IMF

Fiscal Assessment Tools

The IMF's Fiscal Affairs Department has developed a suite of standardized assessment tools to strengthen the conceptual and analytical basis for fiscal surveillance. These tools allow countries to show stakeholders a clear picture of various aspects of their fiscal position and fiscal institutional frameworks and to identify priorities for fiscal reform and technical assistance. They also support the advancement of results-based management for technical assistance projects by providing measurable indicators to monitor and evaluate progress. Six main assessment tools are operating or are nearing completion:

- **Revenue Administration Fiscal Information Tool (RA-FIT)**
- **Revenue Administration Gap Analysis Program (RA-GAP)**
- **Tax Administration Diagnostic Assessment Tool (TADAT)**
- **Fiscal Analysis of Resource Industries (FARI)**
- **Fiscal Transparency Evaluations (FTEs)**
- **Public-Private Partnership Fiscal Risk Assessment Model (P-FRAM)**

This brochure provides a brief overview of each tool. The Fiscal Affairs Department stands ready to partner with countries in applying these tools and to help map out reform strategies in areas they cover.

INTERNATIONAL MONETARY FUND

Revenue Administration Fiscal Information Tool

The Revenue Administration Fiscal Information Tool (RA-FIT) is a web-based data gathering tool to establish baselines of current revenue administration performance to improve comparative study and benchmarking.

RA-FIT is designed to gather both quantitative and qualitative revenue administration information encompassing a mixture of baseline and profile data, volumetrics, inputs, and performance-related data.

Key objectives are to

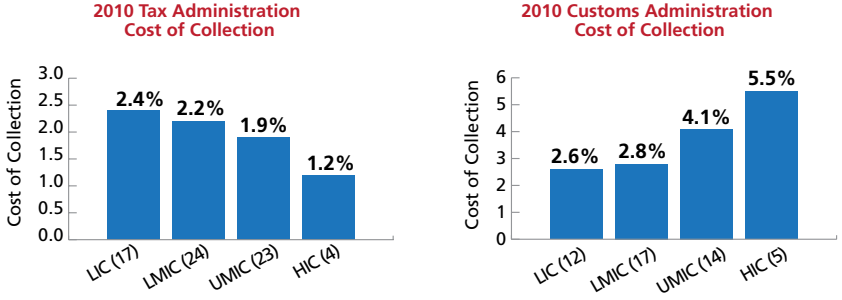
- Make comparative data and technical analysis available to Fund member countries;
- Establish baselines of current performance by grouping (e.g., by income group);
- Assist developing countries in identifying their data needs for improved performance monitoring;
- Support technical assistance delivery with comparative country data; and
- Streamline and standardize revenue administration surveys by collaborating with other regional and international organizations to reduce the data reporting burden on countries.

The web-based version of RA-FIT (Round 2) was launched in May 2014 in partnership with the Inter-American Center of Tax Administrations (CIAT) and the World Customs Organization (WCO). A letter of intent has been also signed with the Organization for Economic Co-operation and Development (OECD) and the Intra-European Organisation of Tax Administrations (IOTA) to use RA-FIT as the platform for gathering tax administration performance information from OECD and IOTA countries. The RA-FIT Round 1 geographic distribution of responses is shown in Figure 1.

Geographical Distribution of RA-FIT Responses

Source: RA-FIT database. ***Figure 1***

As examples of the comparisons that RA-FIT allows, Figure 2 reports cost of collection data gathered from RA-FIT Round 1 for tax and customs administrations, differentiated by income.



Source: RA-FIT database.
[1]Countries are grouped as low-income countries (LIC), lower-middle-income countries (LMIC), upper-middle-income countries (UMIC), and high-income countries (HIC). ***Figure 2***

The RA-FIT web-based platform is set to become the common data collection platform for revenue administration data and is to be expanded for Round 3 to accommodate the needs of additional partners. RA-FIT currently gathers data from slightly less than half of the IMF membership. The intention is to significantly increase coverage over the next few years.

*For further information, contact **FADRAFIT@imf.org**.*

Revenue Administration Gap Analysis Program

What is RA-GAP?

The Revenue Administration Gap Analysis Program (RA-GAP) is a new IMF technical assistance service that assists revenue administrations in monitoring taxpayer compliance through tax gap analysis. RA-GAP measures potential tax revenues, evaluates actual revenues, and analyzes the factors causing gaps between them.

