

## I. COUNTRY REFORM PROGRESS

As a result of our sustained assistance and guidance, Comorian authorities have successfully produced the country's first tax expenditures report. Institutionalization of the new tax policy unit (TPU), which was created in September 2024, has however faced some severe challenges particularly when it comes to staffing and analytical capacity. Continued support therefore remains critical, although meaningful progress in the years to come will also require a strong commitment by authorities to adequately support the TPU—a desire the Minister of Finance has recently reiterated—as well as a willingness to introduce underlying policy reforms.

Tax administration has made significant progress in broadening the tax base with the support of the IMF's Fiscal Affairs Department (FAD), Regional Technical Assistance Center for Southern Africa (AFS), and French cooperation (sharing of action plans and exchange between experts on the cross-referencing of customs and tax data, use of this data for tax audit and new taxpayers enrollments purposes, and securing the Tax Identification Number). The number of large and medium-sized enterprises increased by 20 percent between 2024 and 2025, and efforts in this direction are continuing, with further increase expected by the end of 2025. With the assistance of the tax resident advisor, the processing of customs data has also enabled the development of an audit plan targeting an initial wave of importers who underreported or failed to declare their annual turnover.

## II. PROJECT DELIVERY HIGHLIGHTS

### RM I: Revenue Module I – Tax Policy

**Key Progress in FY26:** Initial priority under the project was to support authorities in producing a tax expenditures report on indirect taxes. Sustained capacity development (CD) resulted in the completion of Comoros' first tax expenditures report, although the exercise evidenced institutional fragility (e.g., inadequate staffing and operationalization of the TPU) and limited capacity.

**Next Steps:** A mission is planned for February 2026. Its mandate will be to provide introductory training on tax policy to the new TPU.

### RM II: Revenue Module II – Revenue Administration

**Key Progress in FY26:** *Tax.* The long-term tax resident advisor was appointed in Moroni in June 2025. He assisted the authorities in enrolling new taxpayers and developing as well as implementing the tax audit plan using data from the interconnection of tax (SIGIT) and customs (SYDONIA) IT systems and database. The number of active large or medium taxpayers has increased by 20 percent at end December 2024. *Customs.* HQ-led mission to evaluate the level of implementation of IMF recommendations in the field of customs since 2020. While some progress has been made (establishment of units in charge of risk analysis and audit, methodological improvements in the IT system and in risk analysis), the lack of analytical capacity and use of data has been identified as a structural obstacle for reforms implementation by field offices and monitoring by the central administration

**Previous Progress:** Given the limited capacity in place and the expected revenue mobilization needs, emphasis has been placed on establishing structures and strengthening the capacity of key officials responsible for collecting and processing customs data in order to identify new taxpayers and combat fraud.

**Next Steps:** *Tax.* With the support of the tax resident advisor, working on broadening the tax base, taxing major SOEs, and combating fraud using various external data sources will continue. *Customs.* Further technical assistance will be in the field of data literacy, data analytics to implement and monitor reforms, as well as for risk analysis and integrity.

### III. LOGICAL FRAMEWORK

| Country – Comoros                                                                                                             |                      |                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RM I: Objective – Improve Tax Policy Design - TPD                                                                             |                      | Rating - 1                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Outcome                                                                                                                       | Rating               | Narrative                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Increased/decreased revenue quantity                                                                                          | 1 Not Achieved       | Initial CD provided in April 2025, such that is too early expect progress on this outcome at this point in time.                                                                                                                                                                                                                                                                                                           |
| Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures               | 1 Not Achieved       | Initial CD provided in April 2025, such that is too early to expect progress on this outcome at this point in time.                                                                                                                                                                                                                                                                                                        |
| Improved distributional fairness across taxpayers due to amended tax rates or base                                            | 1 Not Achieved       | Initial CD provided in April 2025, such that it is too early expect progress on this outcome at this point in time.                                                                                                                                                                                                                                                                                                        |
| RM I: Objective – Strengthen Policy Monitoring, Evaluation and Institutions - TPM                                             |                      | Rating - 1                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Outcome                                                                                                                       | Rating               | Narrative                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Improved transparency and outreach                                                                                            | 2 Partially Achieved | A draft tax expenditures report was produced in October 2025. However, much of its contents originate from the mission team, raising some concerns over authorities' ability to replicate the exercise independently going forward. It is also unclear at this time whether the report will be published as an annex to the upcoming Budget; publication is critical to achieve desired transparency over public finances. |
| RM II: Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM                |                      | Rating - 3                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Outcome                                                                                                                       | Rating               | Narrative                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized | 3 Largely Achieved   | In view of the very limited capacity of the tax administration, priority has been given for the time being to strengthening essential functions, including broadening the tax base. This activity is supported by the newly appointed resident tax advisor.                                                                                                                                                                |

