



# MEDIUM TERM REVENUE STRATEGIES (MTRS): AN UPDATE

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# The MTRS Approach to Tax System Reform

Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries

Prepared for Submission to G20 Finance Ministers

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International Monetary Fund (IMF)  
Organisation for Economic Co-operation and Development (OECD)  
United Nations (UN)  
World Bank Group (WBG)

An MTRS ideally aspires to:

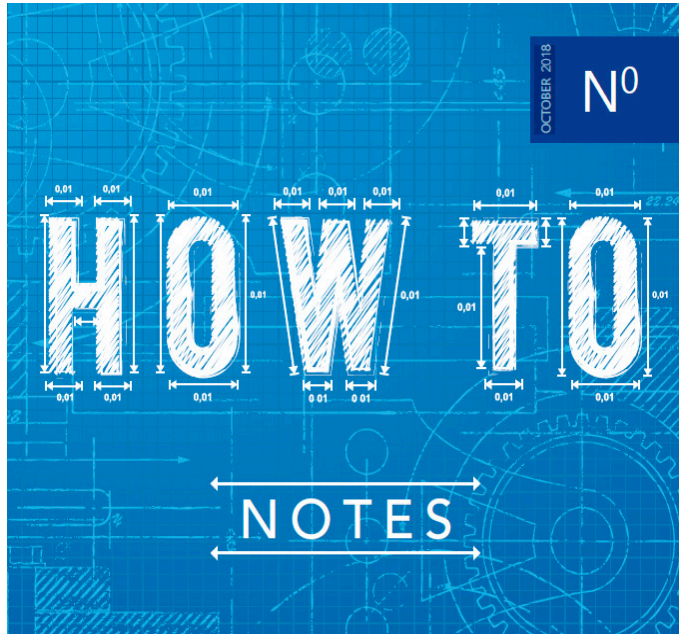
1. Build broad based consensus for medium-term revenue goals, linked with expenditure goals
2. Develop a comprehensive tax system reform plan—policy, administration and legal framework
3. Commit to steady and sustained political support (government-led and whole-of-government) to implementation over multiple years
4. Secure adequate resourcing and coordinated support – domestically and from DPs – for effective implementation

This report can be found at:

<https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Enhancing-the-Effectiveness-of-External-Support-in-Building-Tax-Capacity-in-Developing-PP5059>.

# Developing an MTRS

Forthcoming “How to” note



## FISCAL POLICY

Transitioning a Country's Tax System Reform Efforts into a Medium-Term Revenue Strategy (MTRS) - Formulation

FISCAL AFFAIRS DEPARTMENT | INTERNATIONAL MONETARY FUND

Four steps

1. Understand the MTRS approach to tax system reform—including its four interdependent components
2. Take stock of ongoing reform initiatives
3. MTRS gap analysis—compare ongoing reform efforts with the four components of an MTRS
4. Address MTRS gaps by formulating an MTRS—building on ongoing tax system reforms efforts

# Implementation

Development and/or beginning implementation in about a dozen countries

- Implementation begun: PNG, Laos  
—PNG plan online
- Various stages of engagement, some very advanced: Indonesia, Uganda, Senegal,...
- Others exploring in moving large reform programs to full MTRS
- Indonesia plan published in IMF book

## Implementing a Medium-Term Revenue Strategy

RUUD DE MOOIJ, SUAHASIL NAZARA, AND JUAN TORO

### INTRODUCTION

Indonesia needs to substantially increase its government revenue level in a sustainable manner to finance additional expenditures that are critical for economic growth and development. With a ratio of general government tax revenue to GDP of just over 11 percent, Indonesia is the lowest among the Group of Twenty (G20) countries and trails other emerging market economies. Empirical evidence suggests that countries with a tax-to-GDP ratio of less than 15 percent tend to grow significantly more slowly than countries beyond this tipping point because it impedes opportunities for productive government spending. Therefore, adopting a medium-term approach to raising revenue will be critical to achieving the revenue-level change that Indonesia needs.

This chapter outlines a medium-term revenue strategy (MTRS) for Indonesia that aims to raise tax revenue by 5 percentage points of GDP in five years. The MTRS approach was developed for the G20 by the Platform for Collaboration on Tax and frames the tax system reform in a comprehensive and holistic framework of four interdependent components: (1) building broad-based consensus in the country for medium-term revenue goals to finance needed public expenditures; (2) designing a comprehensive tax system reform covering policy, administration, and the tax legal framework to achieve these goals; (3) committing to steady and sustained political support (government-led and whole-of-government

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The book is at:

<https://www.elibrary.imf.org/view/IMF071/24870-9781484337141/24870-9781484337141/24870-9781484337141.xml>.