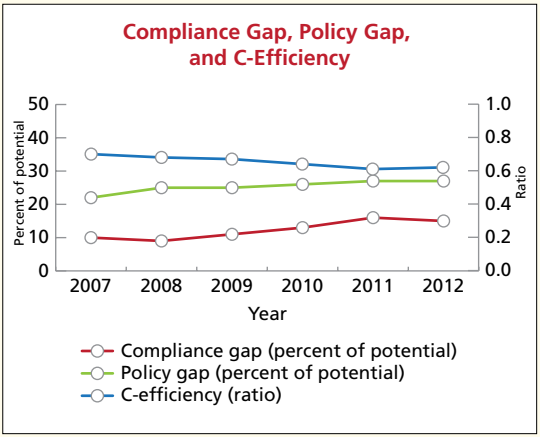
Why did the IMF develop RA-GAP?

Modern tax systems are predicated on voluntary compliance, yet few administrations measure taxpayer compliance. Measuring compliance provides a basis to improve effectiveness in raising revenue, promote perceived fairness among taxpayers, and build trust in the tax system.

Services offered by RA-GAP

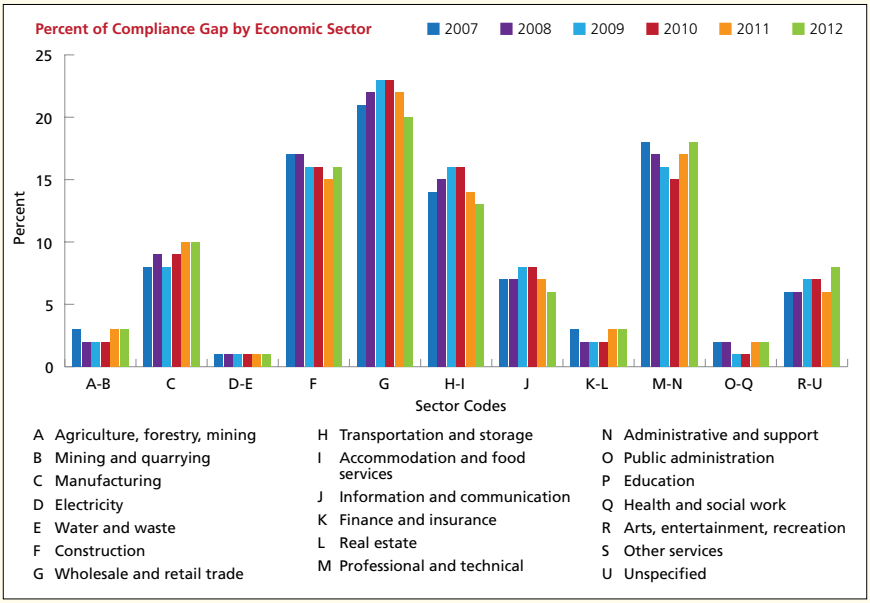
For countries that have comprehensive statistical data available, estimates are provided for the overall tax gap, with breakdowns into compliance gap, policy gap, collections gap, and assessment gap.[1] The gap is also decomposed by sector of activity and size of taxpayer, and factors contributing to the gaps are identified (see sample charts below).

For countries with extensive experience in analyzing tax gaps, assistance is provided to review and improve their own gap estimates and analyses, comparing and contrasting their methodology and results to the RA-GAP framework.



[1] Estimating several types of tax gaps is one of the strengths of RA-GAP. These tax gaps are defined as the difference between the tax due given the current policy structure and tax collection (compliance gap), tax due under a normative policy structure (policy gap), and tax assessed by taxpayers and tax administration (assessment gap). Collection gap is the difference between the tax assessed and tax collection.

For countries with limited data availability, assistance is focused on identifying factors that are likely contributing to their gaps through analysis of tax record data.



Current Status of RA-GAP

The program is currently focused on assisting countries in assessing their value-added tax (VAT) gap. Extension of the RA-GAP program to other taxes is being developed in cooperation with partner countries. The aim is to have RA-GAP frameworks for all major taxes and assist countries in estimating tax gaps in those taxes.

*For further information, contact **FADRAGAP@imf.org**.*

Tax Administration Diagnostic Assessment Tool

The Tax Administration Diagnostic Assessment Tool (TADAT) is a new instrument to help governments gauge the performance of their tax administrations and identify priorities for reform.

TADAT is designed to deliver an objective and standardized assessment of the most critical outcomes of any country's system of tax administration, focused on the nine key performance outcome areas shown in the "TADAT wheel." The assessment of these performance outcome areas is based on 26 high-level indicators that are themselves built on 54 measurement dimensions, making this a comprehensive but administrable diagnostic tool.

