-	300,000
Trust Fund Management Fee (7%)	21,000	-	21,000
TOTAL	321,000	-	321,000

Note: The estimated budget for this project is US\$ 321,000 and endorsement is requested for the full amount. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. SM IV – Fiscal and Macroeconomic Tools, Research, and Analytical Work

Objective: Develop capacity in macroeconomic forecasting and policy analysis to support policy decision making and communications - MFR	
Outcome(s)	Indicator(s)
Improved analytical skills, and better macroeconomic forecasting and policy analysis capacity	Relevant staff have successfully completed agreed training delivered via various modalities (online, classroom courses, workshops)
	Analytical framework centered around the MPT is used to produce medium-term forecasts, scenarios as well as risk and policy analysis
	Relevant staff demonstrates the capability to independently operate the MPT and other auxiliary analytical models and tools
	Roles and responsibilities identified/streamlined/clarified within the core forecasting team
Analytical models and forecasting tools are developed and operational	MPT is developed in the form of an Excel-based macroeconomic framework for forecasting and policy analysis, respecting accounting relationships
	A user manual on MPT and other auxiliary models and tools is prepared, and is readily available to all staff
Decision-making process is well-structured, streamlined, and documented, and associated roles and responsibilities are well-defined.	Projection Coordinator assumes official responsibility for coordinating and leading the forecasting activities
	Forecast Calendar is officially adopted and followed
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	Forecasting team regularly interacts with policymakers
	Policymaking committee/board demonstrates understanding of the structure of the MPT and its core role in the forecasting process



Amendment to
Project Proposal for
UGANDA

June 2026

Component: Spending

Module: SM-II: Public Financial Management



PROJECT SUMMARY

COUNTRY: Uganda

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY27

PROJECT MANAGERS: Eduardo Camero Godinez (Tax Policy, FADT2, Lead)
 Thabo Letjama (Revenue Administration, FADR2)
 Bernard Sanya (Revenue Administration, Extractive Industries FADR2)
Nompumelelo Radebe (Public Financial Management, FADM1)

ESTIMATED BUDGET: US\$ 214,000

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for RM-I: Tax Policy and RM II: Revenue Administration	January 2024
AMENDMENT 1/2	Addition of extractives activities to existing project, transitioning from current MNRW-TF project	January 2025
AMENDMENT 2/2	Addition to module SM II: Managing Public Finances supporting the Medium-Term Expenditure Allocation and Management Strategy (MTEAMS) pilot to strengthen the efficiency of Uganda's medium-term spending	June 2026

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ACRONYMS

CD	Capacity development
ECF	IMF's Extended Credit Facility
FAD	IMF's Fiscal Affairs Department
GPFP	Global Public Finance Partnership
MTEAMS	Medium-Term Expenditure Allocations and Management Strategy
MTEF	Medium-term expenditure framework
MTRS	Medium-term revenue strategy
PFM	Public financial management

I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

Uganda has requested a Medium-Term Expenditure Allocations and Management Strategy (MTEAMS) engagement, following discussions during the 2026 Spring Meetings. MTEAMS is a new approach developed by the IMF's Fiscal Affairs Department (FAD) that combines key elements from expenditure policy and public financial management (PFM) to help countries advance their growth and development priorities while maintaining a sustainable trajectory for public finances. It offers a structured framework for countries to build consensus on spending priorities considering emerging pressures and budget constraints, improve the efficiency and effectiveness of spending, strengthen enabling PFM laws, institutions, and processes over the medium term, and coordinate capacity development support with development partners. MTEAMS will assist the Ugandan authorities to enhance spending efficiency. This approach will also maximize the value and impact of both public expenditure and direct spending resources on medium-term priorities. It represents a natural progression of efforts to strengthen both annual and medium-term budget credibility and supports long-term shifts in expenditure prioritization. This would be one of the pilot MTEAMS engagements. It also complements ongoing work under this Global Public Finance Partnership (GPFP) project to strengthen Uganda's medium-term revenue strategy (MTRS).

Uganda was under the IMF's Extended Credit Facility (ECF) that came to an end without completing the sixth review, due to failure to meet ECF targets—mostly fiscal and net international reserves targets which were missed by large margins. A new ECF program request was submitted in April 2025 but negotiations have currently paused partly because of disagreement over prior actions related to PFM, notably on strengthening budget credibility and the supplementary budget process. Given its focus on strengthening expenditure efficiency and prioritization, MTEAMS support aligns well with the proposed conditionalities under the upcoming ECF program which seeks to reduce supplementary expenditure and improve budget credibility.

FAD conducted a mission to Uganda in September 2025 to undertake a diagnostic review of the budget preparation process, including the status of implementation of the medium-term expenditure framework (MTEF). The mission found that although Uganda is among early adopters of the MTEF approach in sub-Saharan Africa, its implementation has had limited success due to weaknesses in annual budget

preparation and execution processes. These weaknesses further undermine the credibility of budget and fiscal targets, and lead to increased usage and reliance on supplementary budgets to adjust in-year spending. Addressing these gaps requires a structured and programmatic approach that reviews both the underlying causes of identified gaps in existing budget preparation and execution processes and identifies opportunities for strengthening existing processes to optimize public spending and effectively deliver policy outcomes.

Description of Modules

The proposed amendment to the GPFP project will facilitate joint support across two workstreams—PFM and expenditure policy in FY27. The CD will support an initial field-based MTEAMS mission combining FAD staff from headquarters (from the PFM and Expenditure Policy divisions) to undertake a review of the efficiency of spending across major government programs and selected items. This will support the authorities in developing a realistic and credible medium-term expenditure baseline that accounts for the costs of existing policies, expenditure trends and demographic changes, ensuring a realistic evaluation of fiscal space. This will then be matched with a realistic costing of key medium-term spending priorities that can be accommodated within the fiscal space. The mission will also identify key PFM reforms needed to strengthen budget and expenditure management.

The previous CD mission—September 2025, financed by another source—recommended several key improvements to strengthen Uganda’s annual budget preparation process and support effective implementation of the MTEF. Enhanced support under the GPFP would allow for continuous CD to the authorities in strengthening budget preparation, particularly the MTEF to maintain reform momentum. Furthermore, it will enable FAD to expand the scale of support related to the MTEF to include implementation of the MTEAMS approach which would support the authorities to strengthen prioritization of resources, reduce inefficiency and wasteful spending, and build robust institutions and processes to enhance budget and expenditure management.

