



USAID | **TUNISIA**
FROM THE AMERICAN PEOPLE

FISCAL REFORM FOR A STRONG TUNISIA

FINAL REPORT

December 2020

DISCLAIMER This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc. The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States government.

ACRONYMS

ACSS	Automated Audit Control Selection System
ATTT	Agence Tunisienne des Transports Terrestres
BI	Business Intelligence
CGE	Computable General Equilibrium
CIMF	Centre Informatique du Ministère des Finances
CIT	Corporate Income Tax
CNAM	Caisse Nationale d'Assurance Maladie
CNRE	Centre National du Registre des Entreprises
CNSS	Caisse Nationale de Sécurité Sociale
COP	Chief of Party
DB	Doing Business
DGAFF	Direction Générale des Avantages Financiers et Fiscaux
DGCPR	Direction Générale de la Comptabilité Publique et du Recouvrement
DGD	Direction Générale des Douanes
DGELF	Direction Générale des Etudes et de la Législation Fiscale
DGI	Direction Générale des Impôts
DGRE	Direction Générale des Ressources et des Equilibres
DME	Direction des Moyennes Entreprises
ENF	Ecole Nationale des Finances
FATCA	Foreign Accounts Tax Compliance Act
FIRST	Fiscal Reform for a Strong Tunisia
GDP	Gross Domestic Product
GOT	Government of Tunisia
IFRS	International Financial Reporting Standards
INS	Institut National des Statistiques
I-O	Input-Output
ISMS	Information Security Management System
IT	Information Technology
ITCEQ	Institut Tunisien de la Compétitivité et des Etudes Quantitatives
MDICI	Ministère du Développement de l'Investissement et de la Coopération Internationale
METR	Marginal Effective Tax Rate

MOF	Ministry of Finance
MOU	Memorandum of Understanding
MTFF	Medium Term Fiscal Framework
ONPF	Office National de la Propriété Foncière
PCA	Post-Clearance Audit
PIT	Personal Income Tax
POC	Proof of Concept
SG	Secrétaire Général
STF	Special Treasury Funds
STTA	Short-Term Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TND	Tunisian Dinar
USAID	United States Agency for International Development
UXP	Unified Exchange Platform
VAT	Value Added Tax
WTO	World Trade Organization

CONTENTS

1.	INTRODUCTION	6
2.	ACTIVITIES	7
2.1	EXPANDING THE TAX BASE	7
2.1.1	MAKING IT EASIER TO PAY TAXES	11
2.1.2	IMPROVING THE INTERACTION BETWEEN TAXPAYERS AND THE TAX ADMINISTRATION	13
2.1.3	RAISING AWARENESS ABOUT THE CIVIC DUTY TO PAY TAXES	16
2.2	IMPROVING TAX COLLECTION AND COMBATING TAX EVASION	17
2.2.1	IMPROVING TAX COLLECTION	17
2.2.2	COMBATING TAX EVASION	18
2.3	USING FISCAL POLICY INSTRUMENTS	20
2.3.1	MODELS	20
2.3.2	ANALYSES	23
2.4	SUPPORTING DIGITAL TRANSFORMATION	26
2.4.1	UXP	27
2.4.2	FISCAL INFORMATION SYSTEM UPGRADE	29
2.4.3	WEBCASTING SYSTEM	30
2.4.4	EMERGENCY IT APPLICATIONS	31
2.4.5	BUSINESS INTELLIGENCE / DATA WAREHOUSE	32
2.4.6	HARDWARE PROCUREMENT	32
2.4.7	INFORMATION SECURITY MANAGEMENT SYSTEM	32
2.4.8	DASHBOARDS	33
2.5	ENHANCING INTERNAL AND EXTERNAL COMMUNICATIONS	33
2.5.1	INTERNAL COMMUNICATIONS	33
2.5.2	EXTERNAL COMMUNICATIONS	34
2.6	OTHER ACTIVITIES	35
2.6.1	GBO SUPPORT	35
2.6.2	POST-CLEARANCE AUDIT FOR CUSTOMS	35
2.6.3	FATCA SUPPORT	36
2.6.4	DOING BUSINESS SURVEY	36
2.6.5	IFRS TRAINING	37
2.6.6	BUSINESS ENGLISH CLASSES	37
3.	KEY RESULTS	38
4.	LESSONS LEARNED AND THE WAY FORWARD	40
	ANNEX I FIRST TRAINING SUMMARY	42

