

## I. COUNTRY REFORM PROGRESS

The project is supporting the improvement of the tax system and improved domestic revenue through a combined approach to strengthen tax policy and revenue administration in a fragile conflicted-affected environment.

Regarding **Tax Policy**, this capacity development (CD) program has continued to evolve opportunistically in each of its five main themes (tax expenditures, excise taxes, non-tax revenue collected by line ministries, parafiscal charges collected by administrative bodies, and provincial taxation), depending on context and circumstances. Excise taxes were increased on cigarettes and beer as per IMF recommendations. An update of the central government's tax expenditures assessment was finalized and published online as an appendix to the budget and three analytical projects were launched to be included in the next publication (December 2025) on: (1) the impact of the Investment Code, (2) VAT exemptions rationalization and (3) beneficiaries on VAT exemptions—this is part of a strategy to bring the local working group to the next level, from data description to data analyses. The Members of the Provincial Assembly of Kinshasa were met to support the inclusion of their tax expenditures analysis in their provincial budget, as planned by the law. Drafting of non-tax revenue (revenue of line ministries) was completed regarding environment, mines, and hydrocarbons (urbanism and urban habitats should be completed in May 2025). A local "*Commission permanente*" was set up to steer the reform of parafiscal charges (revenue of administrative bodies), as recommended by an October 2024 mission. A draft text on provincial taxes on property was prepared in coordination with provinces.

With regards to **Revenue Administration**, the Democratic Republic of the Congo (DRC) is benefiting from two long-term experts (LTX): a GPFP-funded peripatetic tax advisor serving three countries, including the Central African Republic, and the new tax resident advisor at the IMF Regional Technical Assistance Center for Central Africa (AFC) dedicated to fragile and conflict-affected states (FCS). In addition, as part of an innovative engagement of the IMF's Fiscal Affairs Department (FAD) with FCS in partnership with AFC, DRC has been participating in a regional dialogue that enhances peer-to-peer learning and supports targeted CD activities that are tailored to absorption capacity (in line with the IMF's overall FCS Strategy). This important CD has helped the country achieve slow progress in addressing non-compliant behaviors in a very challenging environment dominated by conflicts and instability. However, preliminary estimates project a loss of revenue up to 0.7 percent of GDP, reflecting the closure of revenue administration offices in North and South Kivu provinces and the wider impact of the conflict, including taxes from Kinshasa-based firms and financial institutions operating in the East.

## II. PROJECT DELIVERY HIGHLIGHTS

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

**Key Progress in FY25:** (1) A update of the tax expenditures assessment covering an 8<sup>th</sup> consecutive year; (2) higher excise taxes; (3) A more advanced draft of the non-tax revenue of the central government (completion for end-2026); (4) A new local committee ("*Commission permanente*") to drive the reform of parafiscal charges; (5) a first draft of a harmonized provincial tax on property.

**Previous Progress:** Work on tax expenditures and non-tax revenue have progressed smoothly over the past two years. Major stumbling blocks on excise (resistance to change), parafiscal charges (lack of a local

group in charge of reforms) and provincial taxation (complex multi-stakeholder environment) were overcome in 2025.

**Next Steps:** (1) Expand the tax expenditures work into policy analysis; (2) support a simplification of the excise schedule and raise them further (e.g., cars); (3) Keep advancing the non-tax revenue drafting work; (4) Finalize the inventory of administrative charges and related reform plan with the new "*Commission permanente*" in order to prepare a rationalization plan; (5) Finalize provincial tax laws.

## RM II: Revenue Module II – Revenue Administration

**Key Progress in FY25:** The escalation of the conflict in the eastern regions has delayed the implementation of the CD program. With FAD support, the authorities are focusing on measures aimed at increasing revenue including recovering outstanding tax payments, adopting the standardized VAT billing system and operationalizing the Commission to litigate unpaid customs claims.

**Previous Progress:** On revenue administration side, several remote CD activities helped identify measures to safeguard revenue in the short and medium term by improving compliance.

**Next Steps:** FAD is taking advantage of the current lull to field an HQ mission (April 7–18, 2025) with the objective to propose a detailed action plan to strengthen core business tax administration function. FAD and AFC will support the implementation of the mission's recommendations.