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| Corporate priorities are better managed through effective risk management                                             | 3 Largely Achieved   | A compliance improvement plan targeting large and medium-sized taxpayers is in place.                                                                                                                                                                                                                                                                                                                                        |
| Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols | 2 Partially Achieved | In view of the very limited capacity of the tax administration, priority has been given for the time being to strengthening essential functions, including broadening the tax base.                                                                                                                                                                                                                                          |
| <b>RM II: Strengthened core tax administration functions (SDG 17.1) - TAD</b>                                         |                      | <b>Rating - 3</b>                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Outcome</b>                                                                                                        | <b>Rating</b>        | <b>Narrative</b>                                                                                                                                                                                                                                                                                                                                                                                                             |
| The integrity of the taxpayer base and ledger is strengthened                                                         | 3 Largely Achieved   | As a result of census work in the field and the cross-referencing of information and data with customs, new taxpayers have been taxed and registered in the tax authorities' database. The number of active large or medium taxpayers have increased by 5 percent at end June 2024. The new long-term resident advisor will assist to help continue broadening the tax base, notably by enlarging the data external sources. |
| A larger proportion of taxpayers meet their filing obligations as required by law                                     | 3 Largely Achieved   | Large and medium taxpayer's TCA and PAYE withholding returns submitted at due date increased during the first semester of 2025.                                                                                                                                                                                                                                                                                              |
| A larger proportion of taxpayers meet their payment obligations as required by law                                    | 3 Largely Achieved   | Number of large and medium taxpayers paying TCA and PAYE withholding increased during the first half of 2025.                                                                                                                                                                                                                                                                                                                |
| <b>RM II: Improved customs administration functions (SDG 17.1) - CAD</b>                                              |                      | <b>Rating - 2</b>                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Outcome</b>                                                                                                        | <b>Rating</b>        | <b>Narrative</b>                                                                                                                                                                                                                                                                                                                                                                                                             |
| Customs control during the clearance process more effectively ensures accuracy of declarations                        | 2 Partially Achieved | Implementation of the tariff in the IT customs system is in progress.                                                                                                                                                                                                                                                                                                                                                        |
| Audit and anti-smuggling programs more effectively ensure enforcement of customs laws                                 | 2 Partially Achieved | A task force has been set up and trained, jointly with AFS, to collect arrears due to special regimes, before the end of 2024, as part of achieving a structural benchmark of the IMF's Extended Credit Facility (ECF).                                                                                                                                                                                                      |

#### IV. RISK ASSESSMENT

| Description                                  | Rating | Mitigation Measures                                                                                  |
|----------------------------------------------|--------|------------------------------------------------------------------------------------------------------|
| <b>External Climate/Conditions</b>           |        |                                                                                                      |
| RM I: World economy, security, weather, etc. | Medium | Factor authorities' priorities into our work program and remain flexible in delivering the workplan. |

| Description                                                                                                                                                                                  | Rating | Mitigation Measures                                                                                                                                                                                                                                                                                                            |
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| RM II: The tax administration is located on three islands with little means of communication. It poses problems in terms of information sharing, work supervision and financial reporting.   | Medium | Engaged with the staff of the local branch of tax administration located in Ndzuwani and Mwali. Ensure CD plans include sufficient training for the two islands' staff.                                                                                                                                                        |
| <b>Political Support</b>                                                                                                                                                                     |        |                                                                                                                                                                                                                                                                                                                                |
| RM I: Obtain needed leadership from the Minister and sufficient buy-in from the whole government to enact meaningful legislative reforms.                                                    | High   | Engage constructively with high-level officials to ensure that they appropriate themselves of proposed reform options and that their views are considered and reflected into our analysis and recommendations. Work closely with country team.                                                                                 |
| RM II: Lack of political support for reforms inhibits resources being allocated that are needed to enhance the performance and restore the credibility of the tax administration.            | Medium | Engage regularly with the Minister to ensure ownership of reforms. Ensure CD on revenue is focused on the ECF program and engage with the IMF's African Department team to align structural benchmarks with the CD recommendations.                                                                                            |
| <b>Management and Technical Staff Support and Commitment</b>                                                                                                                                 |        |                                                                                                                                                                                                                                                                                                                                |
| RM I: Buy-in and commitment by our direct counterparts at the Budget Ministry.                                                                                                               | High   | Engage constructively with counterparts to ensure that they appropriate themselves of reform options and that their views are considered in the analysis and recommendations. Remain agile and build the CD program based on their needs and preferences. Ensure frequent communication, including regular in-person missions. |
| RM II: Commitment by the DG has been gained but that of his staff is still weak. Several regional appointments, and reform's ownership by managers on the two of three islands is still low. | Medium | Engage proactively with management and technical staff, including in Ndzuwani and Mwali, and explain the importance of the tax administration reform plan and strengthening tax risk management.                                                                                                                               |
| <b>Resource Adequacy</b>                                                                                                                                                                     |        |                                                                                                                                                                                                                                                                                                                                |
| RM I: Resource adequacy in Budget ministry, including number of staff and skillset.                                                                                                          | Medium | Sequence CD and reform proposals to align with country capacity. Offer complementary CD in the form of follow-up engagements or support in legal drafting. Coordinate closely with the revenue administration division.                                                                                                        |
| RM II: Insufficient technical capacity and human resources necessary to implement reforms are limited.                                                                                       | High   | Ensure CD plans include sufficient training and prioritize CD to risks areas where resources are limited.                                                                                                                                                                                                                      |
| <b>Other Risks</b>                                                                                                                                                                           |        |                                                                                                                                                                                                                                                                                                                                |
| RM I: N/A                                                                                                                                                                                    | N/A    | N/A                                                                                                                                                                                                                                                                                                                            |
| RM II: Supervision of work on the other two islands is inadequate, due to the lack of interconnection of the IT systems and the influence of local authorities.                              | High   | Ensure that the IT system (SIGIT) is interconnected, developed a clear job description, and engaged regularly with the local authority during CD missions.                                                                                                                                                                     |

| Description                                                                                                                                  | Rating | Mitigation Measures                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Multiple donors are providing intense technical assistance on tax area and contradictory recommendations, or overlaps may arise as a result. | Low    | The long-term tax resident advisor will take an active role, with the support of the IMF local office, in engaging with other donors to ensure support is well coordinated, or organize joint mission. |

## V. PROJECT MANAGERS: CONTACT INFORMATION

| Project Manager             | Module Project Manager                        | E-mail                                                           |
|-----------------------------|-----------------------------------------------|------------------------------------------------------------------|
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