ANNEX 2	LIST OF FIRST IT TOOLS	44
ANNEX 3	VIRTUAL LIBRARY OF FIRST RESSOURCES	50

I. INTRODUCTION

In 2011, Tunisia was the first country to launch the “Arab spring”, a vast movement in the Arab world demanding more open societies and democratic institutions. The resulting political revolution in Tunisia has resulted in successful transitions of power and a vibrant democratic system with free and fair elections. However, the economic promise of the “jasmine revolution” has lagged. Even before the current pandemic, Tunisia was in a challenging fiscal balance position. In recent years, the Tunisian economy has faced several challenges including: the uneven performance of the tourism sector, which suffered from terrorist attacks in 2015; social disturbances in the South that have affected the production of phosphates and petroleum products that are major earners of foreign exchange; the crisis in neighboring Libya that has slowed the sale on manufacturing goods and services from Tunisia; and the slowdown in the economies of France and Italy, Tunisia’s main trading partners, that have affected the growth of Tunisian exports.

Combined with these economic challenges, Tunisia’s high rate of tax evasion has affected fiscal revenues resulting in persistent budget deficits since 2011, challenging the ability of the government to pay for social services and productive public investments.

In this context, the Tunisia FIRST project’s stated goal was to assist the Tunisian government in improving its fiscal position to enable sustainable and inclusive economic growth and contribute to Tunisia’s financial independence on its journey to self-reliance. The Tunisia FIRST project started in late 2017 and ends in December 2020. The mandate of Tunisia FIRST included four strategic objectives:

- Improve the efficiency, transparency, and cost of fiscal administration
- Enhanced capacity to develop and manage tax policy
- Enhanced capacity to address other fiscal reform priorities
- Improved communications, engagement, and consultation on priority reforms

To reach these objectives, the project activities were organized into five complementary and mutually reinforcing work streams:

- (1) Increase voluntary compliance with fiscal obligations by (a) making it easier to pay taxes; (b) improving the interactions between taxpayers and the tax administration; and (c) raising awareness and outreach to taxpayers about their citizenship duty of paying taxes.
- (2) Improve tax collection and combat tax evasion.
- (3) Enhance the capacity of the Ministry of Finance (MOF) to conduct proactive fiscal policy making and support a more orderly budget process.
- (4) Implement concrete IT solutions and tools to support improved tax administration processes, proactive fiscal policy making, and more efficient communications; and
- (5) Support the improvement of internal and external communications at the MOF to foster better interactions between the tax administration and taxpayers and to improve internal efficiency.

Exhibit I below summarized the FIRST work streams.

Tunisia FIRST Key Work Streams



Section 2 of this report, presents the FIRST activities by work stream; Section 3 summarizes the key results achieved by the project; and Section 4 presents the lessons learned and the way forward to build on the achievements of the FIRST project. Annex 1 presents a summary of the FIRST training activities; Annex 2 presents the information technology (IT) tools implemented by FIRST; and Annex 3 presents the virtual library of FIRST resources.

2. ACTIVITIES

This section presents the activities implemented by the FIRST project from September 2017 through December 2020 by work stream.

2.1 EXPANDING THE TAX BASE

The first lever in raising tax revenues is to increase voluntary compliance by taxpayers with their fiscal obligations. The more taxpayers file and pay what they owe on time, the better the performance of the tax administration.

Tax Administration Diagnostic Assessment Tool (TADAT)

From the onset of the FIRST project, the Ministry of Finance (MOF) recognized the need for a coordinated approach to modernization of tax administration processes, notably the urgency of conducting a thorough analysis of modernization needs using an international best practice methodology. The standard for this type of assessment in tax administration is the IMF's Tax Administration Diagnostic Assessment Tool (TADAT), a methodology which is modelled on the highly successful IMF tool for assessing the efficiency of public expenditures and financial accountability (PEFA). TADAT is a global tool that has been used by more than a dozen countries since 2014 to assess the relative strengths and weaknesses of their tax administration system. TADAT assessments focus on

administration of the major direct and indirect taxes critical to government revenues, which collectively are referred to as ‘core taxes’ including corporate income tax (CIT), personal income tax (PIT), value added tax (VAT), and Pay-As-You Earn (PAYE).

