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CCAMTAC Regional Webinar on “Revenue Mobilization for a Resilient and Inclusive Recovery in the Middle East and Central Asia”

Thursday, October 6, 2022

Welcome and Introduction:

Mr. Norbert Funke, Director, CCAMTAC

Ms. Katherine Baer, Deputy Director, Fiscal Affairs Department, IMF

Moderator:

Gregory Topping, Resident Advisor on Revenue Administration, CCAMTAC

Presenters:

Ms. Priscilla Muthoora, Senior Economist, Middle East and Central Asia Department, IMF

Mr. Charles Vellutini, Senior Economist, Fiscal Affairs Department, IMF

Intervention:

Mr. Jasurbek Yusupov, Head of Risk Analysis & Transfer Pricing Division, Large Taxpayers Office, State Tax Committee (STC), Uzbekistan

Ms. S.Tugsjargal, Head of Large Taxpayer Office, Mongolian Tax Authority

The COVID-19 pandemic and the war in Ukraine have intensified challenges of public finances, underlining the need for increased revenue mobilization to be able to support most socially vulnerable groups, invest in public infrastructure, and finance other priority needs. As a result, policymakers are looking to limit fiscal risks by adapting the design and pace of tax revenue mobilization. In a recent [paper](#), IMF experts examined the scope for mobilizing additional tax revenue and discussed policies to gradually raise tax revenue while supporting resilient growth and inclusion in the Middle East and Central Asia (MECA). To support policymakers and institutions, the IMF stands ready to provide capacity development in tax system design and administration for all its member countries.

In the high-level overview, Katherine Baer highlighted that while countries in the Caucasus and Central Asia (CCA) have made significant progress in revenue mobilization. Further improvements could be achieved by increasing the progressivity and efficiency of the tax system, as well as broadening the tax base. Tax authorities in the region also face the need to address large cash and informal economy, digitalization of tax administration, and raising the level of taxpayer compliance. Country authorities are also encouraged to develop a medium-term revenue strategy, which can serve as a platform for consistent reform efforts in tax policy and administration, customs administration, and legal frameworks.



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In her part of the presentation, Priscilla Muthoora discussed the main issues associated with revenue mobilization in the MECA region. She pointed out that countries in the region need to focus on raising the non-hydrocarbon revenue tax base to reduce government finance vulnerability to commodity market shocks. Results from stochastic frontier analysis show that there is significant scope for MECA countries to mobilize additional tax revenue; the average tax gap is estimated to be 14 percent of GDP, though with large variations across countries. Considering ways to mobilize additional revenue is just as important as assessing the potential size of such improvements, which requires a country-specific approach.

Charles Vellutini continued the presentation by elaborating on three broad tax policy priorities for the region: rationalizing tax incentives, spreading and improving the VAT, and enhancing progressivity. In addition, the IMF quantitative analysis showed that increasing the redistributive capacity of the personal income tax can help foster inclusion in several CCA countries. However, policymakers should be aware of the progressive capacity and the average tax rates. Overall, tax administration and structural reforms are essential ingredients to complement tax policy reforms. The region's examples of successful tax reforms highlight the importance of having a medium-term revenue strategy.

Jasurbek Yusupov, representing the Large Taxpayers Office (LTO) of Uzbekistan, gave an overview of companies that fall under the 'large taxpayer' category, the size of their contribution to the state budget, as well as the types of revenues they contribute. He confirmed that over the years the amount of revenues the LTO collected has increased remarkably. S.Tugsjargal from the Large Taxpayer Office of Mongolia discussed key challenges related to tax administration, recent tax reforms and strategies, and the domestic revenue mobilization program. The Mongolian tax authorities experience also confirmed important benefits from digitalization of the tax system.

During the general discussion, the questions to the speakers and comments covered (i) the initial steps the countries need to take to engage in comprehensive tax reforms and their intensity; (ii) ways in which IMF and CCAMTAC can help country authorities to start and manage tax reforms; (iii) Mongolia's capacity development experience with the Tax Administration Diagnostic Assessment Tool (TADAT); and (iv) differences in tax classifications in the CCA region.

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