TADAT, which is suitable for countries at all stages of development, helps to

- Identify a tax administration's relative strengths and weaknesses;
- Facilitate a shared view among all stakeholders;
- Set the reform agenda;
- Facilitate management and coordination of external support; and
- Monitor and evaluate reform progress through repeat assessments.

With donor support, the tool is implemented by the TADAT Secretariat in the IMF's Fiscal Affairs Department. The framework has been tested in three pilot assessments, and the identification of five more countries for pilots planned through April 2015 is ongoing. Full launch of TADAT is expected near the end of 2015.

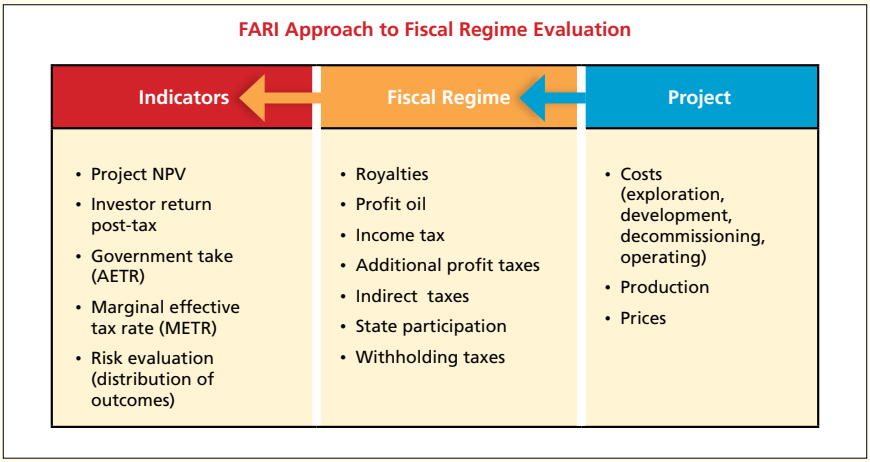
TADAT has continued to gain widespread recognition and appreciation. At its September 2014 meeting in Perth, the G20 Development Working Group welcomed the continued development of TADAT.

*For further information, see **www.tadat.org**; for further information about the tool or pilots, contact the TADAT Secretariat at **secretariat@tadat.org**.*

Fiscal Analysis of Resource Industries

Fiscal Analysis of Resource Industries (FARI) is a modeling framework developed by FAD to perform fiscal analysis of extractive industries (EIs). Coupled with the development of a worldwide fiscal regime library and a database of EI projects, FARI is a powerful analytical tool for evaluating, comparing, and designing fiscal regimes for EIs.

FARI analyzes how annual project cash flows over the life of an EI project are shared between investors and the government, through detailed modeling of a particular fiscal regime, a set of economic and financial assumptions, and an EI project example (e.g., a petroleum field or mine). In addition, FARI has a number of analytical routines built in for Average Effective Tax Rate (AETR); Marginal Effective Tax Rate (METR); and progressivity and stochastic analysis.



The indicators produced by FARI can be used to analyze various fiscal regimes against typical evaluation criteria for EI projects.

CRITERION	KEY FARI INDICATORS
Neutrality (avoid distortion of investment and operating decisions)	• Marginal Effective Tax Rate (METR) • Breakeven commodity price • Probability of negative NPV under price uncertainty • Gold plating analysis
Revenue raising capacity (maximize government revenue)	• Average Effective Tax Rate (AETR) • Expected government revenue under price uncertainty
Progressivity with price and costs	• Government Share of Total Benefits
Manage government risks	• Time profile of revenue • Coefficient of variation of NPV of government revenues • Proportion of revenues received in first n years of production
Adequate incentive to invest	• Post-tax internal rate of return to investor (IRR) • Years until discounted payback achieved • Coefficient of variation of investor IRR and NPV • Probability of negative NPV with price uncertainty • Expected Monetary Value (EMV) (NPV weighted by exploration risk)
For further explanation see Fiscal Regimes for Extractive Industries: Design and Implementation (http://www.imf.org/external/np/pp/eng/2012/081512.pdf).	

FARI has three main uses:

- Fiscal regime design: widely used in technical assistance for fiscal regime design, parameter calibration, and international comparisons.
- Revenue forecasting: composition and timing of expected revenue streams with aggregation of multiple projects; revenue management and calibration of fiscal rules; and integration with macro frameworks.
- Revenue administration: comparing actual revenues with model results.