In 2018, FIRST and the MOF launched an assessment of the Tunisian tax administration using the TADAT methodology. The TADAT exercise helped pinpoint issues that should be prioritized within a strategic plan. During the TADAT exercise, the project trained more than 70 tax administration staff on TADAT- methodology and international best practices, while bringing awareness to all structures of the MOF.

The main assessments from the TADAT were that (1) the Tunisian tax administration is based on audit, which is a system that highlights noncompliance rather than compliance; (2) the Tunisian tax administration is a control-based administration, rather than a service-based administration to encourage compliance. One of the key recommendations of the TADAT was to develop a fiscal citizenship compliance strategy.

Fiscal citizenship compliance strategy

Based on the TADAT findings and recommendations, FIRST and the MOF set up a three-year fiscal citizenship strategy, with detailed objectives and an action plan. A summary of the fiscal citizenship action plan is presented in Table I below.

Table I
Summary of the fiscal citizenship compliance strategy

Expected result	The compliance strategy is modified. The weaknesses identified in the TADAT report are corrected	
Objectives and Priority Actions	Objective	Priority actions
	1. The respect of the fiscal duties is measured per duty and per category of taxpayer	Make the taxpayer register more reliable
		Establish a set of indicators to measure compliance
		Analyze the results from fiscal control
		Set an analysis tool for the non-compliance risk
	2. Priority is given to respect of future duties by reference to past settlements	Reorient the tax control policies
		Review the policies on forced recovery
Strengthen the link between tax base and recovery		

	3. The Administration’s reply is adapted to the taxpayer’s behavior	Amend the legislation on penalties
		Separate between filing and payment
		Review the process for addressing the defaulters
	4. The balance between service and control is set	Develop the service provision and the supporting measures
		Review the modes of the evaluation of services and of objective-fixing
		Review the modes of evaluation and incentive of agents

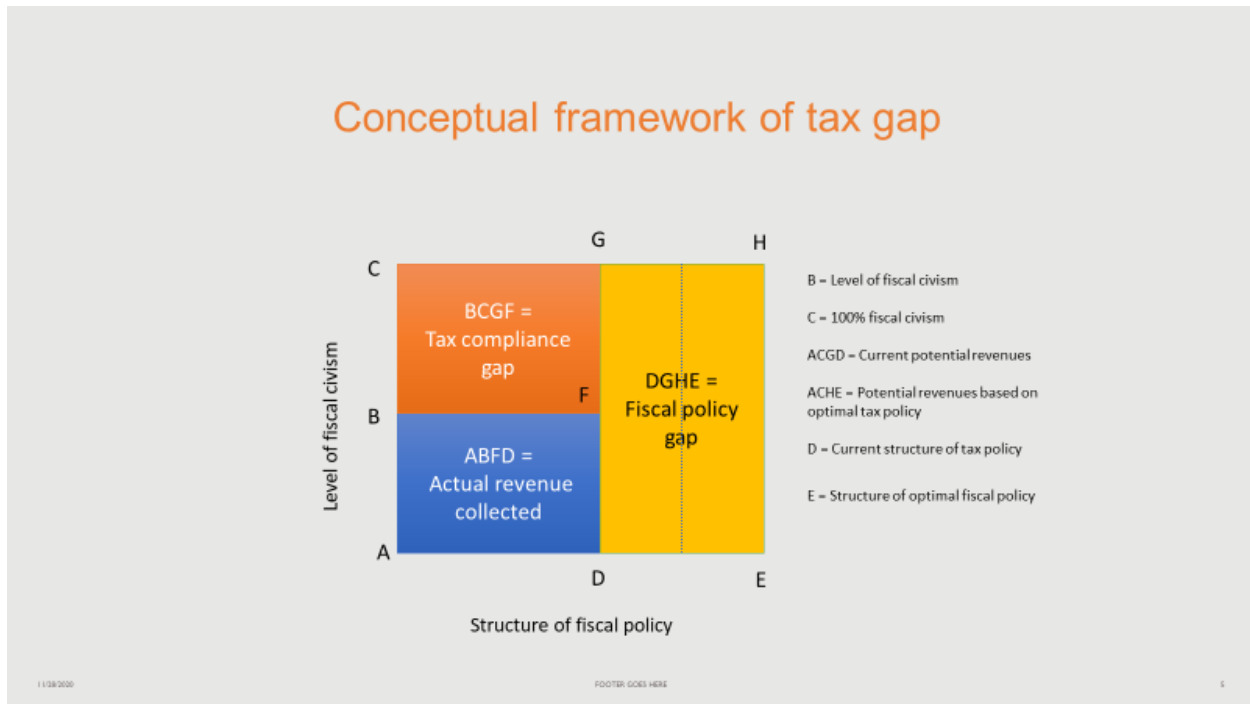
The fiscal citizenship strategy was approved in June 2018 and the MOF created working groups to work with the FIRST tax administration team on the implementation of this strategy. In particular, five areas of improvement were addressed by the working groups:

- 1. *Voluntary filing*
- 2. *Audit*
- 3. *Tax collection*
- 4. *Taxpayer services*
- 5. *Legislation*

Measuring the tax gap

To better assist the Tunisian tax administration in understanding the potential revenues that can be generated through better tax administration processes, FIRST assisted the MOF in measuring the tax gap using a microsimulation model. Exhibit 2 below illustrates the conceptual framework for the tax gap. The compliance tax gap is the difference between potential tax revenues (total revenues generated in all taxpayers paid their taxes based on the current tax regime) and actual tax revenues. The fiscal policy gap are potential revenues that could accrue due to fiscal policy changes (tax rates, thresholds, tax expenditures). In this illustration, the tax compliance gap (BCGF) represents additional fiscal revenues that could be realized by improving voluntary compliance.

Exhibit 2. Conceptual Framework of the Tax Gap



What is the level of compliance with a given tax? Are particular sub-populations of the tax more or less compliant. What are the sources of compliance and non-compliance for each tax? These are obviously very important questions. Countries with successful tax systems continuously ask these questions and they do so with urgency and with systematic science-based approaches.

This is critically important to managing a successful tax system and all successful countries approach compliance analysis in a very serious and disciplined way. The information it yields is critical in the resource allocation of the tax departments in targeting audits, in designing tax declarations, in public outreach and in shaping tax policy.

FIRST supported work on the tax compliance for VAT, PIT and CIT is providing much needed information to measure not only the distribution of the tax burden, but also the distribution of taxes not paid due to either policy reasons or evasion. The reduction in the compliance gap will have important impacts on the tax revenue, tax fairness and ultimately the sustainability of fiscal policy over the medium term.

FIRST's analysis of the tax compliance gap analysis revealed that – overall - an estimated 43% of potential VAT liabilities are not paid. Similarly, professionals are estimated to pay only a fraction of their potential liabilities. Similarly, doctors pay only an estimated 60% of their estimated taxes due, architects pay only 26% of tax due and lawyers 37%. For taxpayers paying under the regime forfaitaire, the compliance gap is estimated to 92% - they pay only an estimated 8% of taxes otherwise due. FIRST worked also in deepening the tax compliance gap analysis, in coordination with FAU and DGI, to inform policy makers not only of its size, but also details on the nature of the tax gap including details on the distribution of the tax gap by economic sector as well as by income class. Information on these tax gap distributions is

a primary into both FIRST’s work with DGI on the development of a compliance strategy and FAU’s work on the analysis of the effects of changes in tax policy.

2.1.1 MAKING IT EASIER TO PAY TAXES

In this section, we present the activities implemented by Tunisia FIRST to assist the MOF in making it easier for taxpayers to pay their taxes.

Support for electronic filing

The E-filing system in Tunisia is divided into two sub-systems.

The first sub-system is tele-declaration. Tele-declaration is a service that allows taxpayers to file and pay their taxes online. Although it is voluntary for medium and small taxpayers, the use of tele-declaration is legally mandatory for large taxpayers with an annual gross turnover over 1 million TND. The National Tax Administration Department (DGI) stated that as of 2017, there are 21,000 tele-declaration users, 4000 of which are voluntary users and the rest obliged by law.

The second sub-system is tele-liquidation. Tele-liquidation is a system that allows taxpayers to file their returns online and pay at the tax office. Tax professionals can pay on behalf of their clients, if they have filled out the appropriate space on the request for membership form.