### III. LOGICAL FRAMEWORK

| Country – Democratic Republic of the Congo                                                                      |                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RM I: Objective - Improve Tax Policy Design - TPD                                                               |                      | Rating - 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Outcome                                                                                                         | Rating               | Narrative                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures | 2 Partially Achieved | Work is progressing opportunistically in each of the five fields covered by this CD program. Tax expenditures work has reached most of its objectives and is now moving in new territories with more emphasis on analytical work; excises rates have increased in the 2025 budget, but too many products remain subjects to excise taxes; drafting of non-tax revenue progresses steadily; draft texts were prepared on provincial taxation (property taxes, rental income, cars, excises); the rationalization of parafiscal charges is finally benefitting from a new dedicated " <i>Commission permanente</i> " with a clear mandate to advance the work along lines recommended by FAD; furthermore, the " <i>décret de reclassement</i> " should be adopted by end-December 2025 (World Bank trigger) |

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|                                                                                           |                      | and hence removing a major obstacle to the reform of parafiscal charges. |
| <b>RM II: Objective - Strengthened core tax administration functions (SDG 17.1) – TAD</b> |                      | <b>Rating - 2</b>                                                        |
| <b>Outcome</b>                                                                            | <b>Rating</b>        | <b>Narrative</b>                                                         |
| The integrity of the taxpayer base and ledger is strengthened                             | 2 Partially Achieved | The integrity of the taxpayer database is improving                      |
| A larger proportion of taxpayers meet their filing obligations as required by law         | 2 Partially Achieved | On-time filing ratios are improving over time                            |
| A larger proportion of taxpayers meet their payment obligations as required by law        | 2 Partially Achieved | On-time payment ratios are improving over time                           |
| Audit and other verification programs more effectively ensure accuracy of reporting       | 2 Partially Achieved | Audit and other verification programs are more effective                 |

#### IV. RISK ASSESSMENT

| Description                                                                        | Rating    | Mitigation Measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>External Climate/Conditions</b>                                                 |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| RM I: Pandemic / Coups                                                             | Medium    | Build on progress achieved with remote delivery of CD, use data shared by the authorities. However, the events in the East of the country have had no negative impact on the program, nor have recent floods.                                                                                                                                                                                                                                                                                           |
| RM II: Resurgence of pandemic hinders CD delivery and changes CD priorities        | Very High | Build on progress achieved with remote delivery of CD.                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Political Support</b>                                                           |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| RM I: Political instability may slow down and even stop implementation of reforms  | High      | The new Minister is a previous technical partner and links with his two tax advisers are strong. The difficulties in the East of the country have increased pressure for more revenue, and hence additional pressure to increase excise taxes. There is strong buy-in from provinces as well on provincial tax reforms (close contacts with provincial ministers). Overall, the political buy-in has significantly improved over the past 6 months, but overall, the political landscape remains risky. |
| RM II: Political instability may slow down and even stop implementation of reforms | Very High | 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.                                                                                                                                                                                                                                                                                                                                |

| Description                                                                                                                                       | Rating    | Mitigation Measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| <b>Management and Technical Staff Support and Commitment</b>                                                                                      |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| RM I: Staff instability in the local working groups and significant bureaucratic interference                                                     | Medium    | Given the length of the project, local staff turnover of the local working group was always a potential problem and hence the need to use consultants as a fallback option and to get as much data as possible to continue the work. However, local counterparts (CTR, COREF, the Minister himself) have managed that risk well and the quality of staff on the local groups has improved. Data (even with tax identifiers) is also shared on a regular basis. Furthermore, a local " <i>Commission Permanente</i> " was set up to work on parafiscal charges, and this should minimize this risk on that topic as well. Yet, political interferences at the technical level remain a possibility. |
| RM II: Continuous rotation of managers and staff undermine the absorptive capacity and provoke permanent discontinuity.                           | Very High | Encourage authorities to implement administrative reforms with a stable internal environment and closely monitor projects.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Resource Adequacy</b>                                                                                                                          |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| RM I: Consultants supporting the working group may be overbooked                                                                                  | Low       | The same drafter is used for provincial taxes and non-tax revenue, which proved easier than expected.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| RM II: Resources are misused, not 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Other Risks</b>                                                                                                                                |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| RM I: Bureaucratic and industry resistance to reforms (notably on health excise taxes).                                                           | Medium    | Mobilize other donors (World Health Organization, World Bank). Use structural benchmark, if possible. The 2025 budget excise increase, though, seems to signal a change of tack from the authorities, and hence the lower risk.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| RM II: The reform momentum is highly based on the availability of a modern IT system that is able to support reform management and implementation | Very High | Maintain close coordination and collaboration with other CD providers, especially the World Bank to deliver a modern IT system.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

## V. PROJECT MANAGERS CONTACT INFORMATION

| Project Manager       | Module PM             | E-mail                                             |
|-----------------------|-----------------------|----------------------------------------------------|
| Patrick Petit (FADT1) | Patrick Petit (FADT1) | <a href="mailto:PPetit@imf.org">PPetit@imf.org</a> |
|                       | René Ossa (FADR2)     | <a href="mailto:LOssa@imf.org">LOssa@imf.org</a>   |