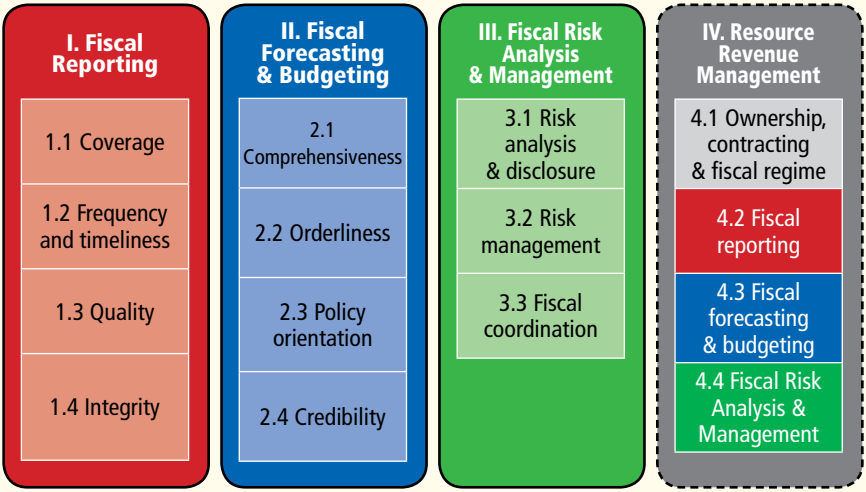
*For further information, contact **FAD-FARI@imf.org**.*

Fiscal Transparency Evaluations

Fiscal transparency is central to effective fiscal management and accountability. It ensures that governments have an accurate picture of their current fiscal position and prospects, the long term costs and benefits of any policy changes, and the potential fiscal risks to public finances. It also provides legislatures, markets, and citizens with the information they need to hold governments accountable. To help countries to assess and improve their fiscal transparency practices, the IMF has developed a new Fiscal Transparency Code (Code) and related Fiscal Transparency Evaluation (FTE).

The Code is the international standard for disclosure of information about public finances. It is built around four pillars: (I) fiscal reporting, (II) fiscal forecasting and budgeting, (III) fiscal risk analysis and management, and (IV) resource revenue management (see figure below); pillar IV is still under development. For each transparency principle, the Code differentiates between basic, good, and advanced practice, which ensures its applicability to the broad range of IMF member countries.

Four Pillars of the Fiscal Transparency Code



FTEs, as principal fiscal transparency diagnostic, assess country practices against the Code. FTEs provide countries with

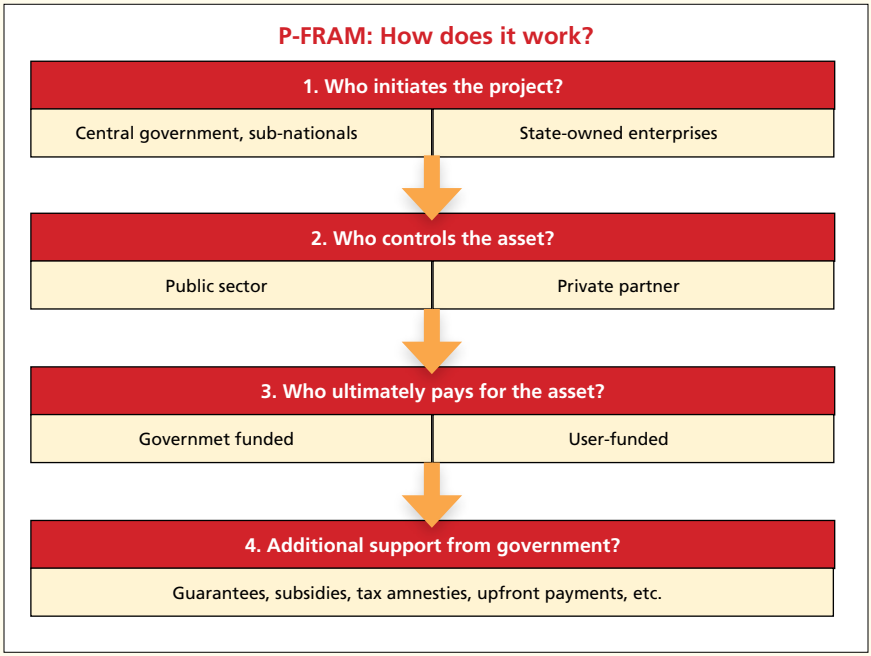
- a comprehensive assessment of their fiscal transparency practices against the differentiated standards set by the Code;
- a rigorous analysis of the scale and sources of fiscal vulnerabilities. This includes, for example, measures of the coverage of fiscal reports, quality of fiscal forecasts, and size of unreported contingent liabilities;
- a clear account of strengths and weaknesses related to fiscal transparency, that facilitates benchmarking against comparator countries, identification of reform needs, and prioritization of recommendations;
- a sequenced fiscal transparency action plan to help define reform priorities, including concrete and sequenced steps for addressing the main shortcomings in fiscal transparency; and
- an option to undertake a modular assessment focused on just one or two pillars of the Code. Modular FTEs offer more targeted evaluations aimed at addressing the most pressing transparency issues.