Support will leverage existing FAD tools and diagnostic frameworks as necessary as well as the recommendations from previous CD provided on strengthening budget preparation including the MTEF, public investment management, oil revenue management, macrofiscal forecasting and cash management. Ongoing discussions with the Uganda country team and the authorities on required reforms to the supplementary budget process will also be considered.

The estimated budget for this project amendment is US\$ 214,000, and endorsement is requested for the full amount. Further needs for additional or continuous support will be evaluated following the initial mission.

II. BACKGROUND

Macro-fiscal situation

As noted in the 2026 IMF Staff Report, Uganda's economy has performed well after the pandemic, with strong growth, low inflation, and higher foreign exchange reserves driven by coffee exports and portfolio inflows in 2025. However, progress in rebuilding durable fiscal space has been limited. Real GDP growth rose to 6.3 percent in FY24/25 and is projected to further increase to 6.5 percent in FY25/26, inflation stabilized below 4 percent, and the estimated current account deficit narrowed to 6.1 percent of GDP, supported by strong coffee exports. Foreign exchange reserves increased to over three months of import coverage by October 2025, partly reflecting strong portfolio inflows in 2025.

The overall budget deficit widened to 6 percent of GDP in FY24/25 from 4.7 percent in FY23/24, and public debt reached 52.4 percent of GDP. The fiscal deficit is projected to widen to 7.2 percent of GDP in 2025/26, driven by interest payments, other current spending, and increased development spending. Debt service costs consume almost one-third of domestic revenues and were equivalent to 10 percent of GDP at the end of 2025 due to the maturity of outstanding debt. A steady increase in revenue-to-GDP is expected and will aim to reach the 18-20 percent level by 2030, up from 14.2 percent in 2024/25 due to anticipated oil revenues that are projected to peak at close to 3 percent of GDP in 6 years.

Country engagement and alignment to reform priorities

There is significant scope to improve the Ugandan MTEF as a tool for multiyear budgeting and fiscal planning in Uganda. The Ministry of Finance, Planning and Economic Development is now aiming to revitalize and reinforce the MTEF in line with Uganda's Public Financial Management Reforms Strategy for 2025-2030. The PFM Reforms Strategy recommends reviewing the MTEF to create a robust policy framework for multiyear budgeting. Since a credible MTEF relies on an annual budget that is both realistic and implemented as planned, it is essential to first address shortcomings in the annual

budgeting process, particularly by improving budget credibility and spending efficiency, before implementing major changes to the MTEF.

Among the main goals of the PFM Reforms Strategy is to enhance resource allocation efficiency and operational efficiency in public expenditure. Key actions in the strategy focus on improving the PFM system to support more strategic investment prioritization, ensure alignment of the budget with national development goals, and enhance allocative efficiency of public resources. This is expected to contribute to reduced wastage and inefficiency in spending and enhanced value for money in public expenditure. These measures are consistent with the objectives of the IMF's MTEAMS approach, which seeks to ensure that resources are directed to policy priorities, spending is maximized through well designed programs, wasteful expenditure is minimized and robust supportive institutions and processes are built to optimize spending.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Uganda on PFM. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM II / Managing Public Finances	Strengthen budget management

A. SM II – Managing Public Finances

Scope

This project will strengthen reforms related to annual budget preparation and the MTEF, as well as improve budgeting and multiyear costing of public investment projects using the MTEAMS approach, focusing on improving the efficiency and effectiveness of spending and prioritization of limited resources.

The work program will concentrate on improving the adequacy, efficiency and sustainability of public spending in Uganda. This involves facilitating a government-led dialogue to align spending with national

priorities and fiscal space, strengthening prioritization, realigning and rationalizing spending, and identifying reforms required by key enabling PFM institutions and processes to maximize value from public spending. Key outputs will include the following:

- Development of a realistic and credible medium-term baseline which provides a realistic, not mechanistic, assessment of fiscal space;
- Focused costing of selected priorities in the National Development Plan IV (e.g., social spending given concerns around this spending area in the previous ECF Program) with a view to developing a costing methodology that can be widely applied to other priorities;
- A spending review of selected areas or items to identify low priority, low effectiveness spending that could contribute to savings.

A medium-term reform plan will also be developed setting out the key actions, timelines and milestones for the program which will guide reform implementation and reporting.

Program Objectives

In line with the country's PFM Reforms Strategy and National Development Plan IV, the main objectives of the program are to

- Improve alignment between spending and government policy priorities across the 18 Government Programs
- Develop a credible medium-term budget framework that comprehensively captures all expenditures, including the full costs of ongoing programs and projects
- Ensure that the MTEF integrates the fiscal implications of approved new policies and priorities
- Enhance overall budget credibility to reduce in-year deviations and limit the need for multiple supplementary budgets within a fiscal year

Expected Results (outcomes)

The expected results are to

- Improve consensus on spending priorities in Uganda aligned with the available resource envelope, medium-term fiscal framework and the National Development Plan IV;
- Enhance the efficiency and effectiveness of spending to direct resources to key policy priorities and minimize wasteful spending
- Maximize the impact of public spending through well-designed programs

Consistent with Uganda's PFM Reforms Strategy, the ultimate outcome is to improve allocative and operational spending efficiency through smarter spending choices and effective prioritization of resources. This will support economic growth, build trust in government, and accelerate achievement of the development goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

In recent years, Uganda has received significant CD support in PFM from FAD. Areas of focus have included oil revenue management (formerly through the Managing Natural Resource Wealth Thematic Fund, and now GPFP), medium-term budgeting, development of the macro-fiscal framework, revenue forecasting, fiscal risk management related to state-owned enterprises, public investment management, cash management and the Treasury Single Account (TSA). Additionally, a public investment management assessment (PIMA) was conducted in 2022, followed by a Climate-PIMA in 2023.

Progress on reforms has varied across different areas. More progressively, the fiscal framework has been enhanced to incorporate oil revenue management and a Charter for Fiscal Responsibility (FY2022–2026) was developed, outlining fiscal objectives aligned with FAD recommendations. However, progress has been slow in fully integrating the MTEF in annual budget planning. Weaknesses in the annual budget preparation and execution processes—such as an ineffective top-down process, frequent discrepancies between the approved budget and actual outturns, regular use of supplementary budgets, large forecast errors and continual cash rationing—have reduced budget credibility and the effectiveness of the MTEF, impacting overall fiscal management. Social spending has also been persistently below the social spending floor due to under-absorption, particularly in the education and health sectors. The public investment plan is overprogrammed and there is no systematic determination of expected costs of sustaining ongoing projects and existing policies over the medium term.

