

I. COUNTRY REFORM PROGRESS

Tax Policy. Following the cancellation of the June 2024 mission by the IMF's Fiscal Affairs Department (FAD) amidst the overall disengagement of the Tunisian authorities, significant work was accomplished remotely with available data resources shared before. Three reports were produced on (1) excise taxes and small taxes; (2) value-added tax (VAT); and (3) personal income tax (PIT). In effect, these reports cover in large part the issue of tax rebalancing (main objective of this program), but not the corporate income tax (CIT) reform. They are being reviewed internally before being sent to the Tunisian authorities in the hope that this can keep alive a minimal level of technical cooperation on tax policy. Absent any reaction, this capacity development (CD) program would need to be terminated at the December 2025 Steering Committee. Supportive Minister of Finance Ms. Nemsia was dismissed in February 2025.

Spending Policy. No engagement in FY25 and no clear prospect of future engagement.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: There were no missions. Three technical notes were completed with data provided earlier. The authorities slightly decreased personal income tax in 2025, but not to the extent advocated by FAD to accomplish a significant tax rebalancing.

Previous Progress: Useful databases were shared. Some ad hoc changes went along the lines advocated by the mission (e.g., PIT, excise), but fell short of the magnitude proposed by the mission.

Next Steps: Finalize the internal review of the three notes, share them with the authorities and propose a short visit to present them and try to reengage at least minimally on technical work on tax policy.

SM I: Spending Module I – Spending Policy

Key Progress in FY25: There was no engagement during FY25. The relevance of support and capacity building on food and fuel subsidy reforms remains. However, and despite efforts by the country team, the authorities have stopped all spending-related engagement.

Previous Progress: N/A

Next Steps: This CD project will be closed owing to lack of engagement from authorities in this area.

III. LOGICAL FRAMEWORK

Country – Tunisia		
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	Analyses on tax rebalancing are completed, but not the study on CIT. No measure has been adopted yet, except on an ad hoc basis.
Improved distributional fairness across taxpayers due to amended tax rates or base	2 Partially Achieved	Analyses on tax rebalancing are completed, but not the study on CIT. No measure has been adopted yet, except on an ad hoc basis.
SM I: Objective – Strengthen Expenditure Policy Formulation and Design		Rating - 1
Outcome	Rating	Narrative
Reduce subsidies while mitigating impact on vulnerable households	1 Not Achieved	There was no engagement in FY25. The relevance of support and capacity building on food and fuel subsidy reforms remains. However, and despite efforts by the IMF team, the authorities have stopped all spending-related engagement.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I: 1. Social unrest 2. Political uncertainty	Low	Political and social uncertainty is low for now but current political directions do not seem to favor tax reforms. Tax reform is less likely to be associated with this risk than Spending reform.
SM I: 1. Social unrest 2. Political uncertainty	Medium	1. Structure work to be able to continue working remotely. 2. 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.

Description	Rating	Mitigation Measures
Political Support		
RM I: 1. Social and political resistance hinders the conduct and support of reforms. 2. Repeated change in high-level priorities creates too much uncertainty for normal functioning and commitment of managers	Very High	It remains very difficult to secure support at the technical level in the absence of high-level political support (previously supportive Minister was dismissed).
SM I: 1. Social and political resistance hinders the conduct and support of reforms. 2. Repeated change in high-level priorities creates too much uncertainty for normal functioning and commitment of managers	High	1. Revise CD timeline and adjust workplan. 2. Use, if possible, program benchmarks to motivate progress.
Management and Technical Staff Support and Commitment		
RM I: Lack of local resources delays missions or reduces interest	Very High	All possibilities of remote work have been used to produce three reports with available data.
SM I: RM I: Lack of local resources delays missions or reduces interest	Medium	1. Structure the work to always have a fallback remote work option to increase flexibility (e.g., have access to data). 2. Stretch the CD mission timeline to accommodate authorities' constraints.
Resource Adequacy		
RM I: Change of authorities' priority and desired mission timing creates conflict with availability of resources	Very High	Past risk on this count was hedged as data had been provided ahead of missions, but these data have now been exploited and there is little possibility of obtaining more data.
SM I: Change of authorities' priority and desired mission timing creates conflict with availability of resources	High	1. Structure the work to always have a fallback remote work option to increase flexibility (e.g., have access to data). 2. Stretch the CD mission timeline to accommodate authorities' constraints.
Other Risks		
RM I: Decreased cooperation on data issues.	Very High	Try to reengage at the technical level and political level using work accomplished so far with provided data.
SM I: Decreased cooperation on data issues.	Medium	1. Follow up on data at every mission. 2. Demand support from the area department regarding the data gathering process.

V. PROJECT MANAGERS CONTACT INFORMATION

Project Manager	Module PM	E-mail
Patrick Petit (FADT1)	Patrick Petit (FADT1) Delphine Prady (FADEP)	PPetit@imf.org DPrady@imf.org