



Amendment to
Project Proposal for
UNION OF THE COMOROS

June 2026

Component: Spending

Module: SM-II: Managing Public Finance



PROJECT SUMMARY

COUNTRY: Union of the Comoros

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY27-28

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ESTIMATED BUDGET US\$ 214,000

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for module RM-II: Revenue Administration	January 2024
AMENDMENT 1/2	Addition of module RM I: Tax Policy	January 2025
AMENDMENT 2/2	Addition of module SM II: Managing Public Finances to strengthen core public financial management functions.	June 2026

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I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

Comoros is a small, fragile island state with very limited institutional and technical capacity and high vulnerability to external and climate-related shocks. In this context, strengthening public financial management (PFM) institutions is macro-critical and central to the success of the Extended Credit Facility-supported program. However, longstanding weaknesses across key PFM functions continue to undermine fiscal discipline, budget credibility, and the effectiveness of PFM. The recent discontinuation of resident advisor support (April 2025) has created a critical gap in hands-on capacity development (CD) at a pivotal stage of reform implementation, while demand for technical assistance from the authorities remains strong.

Description of Module

This new module will focus on providing CD to the Ministry of Finance, Budget and Banking Sector on PFM, with the key underlying objectives being to strengthen budget management and to build capacity on macro-fiscal forecasting. CD will focus on improving budget preparation process and enhancing macro-fiscal forecasting, with a view to progressively strengthening budget credibility. The delivery modality will emphasize sustained engagement, fostering stronger reform traction and ensuring greater effectiveness of CD over the medium term through the implementation of coherent, well-sequenced, and sustainable reforms.

The estimated budget for this project amendment is US\$ 214,000, and covered within the total budget endorsement request for Comoros of US\$ 2,386,766 through FY28.

II. BACKGROUND

Macro-fiscal situation

Comoros's macro-fiscal outlook has been impacted by the conflict in the Middle East and is constrained by persistent structural weaknesses and limited fiscal space. Growth has been modest, while fiscal performance has been affected by weak revenue performance and rising expenditure pressures. Continued reliance on externally financed public investment widened fiscal deficits and increased debt vulnerabilities. While Comoros has successfully completed the first five reviews under the IMF's Extended Credit Facility (ECF)-supported program, overall performance has been mixed. These challenges are compounded by underlying PFM weaknesses, including fragile budget preparation processes, limited macro-fiscal forecasting capacity, and gaps in fiscal transparency and control, which undermine budget credibility and policy implementation. Persistent weaknesses in budget preparation limit the effectiveness and traction of execution-focused reforms. In light of these challenges, strengthening these core PFM functions remains critical to support fiscal consolidation efforts and sustain reform momentum under the ECF-supported program.

Country engagement and alignment to reform priorities

The capacity development (CD) program is aligned with the Comorian PFM reform priorities set out in the ten-year public finance reform strategy for Comoros, adopted in 2024. While the authorities have demonstrated commitment to these reforms, implementation continues to be constrained by limited institutional and technical capacity. At the same time, Comoros remains committed to the objectives of its ECF-supported program, which places particular emphasis on strengthening cash management, enhancing fiscal transparency, and improving oversight of state-owned enterprises. In this context, sustained CD support to advance the implementation of priority reforms remains critical to ensure reform traction and achieve program objectives.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Comoros on PFM. CD provided by the IMF's Fiscal Affairs Department (FAD) will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM II / Managing Public Finances	- Strengthen budget management - Strengthen macro fiscal frameworks

A. SM II – Managing Public Finances

Scope

Comoros faces major challenges in budget preparation, including weak and insufficiently institutionalized processes, limited coordination among key actors, low macro-fiscal forecasting capacity, and fragmented institutional responsibilities, contributing to persistent gaps between budget projections and execution and undermining fiscal credibility. Against this backdrop, the project will focus on strengthening core PFM functions, with particular emphasis on improving budget preparation, enhancing macro-fiscal forecasting capacity, and improving overall budget management practices. It will strengthen the institutional framework, tools, and processes underpinning budget preparation. In addition, the project will support the authorities in operationalizing a credible budget calendar, improving coordination between key stakeholders, reinforcing the integration of macro-fiscal analysis into budget preparation, and supporting the gradual consolidation of operating and capital expenditure budgeting practices. The proposed support is fully aligned with the authorities' reform priorities and ECF commitments, contributing to strengthening fiscal discipline, improving budget credibility, and enhancing the efficiency of public spending.

Program Objectives

Support on macro-fiscal forecasting will aim to strengthen the reliability and consistency of forecasts by developing basic analytical tools, improving data sharing, and enhancing coordination across departments to better inform budget decisions and fiscal policy.