The requested GPFP funding will therefore ensure that FAD can continue to support the authorities in strengthening ongoing institutional work to improve the credibility of the budget, both in the annual and medium term, and progressing this support to include improved public expenditure management and spending prioritization.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual delivery will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered:

- **Headquarters-led (HQ) missions** to provide strategic recommendations, conduct regular follow-ups, assess progress, coordinate with other CD providers, and adjust reform implementation plans as needed.
- **A workshop**, as part of the above mission, to explain the MTEAMS approach, share experiences, obtain inputs from stakeholders on progress achieved and challenges faced, and discuss their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's Uganda area department and resident representative	Sharing of information, insights, and recommendations to ensure alignment with new program expectations	PFM and expenditure policy priorities e.g., strengthening the supplementary budget process and diagnostic review of social spending	Regularly, ongoing
IMF's Regional Technical Assistance Center for East Africa	Sharing of information (i.e., previous mission reports) and follow-up support at the conclusion of the program	PFM	Quarterly, as needed
Development Partners (e.g., the World Bank and European Commission)	Sharing of information and insights on ongoing work in Uganda to leverage development partner strengths and ensure better coordination of reform implementation	PFM	Annually, as needed

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
SM II - Managing Public Finance	Many actors involved in PFM reform for targeted support	Medium	Regularly engage with other donors to ensure that CD support is well coordinated
POLITICAL SUPPORT			
SM II - Managing Public Finance	Lack of political commitment to implement suggested reforms; political interference	Very High	Ensure early involvement of politicians in reform discussions and engage them regularly as necessary to ensure full understanding of reforms required
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM II - Managing Public Finance	Management and technical staff have strong capacity but their effectiveness is weakened by political interference in decision making	Medium	Regularly engage the political principals to understand their priorities and align reforms to those priorities as far as possible
RESOURCE ADEQUACY			
SM II - Managing Public Finance	Many government priorities competing for limited resources	High	Incorporate prioritization tools such as spending reviews as a key component of expenditure management
OTHER RISKS			
SM II - Managing Public Finance	Estimates of external financing are subject to large optimism biases	High	Incorporate as part of the annual forecasting process a manual assessment of existing grants and loans and assign a probability based on judgement and previous experience on the likelihood of the grant or loan being received

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
SM II – Managing Public Finances			
HQ led CD mission	1	-	1
TOTAL	1	-	1

Note: In-person delivery was chosen for maximum impact and to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
SM II – Managing Public Finances		
Q2/FY27	Duty station-based Work - DS	Mission preparation, including sourcing and analysis of relevant documents and data for the mission
Q3Q4/FY27	Field-based Work - DS	Initial MTEAMS mission to assess MTEF progress and spending efficiency

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
SM II - Managing Public Finance	200,000	-	200,000
Trust Fund Management Fee (7%)	14,000	-	14,000
TOTAL	214,000	-	214,000

Note: The estimated budget for this project amendment is US\$ 214,000 and endorsement is requested for the full amount. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. SM II – Managing Public Finances

Objective: Strengthen Budget Management - SBM	
Outcome(s)	Indicator(s)
Strengthened medium-term budget frameworks	Developed medium-term budget framework, and/or expenditure framework



Project Proposal for

URUGUAY

June 2026

Component: Revenue and Spending

Module: RM-II: Revenue Administration

SM-II: Public Financial Management



PROJECT SUMMARY

COUNTRY: Uruguay

LEAD DEPARTMENT: FAD

REGION: WHD

PLANNED DATES: FY27-28

PROJECT MANAGERS: Enrique Rojas (Revenue Administration, FADR2)
Ramon Hurtado (Public Financial Management, FADM2, Lead)

BUDGET FOR ENDORSEMENT: US\$ 535,000

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ACRONYMS

CD	Capacity development
CRM	Compliance risk management
DGI	General Tax Directorate of Uruguay (Dirección General Impositiva)
FAD	IMF's Fiscal Affairs Department
FTE	Fiscal Transparency Evaluation
MEF	Ministry of Economy and Finance of Uruguay
PFM	Public financial management

I. PROJECT PURPOSE

Country request and relevance/importance

The Ministry of Economy and Finance of Uruguay (MEF) has requested IMF technical assistance to support ongoing reforms aimed at strengthening both public financial management (PFM) and revenue administration, in line with recommendations from the 2025 Article IV consultation and the accompanying Policy Note. These priorities were reaffirmed during bilateral engagements with the MEF, including the IMF Spring Meetings in 2025 and subsequent follow-up discussions in 2026.

On the RA side, the authorities have highlighted the need to further strengthen core tax administration functions, including compliance risk management, governance, and performance monitoring. The 2025 Article IV underscored the importance of safeguarding revenue mobilization to support fiscal sustainability, while the policy note emphasized the role of a modern and effective tax administration in sustaining Uruguay's strong fiscal institutions and financing priority public spending.

On the PFM side, informed by the March 2026 Fiscal Transparency Evaluation (FTE), this project will support the MEF in addressing key fiscal reporting and fiscal risk management gaps. Commitment from the topmost political level to reform fiscal institutions, backed up with high institutional capacity, provides an excellent window of opportunity to help Uruguay steer towards the frontier of sound fiscal management within relatively short period, an accomplishment with significant potential for demonstration effect for rest of the Latin America region.

The proposed GPFP project responds directly to these requests by combining support under the revenue administration and managing public finances modules, ensuring a coherent approach across revenue, budgeting, and fiscal reporting reforms, closely aligned with IMF's surveillance activities. There is currently no IMF-supported financing arrangement for Uruguay.

Description of Modules

The revenue administration module will provide targeted CD to strengthen revenue administration management and governance arrangements. Expected results include the implementation of a robust compliance risk management (CRM) framework, which will support the DGI's transition from CRM design to business-as-usual operations.

