

I. COUNTRY REFORM PROGRESS

Technical cooperation has been very productive until June 2024: multiple large size taxpayer-levels datasets on value added tax (VAT), personal income tax (PIT) and customs have been shared. This has allowed the IMF's Fiscal Affairs Department (FAD) to execute very detailed analyses on excise tax and VAT to identify additional revenue potential that could be used to match equivalent revenue-decreasing PIT reforms, whose contours are taking shape. Analytical policy-relevant work remains in progress, although recently there has been little traction at the policy level. Tunisia has, in an ad hoc fashion, adopted select tax policy reforms compatible with the objectives of this capacity development (CD) program.

Unfortunately, suddenly and unexpectedly, cooperation has become more difficult since June 2024. The authorities cancelled a mission at two weeks' notice. As the Presidential elections were announced shortly after (October 6) it has remained very difficult to get reactions to FAD's follow up. At this stage, FAD will remotely finalize the ongoing unfinished work with available data and summarize these analyses in a report that will be used for a formal follow-up mission in late fall 2024. Country authorities' reactions will be sought and assessed until early 2025, at which point the situation will need to be reevaluated. There has been no progress on food and fuel subsidies so far.

Misalignment of overall political priorities with the CD program objectives has become a new and significant risk over the past year and is casting doubts on the viability of this CD program, despite excellent contacts at the technical level.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module I – Tax Policy

Key Progress in FY25: In the first half of FY2025, detailed taxpayer-level VAT data were analyzed to identify reforms of exemptions and reduced rates, notably, and quantify potential additional revenue. Individual-level PIT data were reviewed to simulate revenue-reducing reforms whose impact would match VAT- and excise-related additional revenue, to assess the extent of a possible shift in the tax burden. This remains a work in progress, as a June 2024 mission was cancelled by the authorities at short notice. Preliminary work was completed in a review of small taxes aimed at a rationalization effort.

Next Steps: Over the remainder of 2025, these analyses will be pursued remotely with available data and sent to the authorities for comments.

III. LOGICAL FRAMEWORK

Country – Tunisia		
Objective – Improve Tax Policy Design - TPD		Rating - 2
Outcome	Rating	Narrative
Improved distributional fairness across taxpayers due to amended tax rates or base	2 Partially Achieved	Analyses are ongoing and point to clear recommendations, but no measure has been adopted yet, except on an ad hoc basis.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	2 Partially Achieved	Analyses are ongoing and point to clear recommendations, but no measure has been adopted yet, except on an ad hoc basis.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
Social unrest	Medium	Structure the work to be able to continue working remotely.
Political uncertainty	Medium	Revise the CD timeline (as opposed to the substance of the CD), as soon or later the same issues will need to be discussed, regardless of external interference.
Management and Technical Staff Support and Commitment		
Lack of local resources delays missions or reduces interest	Medium	- Increase reliance on remote work and transform full missions into follow up missions. - Use, if possible, program benchmarks to motivate progress
Political Support		
Social and political resistance hinders the conduct and support of reforms.	High	Revise CD timeline and adjust workplan.
Repeated change in high-level priorities creates too much uncertainty for normal functioning and commitment of managers	High	Use, if possible, program benchmarks to motivate progress.
Resource Adequacy		
Change of authorities' priority and desired mission timing creates conflict with availability of resources	Medium	- Structure the work to always have a fallback remote work option to increase flexibility (e.g., have access to data). - Stretch the CD mission timeline to accommodate authorities' constraints
Other Risks		
Decreased cooperation on data issues.	Medium	- Follow up on data at every mission. - Demand support from the area department regarding the data gathering process.

V. PROJECT MANAGERS CONTACT INFORMATION

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