

I. COUNTRY REFORM PROGRESS

This Global Public Finance Partnership (GPFP) project continued to support Benin in their reform effort under the IMF's Extended Credit Facility (ECF) and Resilience and Sustainability Facility (RSF) programs, which are centered on increasing revenue mobilization and improving resilience to climate change.

In **tax policy**, some measures have been taken to reduce tax expenditures through a rationalization strategy adopted in November 2022. However, there is no clear tax policy reform plan in place and the MTRS remains centered on digitalization, tax compliance and administration measures. Development partners (Agence Française de Développement (AfD) and German Agency for International Cooperation (GIZ)) have launched comprehensive capacity development (CD) programs targeting revenue mobilization and in particular property taxation.

In **tax administration**, with remote support from HQ and hands-on activities by the IMF's Regional Technical Assistance Center in West Africa (AFW), progress is made on almost all due milestones: (1) the number of large and medium taxpayers jumped from 4000 to 4506; (2) taxpayers meeting their filing obligations increased from 80 percent to 85 percent; (3) those meeting their payment obligations from 65 percent to 72 percent; and (4) completed audits on suspected cases increased up to 60 percent compared to 30 percent a year ago. These improvements are fueled by the adoption of a medium-term revenue strategy (MTRS) in September 2023, the development of which has received massive support from the IMF's Fiscal Affairs Department (FAD). Subject to the provisions of a counterpart to missions and the CD logical framework, the next activities will help enlarge the taxpayer register and extend the use of digital tax ledgers to improve tax compliance.

Regarding the **customs** component of the project, there was no engagement from the authorities due to a change in management and the adoption of a new modality of the country's demand-driven approach to CD wherein they must make specifications in a formal letter. However, in April 2025, the authorities committed to organizing an online meeting with FAD and AFW counterparts to discuss a reform roadmap and a logical framework, paving the way for the resumption of CD.

In the field of **public financial management** (PFM) the project seeks to help the authorities fulfil their commitment under the RSF (adopt and pilot methodologies for climate-sensitive maintenance of public investment assets), thereby increasing efficiency of spending and resilience against climate shocks. The project was initially oriented toward supporting implementation of PFM reform measures under the Benin RSF approved by the IMF Board in December 2023. Its logframe was prepared accordingly, targeting support for reform measures both on climate-sensitive maintenance and climate budget tagging. However, the authorities did not request any support on fiscal reporting (climate budget tagging). Therefore, support remains focused on public investment management. The objective to "improve fiscal transparency and reporting" and associated outcome of "strengthened accounting and audit processes" under the project is, therefore, no longer relevant.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: No activity delivered in FY25 as the authorities did not request a follow-up yet.

Previous Progress: No activity delivered prior to FY25.

Next Steps: A Medium-Term Revenue Strategy has been published in October 2023 for 2024-2028. The proposed tax policy measures included in the strategy aim to continue to improve the taxation of the informal sector, simplify property taxation, strengthen excise duties by increasing rates on specific goods, improve the taxation of companies operating in the digital economy, assess and rationalize tax expenditures, and adapt tax treaties signed with foreign countries. With the end of the Fund programs (and the current presidential mandate) approaching, it is time for the authorities to take stock of the success of revenue mobilization efforts and consider deepening the analysis in specific areas (e.g. excise and environmental taxes, property taxation, tax expenditures, formalization of the economy) to design and implement new reform measures aimed at further broadening the tax base and increasing revenues. In this context, the MTRS review mission is now envisaged for FY26.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: Activities for this project have not yet started. As per the Ministry of Finance's letter of November 2024 and confirmed during the FAD Staff Visit in December 2024, the authorities have adopted a strictly demand-driven approach to CD. Under this approach, no CD activity may proceed without a formal request from the authorities concerned specifying the scope, revenue objectives, expected impact, milestones, and indicators.

Previous Progress: This being the first year of activities, there is no previous work to build upon.

Next Steps: As to tax administration, the authorities promised to send a CD request about two key reform priorities: (1) the development of a risk-based desk audit framework; and (2) modernizing the taxpayer registration process to fight the pervasive informal sector.

Regarding the customs component of the project, the authorities committed to organizing an online meeting with FAD and AFW counterparts to discuss a reform roadmap and a logical framework, paving the way for the resumption of CD.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY25: A field mission helped the authorities in finalizing a manual on climate-sensitive maintenance of public investment.

Previous Progress: The manual on climate-sensitive maintenance methodologies built upon work done during a previous (AFW-financed) mission in March 2024. It leveraged extensive exchanges with donor partners during the two missions, notably to ensure adequate capacity-building support for line ministries.