The PFM module will help authorities in advancing toward accrual-based fiscal reporting, strengthening medium-term budget frameworks, and improving the identification, monitoring, and disclosure of fiscal risks. These reforms are seen as critical to enhancing fiscal discipline, improving policy credibility, and sustaining Uruguay's strong institutional framework.

The estimated budget for this project is US\$ 535,000, and endorsement is requested for the full amount through FY28.

II. BACKGROUND

Macro-fiscal situation

Uruguay continues to benefit from strong macroeconomic fundamentals and a well-established policy framework. Nevertheless, the 2025 Article IV consultation highlighted emerging fiscal pressures stemming from expenditure rigidities, demographic trends, and contingent liabilities, underscoring the importance of preserving revenue performance and strengthening fiscal institutions over the medium term. Ensuring the effectiveness of revenue administration and strengthening fiscal reporting and risk management practices are therefore critical to maintaining fiscal sustainability and policy credibility.

Country engagement and alignment to reform priorities

IMF engagement with Uruguay has been continuous and multifaceted, encompassing surveillance, technical assistance, and training. However, the intensity of engagement has varied across the two workstreams covered by this project. In the area of revenue administration, in August 2025, as part of efforts to strengthen collaboration with the authorities, FAD met with the new head of the General Tax Directorate of Uruguay (Dirección General Impositiva, DGI), who has been in office since March 2025. They discussed his plans to develop and implement a compliance risk management (CRM) framework. He emphasized the DGI's central role in Uruguay's tax system, contributing around 85 percent of central government revenues. These discussions were further advanced during the subsequent revenue administration mission in November 2025, reflecting the authorities' strong commitment. In the PFM area, after a period of more limited engagement, the 2026 FTE marked a renewed and strong commitment from the authorities. The authorities took full ownership of the PFM reform measures set out in the FTE action plan, with a view to enhancing fiscal transparency and strengthening public financial management institutions.

The proposed GPFP engagement is fully aligned with these reform priorities. Combining revenue administration support (under the revenue administration module) with complementary reforms in fiscal reporting, budget management, and fiscal risk oversight (under the managing public finances module), enables the project to adopt an integrated approach that is consistent with the authorities' medium-term reform agenda and IMF recommendations.

IMF priority areas / cross-cutting themes

Climate change. This project will cover management of fiscal risks from natural disasters related to climate change.

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to Uruguay in revenue administration and PFM. FAD capacity development (CD) will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM II / Revenue Administration	Strengthen revenue administration management and governance arrangements
Spending	SM II / Managing Public Finances	- Strengthen budget management - Improve fiscal transparency and reporting - Strengthen macrofiscal frameworks

A. RM II - Revenue Administration

Scope

In recent years, the DGI has strengthened its strategic planning, digitized processes, and modernized its technology to improve tax administration. It has also advanced GovTech solutions to enhance interactions between public institutions and citizens, while maintaining a strong focus on compliance and service delivery.

Despite these advances, the DGI continues to face challenges in operational efficiency and management effectiveness. Current work models lack evidence-based mechanisms for resource allocation and performance evaluation, limiting optimization. Similarly, the DGI's ability to detect and respond to serious fraud is constrained by the absence of specialized structures, limited legal powers, and weak inter-agency cooperation. The persistence of the corporate income tax (CIT) gap and the increase in the value-added tax (VAT) gap, despite greater digitalization, suggest that large taxpayer compliance issues and serious fraud remain key drivers.

This two-year project will help address these challenges and support the DGI's transition from the design of a CRM approach to its full implementation. It will provide targeted technical assistance, training, and strategic guidance to embed sustainable and effective CRM practices across the organization. To ensure a tailored approach, the DGI will define a timeline of key activities and identify specific capacity development needs to accelerate CRM implementation. In addition, a clear baseline will be established to support systematic evaluation of the assistance provided.

Program Objectives

The main objective of the project is to support the authorities' priority to strengthen domestic revenue mobilization. Specifically, the project aims to modernize the DGI in embedding a risk-based compliance approach under the *Modelo de Gestión de Cumplimiento Tributario* (MGCT), with a view to enhancing efficiency, transparency, and taxpayer-centric service delivery.

Expected Results (outcomes)

For the DGI, the project is expected to support the implementation of a robust CRM framework to strengthen revenue administration management and governance arrangements. This framework will enhance the monitoring and evaluation of compliance risk mitigation activities and support the systematic implementation of compliance improvement programs. Achieving these outcomes will be underpinned by key institutional developments, including the establishment of a centralized risk unit, the development of compliance improvement plans for key taxes (VAT, CIT, PIT) aligned with the corporate CRM framework, and the operationalization of a risk management committee to support coordinated decision-making and oversight.

B. SM II – Managing Public Finances

Scope

This module will support Uruguay by providing targeted technical assistance and institutional capacity building aiming to (i) expand fiscal reporting coverage and strengthen balance-sheet reporting, (ii) support the planned transition towards accrual-based accounting, (iii) improve budget and macro-fiscal analysis and disclosure, and (iv) institutionalize an integrated fiscal risk function culminating in a comprehensive Fiscal Risk Statement.

Program Objectives

This project will support Uruguay in strengthening its macro fiscal capacities and fiscal transparency, while addressing critical weaknesses in fiscal reporting, integrated budget framework and comprehensive fiscal risks management. The project will assist the authorities in addressing these gaps through the development and implementation of a reform roadmap based on the results of the recent FTE, aimed at aligning practices with international standards and supporting sustained improvements.

Expected Results (outcomes)

The expected results are: i) expanded institutional coverage and improved usability of fiscal reports, as evidenced by the regular production of broader public sector fiscal reports with enhanced balance-sheet information and clearer presentation of stocks, flows, and key fiscal aggregates; ii) stronger integration of macro-fiscal forecasting with medium-term budget preparation and annual budget decision-making, as evidenced by the systematic use of macro-fiscal assumptions and medium-term projections in budget documentation and resource allocation decisions; and iii) more systematic identification, assessment, and disclosure of fiscal risks, as evidenced by the establishment of an institutionalized fiscal risk function, regular compilation of a fiscal risk register, and publication of a progressively more comprehensive Fiscal Risk Statement covering key contingent liabilities and natural-disaster-related risks.