Support on budget preparation will focus on strengthening budget formulation process, reinforcing both top-down and bottom-up approaches, and improving the quality and coordination of budget submissions, including better integration of capital and recurrent spending.

Technical assistance will be delivered through sustained, hands-on CD, with a strong focus on implementation support and practical tools and tailored to Comoros' limited absorptive capacity.

Expected Results (outcomes)

At the conclusion of this project, it is expected that Comoros will possess more credible budgets and more reliable macro-fiscal forecasts. Public resources will be more effectively allocated and there will be improved coordination across institutions.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

FAD's engagement in Comoros builds on ongoing reform areas in PFM, particularly budget preparation and macro-fiscal forecasting, where previous CD has laid analytical foundations, but implementation remains incomplete. The proposed support therefore aims to consolidate and operationalize existing reforms, rather than launching a new area of engagement. It also responds to the discontinuation of the resident advisor, which had ensured continuous, hands-on support at a pivotal stage of implementation. With HQ-based engagement constrained by limited funding, support has remained intermittent, increasing the risk of reform slowdown under low-capacity environment. In this context, the proposal seeks to restore continuity and provide a structured, medium-term CD aligned with program commitments and adapted to Comoros' limited capacity.

B. Delivery Modalities

CD will comprise a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Peripatetic Short-term expert (STX) visits** to help implement the recommendations from the February 2026 HQ mission on budget preparation; a limited number of targeted STXs will be assigned to provide specialized assistance in these specific areas of public financial management. The project will seek to use French-speaking experts.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's Area Department and Resident Representative in Comoros	Sharing information, insights, and recommendations	PFM priorities, recommendations and status of reforms	Regular
European Union	Technical coordination, sharing information to ensure complementarity in PFM reforms intervention	PFM priorities	During field-based missions

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
SM II - Managing Public Finance	High vulnerability to external shocks and climate risk	Very High	Strengthen CD support while remaining flexible in delivering CD workplan
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM II - Managing Public Finance	Weak capacity and limited commitment and reforms' ownership	Very High	- Improve the integration of CD and IMF program - Tailored CD support
RESOURCE ADEQUACY			
SM II - Managing Public Finance	Resource adequacy in the Ministry of Finance, including number of staff and skillset	Very High	Sequence CD and reform proposals to align with country capacity

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
SM II – Managing Public Finances			
STX visits	1	4	5
Workshops (inc. during STX and remote CD)	1	2	3
TOTAL	2	6	8

Note:

- In-person delivery was chosen in most instances because of low capacity, authorities' expected preference for such a modality, and the need to build and maintain relationships.
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
SM II – Managing Public Finances		
Q2/FY27	Field-based Work - FB	Budget preparation process follow-up
Q1/FY28	Field-based Work - FB	Annual of the budget law with the PFM legal framework
Q2/FY28	Field-based Work - FB	Calibration of the macro fiscal forecasting tool
Q3/FY28	Field-based Work - FB	Macro fiscal forecast follow-up
Q4/FY28	Field-based Work - FB	Macro fiscal forecast follow-up

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
SM II - Managing Public Finance	50,000	150,000	200,000
Trust Fund Management Fee (7%)	3,500	10,500	14,000
TOTAL	53,500	160,500	214,000

Note: The estimated budget for this project amendment is US\$ 214,000 and endorsement is requested for the full amount through FY28. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. SM II – Managing Public Finances

Objective: Strengthen Budget Management - SBM	
Outcome(s)	Indicator(s)
Strengthened medium-term budget frameworks	Improved comprehensiveness and credibility of medium-term budget framework and/or expenditure framework (Record Score: PEFA PI-16, FTC 2.1.3)
Comprehensive, timely, and high quality fiscal reports	Strengthened completeness, timeliness and consistency of annual financial statements (Record Score: PEFA PI-29) FTC1.2.2
Strengthened asset and liability management processes	Strengthened effectiveness and timeliness of cash flow forecasting and cash balance management including for capital spending (DEMPA DPI 11, PEFA PI-21.2)
Strengthened annual budget process for more efficient and effective use of resources	Enhanced comprehensiveness of budget documentation (Record Score: PEFA
	Strengthened effectiveness, orderliness and timeliness of budget preparation process (Record Score: PEFA PI-17)

Objective: Strengthen Macroeconomic Frameworks	
Outcome(s)	Indicator(s)
Strengthened identification, monitoring, and management of fiscal risks	Enhanced analysis, disclosure and management of other contingent liabilities and specific fiscal risks
Strengthened medium-term fiscal frameworks	Improved comprehensiveness of macrofiscal forecasts