Tele-liquidation grants its users the same functionalities of tele-declaration with the exception of online payment and is not obligatory to use.

All taxpayers can use the tele-liquidation, except taxpayers under the “regime forfaitaire” and taxpayers who are legally required to use the tele-declaration.

In 2017, around 21 000 taxpayers were using tele-declaration and tele-liquidation. They represent between 86% to 90% of the tax revenue in 2017.

FIRST worked with the MOF to promote the use of e-filing, through various activities such as the training of accountants and tax preparers. On March 12-16, FIRST facilitated the training of about 60 accountants and tax preparers working with medium and small taxpayers. The primary objective of the training is to teach tax preparers and accountants how to use the software so that they can file electronically for their clients in upcoming filing seasons.

The other activity consisted of an online communication and awareness campaign, which promoted e-filing by raising awareness to its existence, and benefits, and guide taxpayers on how to use it. The campaign was launched and developed on all MOF social media platforms.

Taxpayer guide

The FIRST project supported the MOF in preparing a taxpayer guide that compiles in a single pocket guide all the taxes of Tunisia; where the government gets its revenue; and where it spends its money. The guide includes easy to understand graphics and tables summarizing Tunisian taxes.

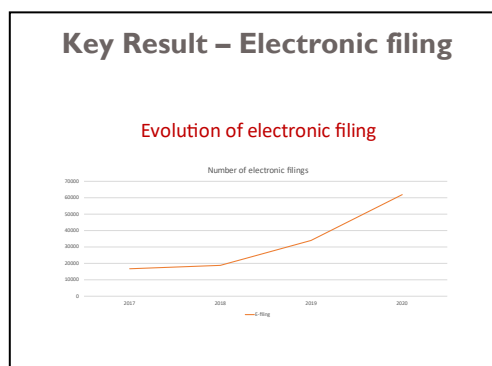


Exhibit 3. Public Campaign On State Budget



Taxpayer self-service portal

One key element of the support of FIRST for the implementation of the fiscal information system upgrade is the implementation of an electronic taxpayer self-service portal. As part of the fiscal integrated system improvement and update, FIRST and the MOF agreed to create a self-service portal for Tunisian taxpayers, which would be a one stop shop online service.

Because filing services are currently cumbersome and time consuming, FIRST and the tax administration are creating a taxpayer self-service portal, to which the taxpayer could register remotely in a simplified manner. Once they have their access credentials, they will have access to different online services. Indeed, that service would include a taxpayer's access to his online tax account, personal data repository and remote registration possibility, e-filing, e-payment; request for VAT refund, e-receipt.

The taxpayer self-service portal's goal is to integrate one solution that would hold all tax procedures and facilitate the taxpayer ability to register for new services, when one is already a customer and needs new services.

The key features of the self-service portal include:

- Online registration for creating a new taxpayer account
- Ability of the taxpayer to update contact information online
- Ability of the taxpayer to authorize withdrawals
- Ability of the taxpayer to terminate its taxpayer account (e.g., a company that ceases to exist)
- Ability of the taxpayer to check on his tax obligations, due dates and due amounts.

The taxpayer self-service portal is operational and will be launched by the tax administration in 2021.

Improving the reliability of the taxpayer register

A FIRST short-term STTA mission on the reliability of the taxpayer register assessed the current registration process and made some recommendations for increased efficiency and consolidation. The assessment identified more than 10% of inactive, "duplicate" or even "ghost" entries in the database. FIRST will finance the use of software, Paradox, to help clean up and permanently increase the reliability of the registered taxpayer's masterfile. From October 2019 through January 2020, FIRST implemented a proof of concept (POC) of the Paradox software at CIMF. The POC was able to demonstrate that there were significant issues with the taxpayer register. Following the POC, CIMF decided to address reliability issues in the redesign of the RAFIC data base as part of the fiscal information system upgrade supported by FIRST.

DGI dashboards

In its effort to re-engineer its internal business processes, to develop tools for accountability and to improve systems to meet identified performance objectives, the MOF requested FIRST assistance in developing a dashboard that will improve the DGI performance monitoring. FIRST has agreed to create a dashboard for the DGI decision makers, that will aggregate information by category of indicators with disaggregation by structure, sector of activity, category of taxpayer, tax system, reporting system, type of tax audit, and aggregation at regional and national level.