Progress toward these results will be monitored using the relevant indicators from the recent Fiscal Transparency Evaluation (FTE). The scores recorded in the FTE will serve as the baseline against which improvements over the project period will be assessed. Where feasible, progress will be measured by evidence of stronger institutional practices, expanded reporting coverage, improved quality and frequency of fiscal information, and more systematic disclosure of fiscal risks, consistent with the reform areas identified in the FTE. For example, progress in improving the frequency of in-year budget reporting will be assessed against the 1.2.1 FTE, with the current FTE score serving as the baseline.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

The project will be implemented in close collaboration with the MEF and other relevant public sector institutions, such as the Uruguayan Financial Intelligence Unit (UIAF) and the Customs Administration, as key partners in managing fraud risks effectively, as well as the Central Bank of Uruguay to enhance

fiscal reporting. Senior-level ownership and technical counterparts will be designated to ensure effective coordination and follow-through on reforms.

B. Delivery Modalities

CD will comprise a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX) visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration and public financial management. *The project will seek to use Spanish-speaking experts.*
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.
- **Peer-to-peer (P2P):** Engagements designed to enable project beneficiaries to exchange views and experiences in implementing specific reforms, providing opportunities for Uruguayan officials to observe practices adopted by other institutions with robust arrangements in targeted areas. Engagements with high-performing revenue and PFM administrations, such as the Australian Taxation Office and the Colombian Risk Office will be key to supporting the implementation of a robust CRM framework and a sound fiscal risks management.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's Western Hemisphere Department country team	FAD coordinates regularly with the country team,	Priorities and recommendations	Regular
Other development partners	Uruguay is recipient of technical support from other development partners, particularly Inter-American Development Bank (IDB) and with less extent World Bank. Constant communication cross-feeds our actions and avoids overlaps.	Coordination of other TA support, for example in the areas of integrated budget framework and CRM where IDB is providing support.	Quarterly

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM II - Revenue Administration	A deterioration in the fiscal situation could affect the availability of resources needed to finance reforms.	Low	This risk is mitigated by close alignment of the reforms with the government's priorities. Reforms at the DGI are grounded in comprehensive strategic plans, and the project reflects the authorities' decision to reduce noncompliance and strengthen risk management capabilities.
POLITICAL SUPPORT			
RM II - Revenue Administration	Shifts in policy priorities arising from fiscal pressures could slow or interrupt implementation of the reforms. However, the government has demonstrated strong commitment to the proposed reform agenda.	Low	The project will focus on strategic advice and hands-on capacity development to help anchor reforms more durably. Uruguay has prioritized this project as part of its effort to strengthen its compliance improvement strategy.
SM II - Managing Public Finance	Sustaining legislative support will be important to maintain reform momentum. However, the government has demonstrated strong commitment to the proposed reforms.	Low	Regular dialogue and information exchange with the authorities will help address implementation challenges as they arise and sustain momentum behind the reform agenda.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM II - Revenue Administration	Frequent turnover among managers and staff could weaken absorptive capacity and disrupt continuity in reform implementation.	Low	The project will encourage measures that promote greater staffing stability and will maintain regular high-level engagement and monitoring to support continuity.
SM II - Managing Public Finance	An increase in the turnover of managers and staff could undermine the government's absorptive capacity. However, senior officials and technical staff have demonstrated strong commitment during recent diagnostic missions.	Low	Regular engagement with key counterparts across the relevant workstreams will help sustain ownership, reinforce coordination, and support implementation continuity.
RESOURCE ADEQUACY			
RM II - Revenue Administration	The DGI has limited discretion over decisions related to budget allocations, hiring, promotions, staff categories, role definitions, organizational structure, and internal processes.	Low	This risk will be mitigated through high-level engagement with the Ministry of Economy and Finance to encourage greater operational autonomy for the DGI, continued investment in infrastructure, and adequate staffing.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
RM II – Revenue Administration			
HQ led CD mission	1	1	2
STX visits	5	5	11
Staff visits	1		1
Workshops (inc. during HQ and remote CD)	-	1	1
Subtotal	7	7	15
SM II – Managing Public Finances			
HQ led CD mission	-	1	1
STX visits	4	3	7
Staff visits	1	-	1
Workshops (inc. during HQ and remote CD)	2	-	2
Desk reviews	1	-	-
Subtotal	8	4	11
Total	15	11	26

Note:

- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM II - Revenue Administration		
Q1/FY27	Field-Based work - FB	Two STX visits on CRM implementation
Q2/FY27	Field-Based work - FB	Two STX visits to follow up on CRM implementation
Q3/FY27	Field-Based work - FB	Two STX visits to follow up on CRM implementation
Q4/FY27	Field-Based work - FB	One STX visit to follow up on CRM implementation and one staff visit to take stock of progress and needs.
SM II – Managing Public Finances		
Q1/FY27	Duty station-based Work - DS	One HQ STX on macro fiscal risks and One HQ STX on Public Sector Balance Sheet.
Q2/FY27	Field-Based work - FB	HQ Workshop on spending review
Q3/FY27	Duty station-based Work - DS	One HQ Desk review of the draft budget integrated law
Q3/FY27	Duty station-based Work - DS	One HQ STX on specific risks and One HQ STX on natural disasters
Q3/FY27	Duty station-based Work - DS	Workshop on transition to accrual
Q4/FY27	Field-Based work - FB	Staff visit to take stock of reporting issues

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM II - Revenue Administration	200,000	-	200,000
SM II - Managing Public Finance	150,000	150,000	300,000
Subtotal	350,000	150,000	500,000
Trust Fund Management Fee (7%)	24,500	10,500	35,000
TOTAL	374,500	160,500	535,000

Note: The estimated budget for this project is US\$ 535,000, and endorsement is requested for the full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM II – Revenue Administration

Objective: Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM	
Outcome(s)	Indicator(s)
Corporate priorities are better managed through effective risk management	Better mitigation of risks through a compliance improvement program TADAT POA2-4
	Improved monitoring and evaluation of compliance risk mitigation activities (TADAT POA2-5)
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	Multi-year reform implementation plan, with supporting resource plan, adopted and well communicated