FTEs are carried out at the request of countries, and form part of the Fund's ongoing efforts to strengthen fiscal surveillance and capacity building. They support the prioritization and delivery of technical assistance by the Fund. Several FTEs, across a broad spectrum of IMF member countries, have been completed in the context of developing the Code, and additional FTEs are underway. FAD would welcome interest from countries interested in undertaking an FTE.

For further information, or if you have any questions, visit ***http://imf.org/fiscaltransparency*** *or contact* ***fiscaltransparency@imf.org****.*

Public-Private Partnership Fiscal Risk Assessment Model

The Fiscal Risk Assessment Model (P-FRAM) is an analytical tool to assist governments and country analysts in assessing potential fiscal costs and risks arising from Public-Private Partnerships (PPPs).

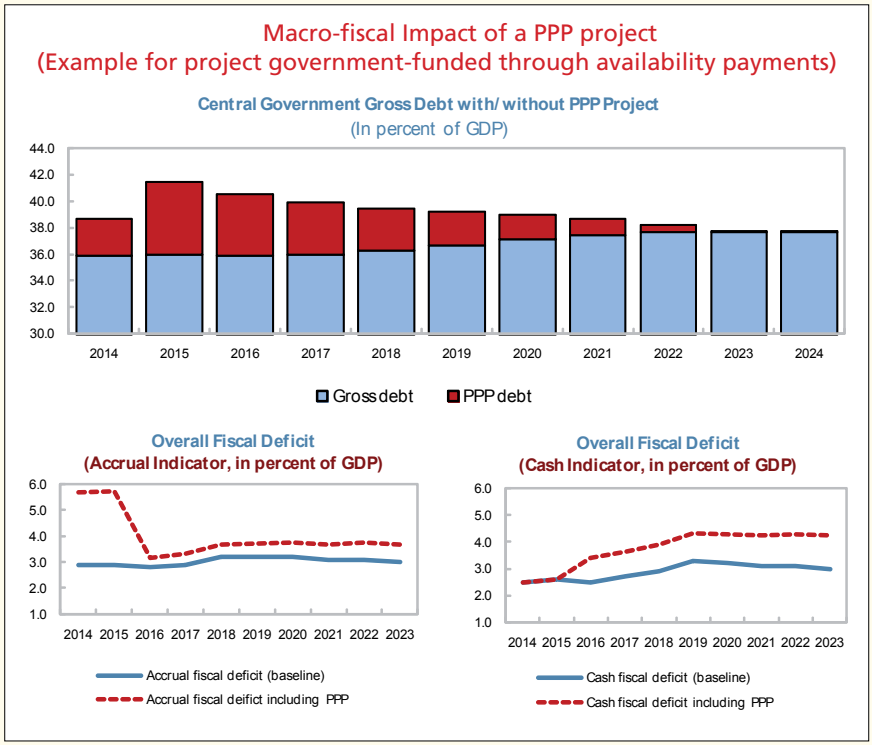


While project evaluation techniques have improved significantly over time, they cannot, by themselves, ensure the budget affordability of a PPP project. Without rigorous affordability checks, governments may end up procuring projects that either cannot be funded within existing budget envelops, or that expose the public finances to excessive fiscal risks. To address these concerns, P-FRAM is designed to provide a structured and guided process for:

- gathering relevant PPP project data;
- quantifying the short and medium-term impact of a PPP project on government's deficit and debt under both cash and accrual-based reporting standards; and

- performing sensitivity analysis of the potential fiscal impact of a PPP project to changes in key macroeconomic and project-specific parameters.

P-FRAM follows a four steps decision-tree for the input-data process, automatically generating a set of outcomes including project cash flow and summary fiscal tables and charts (e.g., debt sustainability analysis with and without PPPs).



FAD will be piloting P-FRAM with selected projects in various countries in collaboration with other international organizations working on the PPP technical assistance area.

*For further information, contact **FADEP@imf.org**.*