The quantified information would provide a scale on which performance (achievement of an objective or change in performance) can be measured in accordance with

an assessment criterion.

This would allow decision makers to measure the evolution of a situation objectively and not intuitively, as it would be based on specific, precise, measurable, unambiguous, legible, stable and sensitive, SMART indicators.

To assist the MOF in monitoring the performance of the tax administration, FIRST prepared three dashboards for DGI to track new registrations, the use of electronic procedures, and the performance of fiscal controls.

2.1.2 IMPROVING THE INTERACTION BETWEEN TAXPAYERS AND THE TAX ADMINISTRATION

The second way to broaden the tax base is by improving the interaction between the tax administration and taxpayers. FIRST provided critical support to the MOF to strengthen the way it reaches out and interacts with taxpayers.

Customer service training

As part of its effort to improve taxpayer compliance, and to facilitate its move from a control based administration to a customer centered administration, as advised by the TADAT assessment made in

2018, the MOF requested FIRST assistance in enhancing its agents customer service knowledge and approach. FIRST built, developed, and provided customer service training and coaching to the Ministry of Finance tax office agents in Tunis and all the main cities in the country.

The project delivered customer service, public speaking and change management trainings to almost 4000 tax office agents throughout the country, and to 50 high level Ministry staff.

The trainings included topics such as:

- Rationale for Taxpayer Services in Modern Tax Administration
- Adopting a service-oriented behavioral attitude towards taxpayers, as opposed to the current control-oriented mindset with the goal of encouraging voluntary compliance. How to transform tax offices into service-based offices
- Welcoming techniques (determining what customers want; learning first impressions; understanding the impact of a positive attitude; learning effective communication skills; learning how to listen to customers; gaining skills necessary for quality telephone customer service; how to handle difficult customers; how to provide quality lasting impressions)
- How to present the information included in the taxpayer practical guide, including services provided by MOF, tax payment calendar, new budget law measures and the taxpayer charter
- Stress and Crisis management techniques
- Client support and coaching techniques
- Ethics and integrity

DME support

The Medium Sized Taxpayers Office (Direction des Moyennes Entreprises) was created on January 1st, 2019. FIRST supported the implementation of the DME by preparing a guide of best practices for medium-enterprise directorates, providing IT equipment and software for the DME; and training DME staff.

FIRST provided technical and material assistance to make the newly created Directorate of Medium Enterprises (DME) operational. The DME is that tax administration department charged with interacting with medium-sized enterprise. This new Direction is tasked with serving medium-sized enterprises, who are one of the pillars of the Tunisian economy. The creation of the DME in January 2019 was an important step in Tunisia's progress towards a more modern and responsive tax administration. FIRST provided the DME with computers, printers, projectors, scanners, IP phones and other office equipment. In addition, FIRST provided audit software to enable DME to use a modern IT tool for auditing purposes.

Annual survey of taxpayers

In 2017 and 2018, FIRST conducted an annual survey of taxpayers that included individuals, as well as small and medium enterprises.

The surveys were part of an overall strategy for analyzing and improving tax voluntary compliance in Tunisia. In the short term, the survey aimed at informing the communication strategy for promoting the

Ministry of Finance (MOF) efforts to digitalize its procedures and processes. The results of the survey were also going to inform FIRST e-filing and IT activities.

The survey's strategic goals were:

1. Improving the efficiency, transparency and cost of compliance of tax administration, by transforming the DGI into an efficient and service-oriented organization.
2. Supporting the planning and roll-out of e-services, to reduce compliance burdens and improve revenue collection.
3. Supporting the taxpayer compliance improvement plan
4. Supporting the communication strategy implementation

Sample were taken from urban and rural areas proportionality represented (24 governorates).