B. SM II – Managing Public Finances

Objective: Strengthen Budget Management - SBM	
Outcome(s)	Indicator(s)
Strengthened annual budget process for more efficient and effective use of resources	Developed institutional capacity to conduct spending reviews
	Strengthened effectiveness, orderliness and timeliness of budget preparation process (Record Score: PEFA PI-17)
Objective: Improve Fiscal Transparency and Reporting - FTR	
Outcome(s)	Indicator(s)
Comprehensive, timely, and high-quality fiscal reports	Strengthened comprehensiveness, accuracy and timeliness of in-year budget reports (Record Score: PEFA PI-28)
Strengthened accounting and audit processes	Strengthened adoption and implementation of international accounting standards
Objective: Strengthen Macroeconomic Frameworks - SMF	
Outcome(s)	Indicator(s)
Strengthened identification, monitoring, and management of fiscal risks	Improved preparation and disclosure of fiscal risk statement
	Improved preparation and disclosure of macro-fiscal sensitivity analysis or alternative scenarios



Project Proposal for
WEST BANK AND GAZA

June 2026

Component: Revenue and Spending

Module: RM-II: Revenue Administration
SM-II: Public Financial Management



PROJECT SUMMARY

COUNTRY: West Bank and Gaza

LEAD DEPARTMENT: FAD

REGION: MCD

PLANNED DATES: FY27-28

PROJECT MANAGERS: Joshua Aslett (Revenue Administration, FADR1, Lead)
Bryn Battersby (Public Financial Management, FADM1)

ESTIMATED BUDGET US\$ 620,600

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ACRONYMS

CD	Capacity development
FAD	IMF's Fiscal Affairs Department
GFN	Gross Financing Needs (table)
ITAS	Integrated Tax Administration System
METAC	IMF's Middle East Regional Technical Assistance Center
MOF	Minister of Finance, West Bank and Gaza
PA	Palestinian Authority
PFM	Public financial management
VAT	Value-added tax
WBG	West Bank and Gaza

I. PROJECT PURPOSE

Country Request and Relevance/Importance

West Bank and Gaza (WBG) is facing an acute fiscal and liquidity crisis. Clearance revenues have historically accounted for around two-thirds of total revenues, but transfers have been suspended since end-May 2025 by the Israeli authorities, while domestic revenues have also weakened due to a contraction in economic activity. At the same time, expenditure commitments remain high, particularly for wages, transfers, goods and services, and debt service. These pressures have increased the importance of strengthening revenue mobilization, cash management, arrears control, and transparency over financing needs.

In this context and building from recent reengagements on capacity development (CD), the Ministry of Finance (MOF) has requested additional support. This project will deliver that support, covering both revenue administration and public financial management (PFM) CD activities.

The revenue administration module will help strengthen domestic revenue resilience through support to achieve quick wins, better compliance management, use of data, value-added tax (VAT) gap analysis, and a roadmap for tax administration reform. It will also focus on customs administration topics to bring the Palestinian Authority's (PA) operations into alignment with good practices while helping improve operations in areas where new revenue generation is possible.

The PFM component of the project will focus on supporting implementation of an arrears management strategy. This will build on recent support to strengthen cash-flow forecasting, the Gross Financing Needs (GFN) table, and liquidity management. The work is essential as arrears management is now central to preserving fiscal control, supporting basic service delivery, improving transparency with creditors and employees, and providing a clearer basis for dialogue with development partners on financing needs.

Description of Modules

Revenue Administration. The project will support the MOF in strengthening both tax and customs administration. In both, support will focus on achieving quick wins while developing digital transformation roadmaps. In tax administration, transformation will extend to implementation of self-assessment and a function-based operating model. This support is timely as resources are available through a World Bank grant to cover the acquisition of an Integrated Tax Administration System (ITAS) and accompanying services. In customs administration, transformation will focus on better use of the PA's current core

customs administration IT system, ensuring that international procedures are adopted and key system modules are appropriately used by staff.

PFM. The project will additionally support the MOF in developing and beginning implementation of an arrears management strategy. The work will focus on identifying and classifying the stock of arrears, improving reporting on their age and composition, and establishing transparent criteria for prioritizing and sequencing arrears payments under severe liquidity constraints. It will also support the integration of arrears projections into cash-flow forecasts and the GFN table, so that arrears management is linked to fiscal planning, donor engagement, and senior management decision-making.

Together, the modules will support a coherent fiscal response to the current crisis by strengthening both the revenue and expenditure sides of fiscal management. Aspects of the project's implementation will be complemented by the IMF's Middle East Regional Technical Assistance Center (METAC), which will engage its regional advisors in support.

The estimated budget for this project is \$620,600 and endorsement is requested for the full amount through FY28.

II. BACKGROUND

Macro-Fiscal Situation

West Bank and Gaza is a fragile and conflict-affected state facing a severe macro-fiscal and liquidity crisis. Following a contraction in 2023, economic activity fell sharply in 2024, with the largest decline in Gaza and major spillovers to the West Bank. The fiscal position has deteriorated in 2025 and 2026 as clearance revenues, traditionally around two-thirds of PA revenues, have been subject to large unilateral withholdings and irregular transfers by Israel, while domestic revenue collection has weakened with the contraction in activity. Accordingly, in March and April 2026, the PA continued to institute emergency fiscal measures. Among others, measures included adopting dramatically reduced working hours for public officials.

Country Engagement and Alignment to Reform Priorities¹

The IMF provides technical services to the WBG, including: (i) policy advice in macroeconomic, fiscal, and financial areas; as well as (ii) technical assistance, focused on tax administration, public financial management, banking supervision and regulation, and statistics. The IMF is also a rapporteur of the Ad-Hoc Liaison Committee, which serves as the principal policy-level coordination mechanism for development assistance to the Palestinian people.

The focus of the IMF in WBG is monitoring macroeconomic developments, designing and implementing economic policies and reforms, and strengthening institutions. This is to be achieved mainly through the delivery of well-prioritized, integrated, and coordinated policy advice and CD delivery, including via on-site missions. From the perspective of the PA, major reforms include a broad reorganization of the MOF, including tax and customs administration, as well as investment in digitalization. Accordingly, the project is well aligned with both the IMF's engagement more broadly and the PA's own reform agenda.

IMF Priority Areas / Cross-Cutting Themes

WBG being a fragile and conflict affected state, the project will support cross-cutting GovTech-related topics as part of the revenue administration module. This will take the form of supporting development and implementation of a digital transformation roadmap for tax administration and alignment to a new organizational, model, revised procedures, and compliance-related reforms with the planned introduction of an ITAS and electronic services. Similarly, in customs administration, the project will collaboratively develop a digital roadmap to help introduce international procedures. The project does not include dedicated climate or gender/inclusion activities.