Next Steps: The upcoming (July 2025) short-term expert mission will help the authorities pilot the new climate-sensitive maintenance methodology as part of preparation of the 2026 Budget (three pilot ministries plus agency in charge of road maintenance).

III. LOGICAL FRAMEWORK

Country – Benin		
RM I: Objective - Improved Tax Policy Design - TPD		Rating - 0
Outcome	Rating	Narrative
Increased/decreased revenue quantity	1 Not Achieved	No activities have yet taken place and the planned MTRS review has been postponed to FY26.
Improved distributional fairness across taxpayers due to amended tax rates or base.	1 Not Achieved	No activities have yet taken place and the planned MTRS review has been postponed to FY26.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	1 Not Achieved	No activities have yet taken place and the planned MTRS review has been postponed to FY26.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened	2 Partially Achieved	Preliminary reports suggest that the integrity of the taxpayer base is improving
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	The on-time filing ratio is improving
A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	Preliminary information suggest some advancements.
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	Audit and verification programs have improved in terms of organization and results
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 1
Outcome	Rating	Narrative
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	1 Not Achieved	Activities under this project have not yet commenced. The authorities have adopted a demand-driven approach to CD, which requires detailed requests from their side before any activity can be initiated.
Customs control during the clearance process more effectively ensures accuracy of declarations	1 Not Achieved	Planned activities to support this outcome have been delayed, as the authorities are currently reassessing and refining their priorities for CD delivery.

SM II: Objective – Improve Fiscal Transparency and Reporting - FTR		Rating – 0
Outcome	Rating	Narrative
Strengthened accounting and audit processes	1 Not Achieved	No longer relevant – no activity in this field. See Section I on PFM for detailed explanation.
SM II: Objective – Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 2
Outcome	Rating	Narrative
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender and SDGs	2 Partially Achieved	The work on climate-sensitive maintenance methodologies has started with the adoption of a roadmap in March 2024. The November 2024 HQ short-term expert mission (the first under the GPFP project) assisted in the implementation of this roadmap. A mission planned in July 2025 will help the authorities finalize the work in the run-up to the 2026 initial budget, with the piloting of this new methodology for select ministries.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I, RM II, SM II: Resurgence of pandemic hinders CD delivery and changes CD priorities	Medium	Build on progress achieved with remote delivery of CD.
Political Support		
RM I: Reform proposals to reduce tax expenditures may trigger opposition from beneficiaries.	Low	Consultation with relevant internal and external stakeholders to help ensure reflect broad consensus across government.
RM II, SM II: Political instability may slow down and even stop implementation of reforms	Low	Focus on strategic advice and hands-on capacity building to have a more permanent impact. Close consultation with the IMF's African Department team and the authorities.
Management and Technical Staff Support and Commitment		
RM I: Close coordination across senior level staff in relevant counterpart agencies (MoF, Economy, tax administration, investment promotion) is critical for delivery.	Low	Using the MTRS process to organize consultations across government agencies to ensure close coordination.
RM II: Continuous rotation of managers and staff undermine the absorptive capacity and provoke permanent discontinuity.	Low	Encourage authorities to implement administrative reforms and closely monitor projects.

Description	Rating	Mitigation Measures
SM II: Staff within MoF and line ministries prioritize other tasks linked to ongoing budget work.	Low	Leverage the link with RSF commitments to ensure momentum for the work on climate-related PFM.
Resource Adequacy		
RM II: Resources are misused, nor properly accounted for, do not achieve value for money.	Low	Project resources will be employed in accordance with IMF policies and procedures, including in particular its Travel Policy.
SM II: Capacity on climate-related PFM issues within the MoF and line ministries is too limited to successfully introduce climate-smart PFM.	Low	FAD and AFW as well as other partners are supporting capacity-building also beyond the scope of this project.
Other Risks		
RM II: The reform momentum is highly based on the availability of a modern IT system that can support reform management and implementation	Low	Maintain close coordination and collaboration with other technical assistance providers, especially the World Bank to deliver forcefully a modern IT system.
RM II: Since 2025, country authorities have adopted a strictly demand-driven approach to CD under which TA must be requested by authorities with clear scope, objectives, impact, milestones, and indicators. This reliance on formal requests may lead to delays or incomplete submissions, slowing TA delivery and affecting project outcomes.	High	Engage regularly with authorities to identify and shape emerging TA needs. Offer scoping missions to help define requests where needed.

V. PROJECT MANAGERS CONTACT INFORMATION

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