In 2018 and 2019, average results from the same sample showed that:

- 76,2% of individuals and 61.5% of businesses do not regularly receive information concerning their fiscal obligations.
- When asked what can be done so that salaried workers would voluntarily register for their taxes, number one response is to increase PR campaigns demonstrating the importance of paying taxes in media, on billboards, etc.
- Individuals, when asked how to improve voluntary compliance, requested better communication between fiscal agents and public, better informing of public, and modernizing tax system
- Businesses in particular would like to use internet and social media in their relations with tax authorities – these are more appropriate channels for them
- Half of all individual taxpayers and 54.9% of businesses do not trust tax authorities and their agents
- The vast majority of individuals or 72% believe that fiscal legislation does not apply in the same way to everyone, and 81,3% of businesses concur
- Half of individuals do not believe that tax legislation efficiently fights against fraud and 57.2% of businesses support this
- 55.2 % of individuals don't know how state is using taxpayers' money and 65.5% of businesses agree
- Substantial number of people would like to see MOF create a mobile application and provide all services online
- 56.1% of individuals believe current system of filing and payment is not convenient and 52,6 % of businesses agree
- Only 3.1% of individuals currently use online services, 3.0% of businesses
- 37.5% of individuals get their information from social media and internet, 26.7% of businesses (3 times the rate from traditional media such as television)

Call center support

The call center is officially under the umbrella structure of the Direction Générale des Impôts (DGI) within the MOF. It is headed by a senior executive with the rank and benefits of a central director. The call center was created under Article 8 of Decree 2856 of October 7, 2011 and it amended and supplemented Decree 556 of April 23, 1991 concerning the organization of the Ministry of Finance. The

hotline for the call center is 81-100-400. The center is responsible for handling telephone calls to answer general tax and recovery questions; processing email requests; and assisting taxpayers in tele-declaration and tele-liquidation procedures.

At the request of the MOF, FIRST conducted a diagnostic of the Tax Administration Customer Service hotline through two technical assessment missions (IT and structural). This assessment revealed that the call center's hardware and software is poorly equipped to provide quality customer service and creates burdensome workflows for the call center's agents. Furthermore, the current data management systems are unsustainable and likely to fail soon if not updated. Indeed, the call center's technological infrastructure was set up in 2012, and it has not been subject to any updates or regular maintenance since. As a result, the call center's network, server, and infrastructure are now all outdated.

FIRST assessment of the call center concludes with recommendations for hardware updates, network configuration, and a consolidated server system. These recommendations are intended to simplify the call center's operations, increase stability and efficiency, and create a secure IT environment. Recommendations for upgrading and modernizing the current system to better serve taxpayers have been delivered to the Tax Administration and USAID.

On the structural part of the assessment, FIRST conducted a review, of the call center through meetings with the FIRST team, focusing on the call center office, processes and procedures, human resources, and technology. The office assessment focused on working conditions and the physical setup of the current call center. A review of processes and procedures covered internal structure, operations, and employee training. The human resources assessment focused on current staff qualifications and recruitment procedures. The technological assessment examined the call center building, computer applications, IT organization, technology governance and support processes.

This structural assessment revealed a need for significant organizational restructuring within the call center to improve the quality of service provided to callers as well as to create a straightforward path to success for call center agents. It is critical that an organizational restructuring take place to create a clear chain of command and streamline processes. The center could then achieve significant results with relatively simple changes.

2.1.3 RAISING AWARENESS ABOUT THE CIVIC DUTY TO PAY TAXES

Another lever in expanding the tax base is to raise awareness about the civic duty to pay taxes.

Tunman comic book

"TUNMAN and Amal" is a comic book created by FIRST, for the Tunisian Tax Administration. The comic book follows the adventures of a young girl and her robot friend and aims to educate school children in an entertaining format, by raising their awareness of basic tax concepts and issues.

It seeks to create a generation that respects the principles of citizenship. The idea for the comic book came as a response by the FIRST to the Ministry of Finance's request to support them in enhancing their communications to the public and in particular segments not typically targeted such as children and youth. The comic book has become very popular in primary schools throughout the country where it is being distributed.

Youth essay competition

To raise awareness of tax issues among Tunisian youth, specifically college students, FIRST worked on the preparation of a youth essay competition. The idea behind the competition is to engage students from different universities on fiscal issues and to ask them to write an essay and share their ideas on selected topics. This original format is a way for the MOF to engage with future taxpayers and entrepreneurs, a segment that is not usually invited to participate in a dialogue with the MOF.

2.2 IMPROVING TAX COLLECTION AND COMBATING TAX EVASION

The second work stream of Tunisia FIRST is to support the MOF in improving tax collection and combating tax evasion. The tools used to improve collection also serve as incentives to increase voluntary compliance.