¹ Excerpts taken from the FY26 WBG Country Engagement Plan.

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to West Bank and Gaza in revenue administration and managing public finances. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives Covered by the Proposal

Component	Module	Objective
Revenue	RM II / Revenue Administration	• Strengthened revenue administration management and governance arrangements • Improved customs administration functions
Spending	SM II / Managing Public Finances	• Strengthened Budget Management

A. RM II – Revenue Administration

Scope

The project will support the MOF in strengthening tax and customs administration under conditions of severe fiscal stress and constrained policy space. In tax administration, recent FAD engagements have identified the need for a practical reform roadmap covering transition from administrative assessment to self-assessment, movement toward a single function-based organization model for direct and indirect taxes, and alignment with planned integrated IT systems and electronic services. The World Bank is expected to support an ITAS acquisition, making complementary advice on organization, business processes, compliance management, and reform sequencing particularly important. With customs administration, the project will support a less comprehensive roadmap, which focuses on introducing good international practices into the PA's existing customs administration IT system and use of its critically important modules (including valuation and selectivity for targeting documentary reviews).

The support will begin with a headquarters mission to assess the current context, confirm priorities, and produce a transformation roadmap. In the form of a “peripatetic advisor”, short-term expert support will then be fielded to support implementation. The advisor will be supported by FAD, METAC, and other short-term experts engaged on specialized topics. Activities in the project will be deliberately sequenced to support near-term revenue improvements while advancing medium-term institutional reform.

Program Objectives

The program's overall objective is to strengthen tax and customs administration management and governance arrangements so that the authorities can improve domestic revenue resilience and sequence medium-term modernization reforms. The support will help the MOF assess the current context, develop practical digital transformation roadmaps, and implement the details.

Specific tasks will include:

- Developing practical tax and customs digital transformation roadmaps;
- Supporting movement toward self-assessment and a function-based operating model in tax;
- Strengthening compliance risk management, analytics, and data matching;
- Supporting targeted compliance strategies to improve short-term revenue performance;
- Supporting development of a VAT gap estimation and interpretation of results; and
- Training on the valuation and selectivity modules in the customs administration IT system.

Expected Results (outcomes)

In tax administration, the engagement starts from a weak baseline but with momentum for reform and financing. The MOF is moving to introduce major organizational changes while having secured financing from the World Bank for acquisition of an ITAS. Presently, standalone directorates for direct and indirect taxes exist, each operating their own IT systems. While some reform planning documents exist, they are either national in scope or cover the MOF generally. At the same time that structural reforms are needed, fiscal pressures are extreme. The MOF does not produce tax gap estimates or compliance strategies. In customs administration, operations are based on an incomplete implementation of the PA's core customs IT platform, and limited use of its selectivity and valuation modules.

The proposed engagement is expected to contribute to:

- A clearer and better-sequenced roadmaps for reform and digital transformation.
- Better alignment between organizational design, procedures, and planned ITAS implementation.
- Stronger use of data, analytics, and risk analysis in compliance management.
- Targeted compliance strategies focused on practical short-term revenue improvements.
- Improved understanding of VAT performance through a gap analysis.
- Alignment of customs procedures with international practices, including selectivity and valuation.

B. SM II – Managing Public Finances

Scope

The project will support the MOF in developing and beginning implementation of an arrears management strategy under conditions of severe liquidity stress. The work will build on recent IMF technical assistance on cash management, which found that the prolonged suspension of clearance revenue transfers, weak domestic revenue collection, limited borrowing space, and constrained donor financing have led to partial salary payments, cash rationing, and large arrears to public employees and suppliers. Support will focus on establishing a practical framework for identifying, reporting, prioritizing, and sequencing arrears payments, including clear payment criteria, institutional responsibilities, and reporting requirements. The strategy will be linked to cash-flow forecasting, the new GFN table, commitment controls, budget allotments, and donor dialogue, so that arrears management supports both near-term liquidity control and improved fiscal credibility.

Program Objectives

The program will have two objectives. First, delivery of support to the MOF to develop and adopt a practical arrears management strategy. Second, to strengthen the use of arrears information in cash planning, budget execution, and fiscal decision making.

Specific tasks in the support will include:

- Support identifying, classifying, and reporting the stock, age, composition, and drivers of arrears.
- Assistance in developing transparent criteria for prioritizing and sequencing arrears payments under severe liquidity constraints.
- Support integrating projections into cash flow forecasts and the Gross Financing Needs table.
- Advice linking arrears management to budget allotments, commitment controls, and payment planning.
- Support for using arrears information in dialogue with development partners on financing needs and payment pressures.

Expected Results (outcomes)

The engagement starts from a weak arrears management baseline. Information on the arrears stock is incomplete and not yet maintained through a routine reporting process. The Ministry of Finance does not yet have a consolidated and regularly updated view of the size, age, composition, and causes of arrears. Payment decisions are made under severe liquidity constraints, but the criteria for prioritizing arrears

payments are not yet sufficiently transparent or predictable. Arrears management is also not yet fully linked to cash planning, budget execution controls, and discussions with donors on financing and payment pressures.

The proposed engagement is expected to contribute to:

- Improved visibility of the size, composition, age, and drivers of arrears.
- More transparent and predictable prioritization of arrears payments.
- Better integration of arrears management with cash planning, budget execution, and donor engagement.
- Reduced risk of new arrears accumulating outside the budget execution framework.
- Stronger MOF capacity to manage payment pressures under severe liquidity constraints.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

FAD's revenue administration engagement with WBG has recently intensified. A January 2026 staff visit to Ramallah explored a CD workplan with the MOF, and the Minister subsequently confirmed support for IMF assistance on tax and customs administration reform, compliance improvement, digital transformation, and tax gap analysis. The World Bank participated in several of the meetings and has collaborated closely following a joint World Bank–IMF Tax Administration Diagnostic Assessment Tool evaluation delivered in February 2025.

