



The 5th BRITACOF

Deepening Tax Administration Cooperation for
High-Quality Belt and Road Development

Hong Kong, China 24-26/9/2024



Why Capacity Building is Key

Debra Adams | Division Chief |
Fiscal Affairs Department |
International Monetary Fund





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DRM Journey and Revenue Needs

1

Human Capital and HRM

2

Good Practices in Capacity Building

3

IMF Capacity Building Example

4

Questions to Ponder

5

Background Materials

6

CONTENT

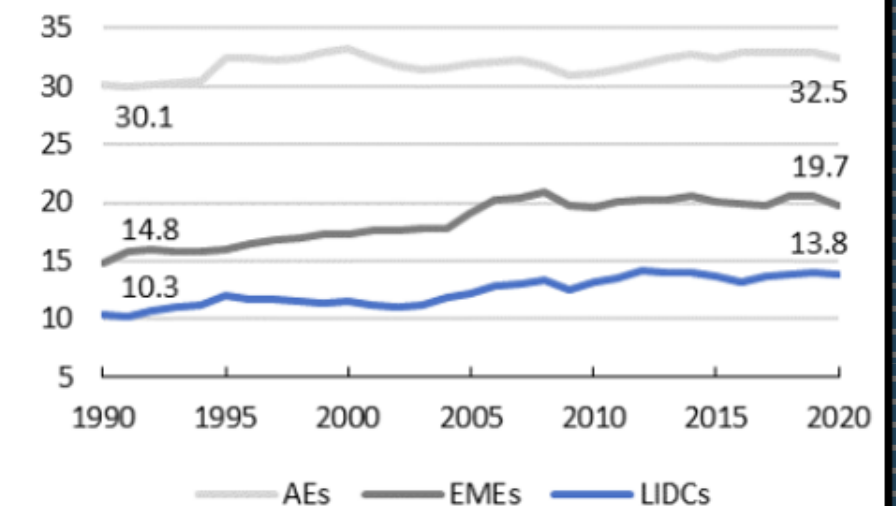


DRM Journey & Revenue Needs

- LICs' DRM journey:
 - increased tax-to-GDP in last 30 years but...
 - ...uneven progress and efforts stalled since 2010
- 70% have tax-to-GDP ratio below 15%
- Financing needs vary:
 - 16.1% of GDP for LIC v. 0.2% for AE
 - 19.4% of GDP for SSA; 11.7% for Central Asia
- Tax policy & institutional reforms can increase tax-to-GDP by 9%
- Tax administration reforms can generate 2.3%




Figure 3. Tax Revenue, 1990–20
(Percent of GDP)





Human Capital & HRM

- Assessing HRM in LIC (TADAT, 2022 ISORA) 
- Improving institutional capacities unlikely without professional, competent, committed staff
- Human capital = critical asset to be invested in rather than a cost to be minimized
 - TADAT treats human capital risk as significant enterprise risk
- Robust HRM practices are critical success factors
- Stronger HRM correlates positively with higher on-time filing and lower collection costs (ISORA)

Strengths

Performance management system
HR Strategy
Training Strategy


Weaknesses

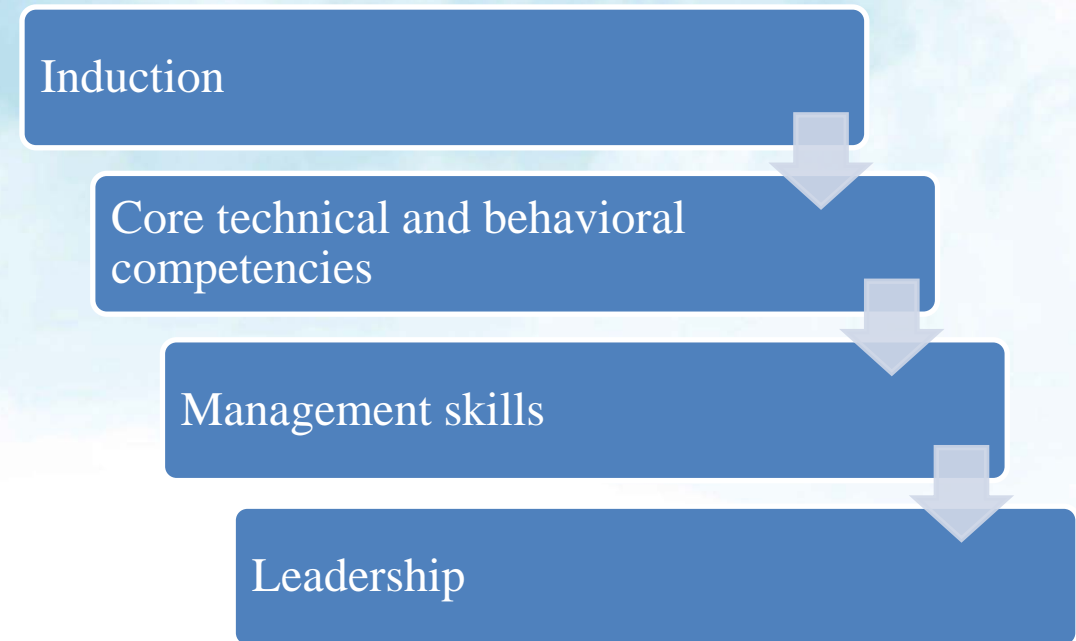
Absence of HR risk mgt. mechanisms
Knowledge management
Talent management, mentoring,
leadership programs





Good Practices in Capacity Building

- Embed capacity building/HR requirements in strategic plans, policies, etc
- Workforce/skill gap analysis informs competency-based learning & development plans
- Employees have career-long learning journey 
- Training program is well structured and sequenced...
- ...with flexibility, modularity, and accountability
- Adequately financed
- Continuously evaluate impact





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IMF Capacity Building Example

- **Training on:** IMF Note [Tax Administration: Essential Analytics for Compliance Risk Management](#)
- **Pre-Training Process (alignment to strategy):**
 - Short webinar with heads of tax administration to:
 - reinforce importance of topic and alignment to organizational objectives
 - ensure they nominate the right people and understand training and follow up actions
 - Pre-training webinar for participants - purpose, expectations, pre-course reading
- **Training event run in-person (with peer learning):**
 - Use VITARA online training content
 - Participants develop own work plans to implement back at office
- **Post-Training Process (accountability):**
 - Bilateral follow up with participants and heads of administrations to monitor agreed work plans
 - Follow up on work plans as part of continuous IMF support



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Questions to Ponder

- Why do tax administrations not give higher priority to HR risk management when 70% of their operating expenses are labor costs?
- What will your workforce look like in 5-10 years' time?
- How will digitalization/AI influence tax administration training design and delivery for this workforce?
- Are you planning for all this in your capacity building approaches?





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Background Materials

- [IMF Revenue Portal](#)
- [IMF G-20 Note on Alternative Options for Revenue Mobilization, June 2024 \(imf.org\)](#)
- [IMF Building Tax Capacity in Developing Countries \(imf.org\)](#)
- [IMF Tax Capacity and Growth: Is there a Tipping Point? \(imf.org\)](#)
- [IMF Quantifying the Revenue Yields from Tax Administration Reforms \(imf.org\)](#)
- [IMF State Institutions and Tax Capacity: An Empirical Investigation of Causality \(imf.org\)](#)
- [TADAT](#)
- [Human Resource Management - ISORA \(rafit.org\)](#)
- [Virtual Training to Advance Revenue Administration modules \(VITARA\)](#)
- [VITARA Module on Human Resource Management](#)



The 5th Belt and Road Initiative Tax Administration Cooperation Forum



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Thank you