FAD's PFM engagement with WBG is active and ongoing. An FAD mission in December 2025 supported the MOF on cash-flow forecasting, liquidity management, and coordination across core MOF units. In 2026, METAC is providing follow-up support to review and update the Cash Management Directorate's 2022 Manual of Work Procedures, supporting the mission recommendations. This proposal would build on that engagement by extending support from cash management procedures to arrears management, a closely related area under the current liquidity crisis.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX) visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration and PFM.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's area department, resident representative, and local economists	Sharing of information, support TA design and uptake based on local realities, and sustain follow-through and cross-workstream integration	Revenue Administration – priorities, recommendations, and status of reforms	Regular
METAC	Integration of METAC workplans with FAD support.	Revenue Administration, PFM	Regular
World Bank	Information and experience sharing, coordination of activities, ITAS implementation, revenue administration modernization.	Revenue Administration, PFM	Regular
MOF	Engagement and implementation coordination, reform priorities, counterpart engagement, data access, implementation follow-up	Revenue Administration	Regular

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM II - Revenue Administration	Regional security deterioration could limit field-based engagement and affect counterpart availability	High	Use flexible delivery modalities, including peripatetic and remote support where needed; maintain close coordination with the IMF country team and Resident Representative office; sequence activities so they can be adjusted if field engagement is constrained
SM II - Managing Public Finance	Regional security deterioration may constrain in person engagement, delay access to fiscal data, and reduce counterpart availability for budget execution, cash management, and arrears related work.	High	Use flexible delivery modalities, including short in person visits and remote support where needed; maintain close coordination with the IMF country team and Resident Representative office; prioritize activities that can be delivered with available data; and sequence work so missions, workshops, and counterpart consultations can be adjusted if travel or access becomes constrained.
POLITICAL SUPPORT			
RM II - Revenue Administration	Reform of assessment methods, organizational arrangements, and compliance practices may require sustained senior management support	Medium	Anchor activities in the authorities' confirmed request; maintain regular dialogue with senior Ministry counterparts; sequence reforms through practical workplans and agreed milestone
SM II - Managing Public Finance	Progress on cash management reforms may require support from the Ministry of Finance, the Council of Ministers, and the PMA	Medium	Monitor progress against agreed objectives; maintain regular dialogue with senior counterparts; and focus support on reform steps that remain within the Ministry of Finance's mandate where broader agreement is delayed.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM II - Revenue Administration	Staff turnover, rotation, or changing priorities could weaken continuity and slow implementation	Medium	Develop documented roadmaps, implementation plans, and clear counterpart responsibilities; use follow-up visits to maintain traction; support knowledge transfer through practical working sessions.
SM II - Managing Public Finance	Lack of ownership or unclear roles across MoF units could slow implementation of cash management reforms.	Medium	Treasury leadership should clearly communicate the priority of the work; agree roles and responsibilities early; and use practical working sessions to maintain engagement across the relevant MoF units.
RESOURCE ADEQUACY			
RM II - Revenue Administration	Ministry staff may be stretched by daily operations, fiscal pressures, and parallel development partner activities.	High	Prioritize activities carefully; focus STX inputs on manageable, high-impact tasks; coordinate closely with World Bank and METAC support; avoid overly ambitious sequencing.
SM II - Managing Public Finance	Managing Public Finance Cash management reforms require inputs from Treasury, Budget, line ministries, and financial institutions, which may stretch available resources.	High	Focus support on a small number of deliverables; use STX inputs for practical tasks that Treasury can take forward; coordinate with World Bank and METAC support; avoid sequencing that depends on several reforms moving at the same time.
OTHER RISKS			
RM II - Revenue Administration	Data availability and quality may constrain compliance risk analysis and VAT gap work.	Medium	Agree data requirements early; use available data pragmatically; support basic data matching and analytics; adjust analytical work to the quality and completeness of available information.
SM II - Managing Public Finance	PFM data availability and consistency may constrain analysis of cash balances, arrears, commitments, and payment flows	Medium	Agree data needs early; use available Treasury, budget, and banking data pragmatically; focus first on basic reconciliations and standard reporting templates; adjust analysis to the quality and completeness of available information.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
RM II – Revenue Administration			
HQ led CD mission	1	-	1
STX visits	4	-	4
Staff visits	-	-	-
Subtotal	5	-	5
SM II – Managing Public Finances			
HQ led CD mission	1	1	2
Total	6	1	7

Note: In-person delivery was chosen due to the intense nature of dialogue required for the activities. However, given ongoing security challenges, activities may be re-designed for remote engagement on a case-by-case basis.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM II - Revenue Administration		
Q1/FY27	Field-Based work - FB	Tax and Customs: HQ mission on transformation roadmaps
Q2/FY27	Field-Based work - FB	Tax: Peripatetic Visit #1: Roadmap implementation
Q3/FY27	Field-Based work - FB	Tax: Peripatetic Visit #2: Roadmap implementation
Q3/FY27	Field-Based work - FB	Tax: Expert Visit: Tax Gap Estimation
Q2/FY27	Field-Based work - FB	Customs: Expert Visit: Valuation and selectivity
SM II – Managing Public Finances		
Q3/FY27	Field-Based work - FB	Cash Management and the development of an arrears management strategy
Q3/FY28	Field-Based work - FB	Implementation of Arrears Management Strategy

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM II - Revenue Administration	300,000	-	300,000
SM II - Managing Public Finance	140,000	140,000	280,000
Subtotal	440,000	140,000	580,000
Trust Fund Management Fee (7%)	30,800	9,800	40,600
TOTAL	470,800	149,800	620,600

Note: The estimated budget for this project is US\$ 620,600 and endorsement is requested for the full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM II – Revenue Administration

Objective: Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM	
Outcome(s)	Indicator(s)
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	Multi-year reform implementation plan, with supporting resource plan, adopted and well communicated
Corporate priorities are better managed through effective risk management	Better mitigation of risks through a compliance improvement program (TADAT POA2-4)
	Improved identification, assessment, ranking and quantification of compliance risks (TADAT POA2-3)
Digital technologies are better aligned with strategic objectives	Digital strategies, plans, and governance arrangements are improved
	Core systems and process automation are consistent with good practices
Objective: Improved customs administration functions (SDG 17.1) - CAD	
Outcome(s)	Indicator(s)
Customs control during the clearance process more effectively ensures accuracy of declarations	Effective application of procedures based on international standards for valuation, origin and the tariff classification of goods improved
	Risk-based control selectivity applied more consistently

B. SM II – Managing Public Finances

Objective: Strengthen Budget Management (SBM)	
Outcome(s)	Indicator(s)
Strengthened budget execution and control processes	Strengthened effectiveness of management of expenditure arrears