2.2.1 IMPROVING TAX COLLECTION

Enforced collection best practices

FIRST conducted a technical assistance mission to strengthen the recovery policy of the MOF. FIRST provided training to 74 participants from DGCP, DGI, CIMF and DGELF in March 2019. The training included international best practices on tax collection and exercises simulating practical situations with participants to encourage them to change their behavior in the practice of recovery to prioritize the goal of improving voluntary compliance. Issues and recommendations were made based on information collected during meetings with headquarters officials, and on findings from the training.

Tax arrears prioritization tool

The 2018 TADAT exercise highlighted that because of nonoperational and non-strategic processes, The MOF collection department (DGELF) had large stock of tax arrears of about 7 billion Tunisian Dinars, almost 60 percent of the annual budget collection.

FIRST and the MOF thus worked on encouraging voluntary and friendly recovery as well as a classification of tax arrears, all included into a web application, including a scoring system based on tax arrears recoverability criteria. The tax arrears prioritization tool was tested with senior collectors from DGCP. This tool allows DGCP to modify the weight assigned to each criterion and to add new criteria.

Tax collection dashboards

In its effort to re-engineer its internal business processes, to develop tools for accountability and to improve systems to meet identified performance objectives, the MOF requested FIRST assistance in developing a dashboard that will improve the DGCP performance monitoring.

The DGCP is currently preparing a monthly report on revenues and collections on a regular basis and an ad hoc report on Outstanding Collections. For the preparation of those reports, the DGCP relies primarily on the following data sources: DAISN; TGT (Cash and cash equivalents); Business Intelligence System (SAP Business Object); SINDA (Customs); PGT (Payment).

Some data is received in "txt" format and is entered and reprocessed using Excel by the DGCPR team. After editing the results on Excel, a report is then prepared on WORD and sent to the relevant decision-makers in the Ministry of Finance and other decision-makers at the Ministry level.

FIRST and the DGCPR agreed to create a dashboard that would automate the tasks that were previously time consuming, because done manually and thus, subject to errors. It was agreed to expand the monthly dashboard with the rates relating to the evolution of collections, and elaborate a new Dashboard with disaggregation by financial revenue, aggregation at regional and national level.

VAT refund

FIRST performed a diagnostic of the current VAT refund process at DGI, made numerous recommendations and moderated several working sessions. FIRST suggested to put in place a new, faster VAT risk-based refund process and to remove simultaneously the VAT suspension scheme. The mechanism of VAT-free purchases should be reserved to companies located in free zones (under Customs Control).

Tax collection best practices

FIRST developed a "modern collection strategy" with the support of international experts and has been the subject of several trainings and presentations to the DGCPR, DGELF, DGI, DGAFF and SG of the MOF. This includes the delink between filing and payment obligations to allow taxpayers to report without payment or to pay in part regardless of the reported amount, subject to the application of penalties and interests, and remove the unnecessary "acknowledgment of debt" mechanism. In addition, a strategy of forced collection for tax arrears has been explained during training sessions.







2.2.2 COMBATING TAX EVASION

FIRST supported the MOF in improving the efficiency of fiscal controls to combat tax evasion.

Targeted audit

FIRST developed a new audit strategy which includes the introduction of issue-oriented tax audit (instead of lengthy, traumatic and ineffective comprehensive audits) and the creation of national tax audit programming unit. Several seminars and training-of-trainer's sessions were conducted to present this new deterrent and pedagogical tax audit. Moreover, FIRST developed and provided training on a typical modern organization of tax audit and its annual programming based on risk-analysis. Following the work of FIRST with DGELF and the DGI on this workstream, articles 36 of the CDPF would be amended.

Table 1. Targeted Audit VS Comprehensive Audit

	Targeted	Comprehensive
 Audit duration	1 Week	6 Months
 % of Collection after audit	High	Low
 Cost	Low	High
 Risk of corruption	Low	High
 Rate of auditing	High	Low
 Burden on taxpayer	Low	High

The new targeted audit procedure was formally introduced in the 2020 Finance Law.

Since VAT is the best field of application for this new form of tax audit, the training session on issue-and-oriented tax audits started with a presentation on “modern VAT”, presenting the characteristics of an easy to administer VAT. The presentation served as a support for the development of an E-learning modules of the course entitled "Principles of modern VAT" that will continue to be available to MOF staff through the virtual library of resources.

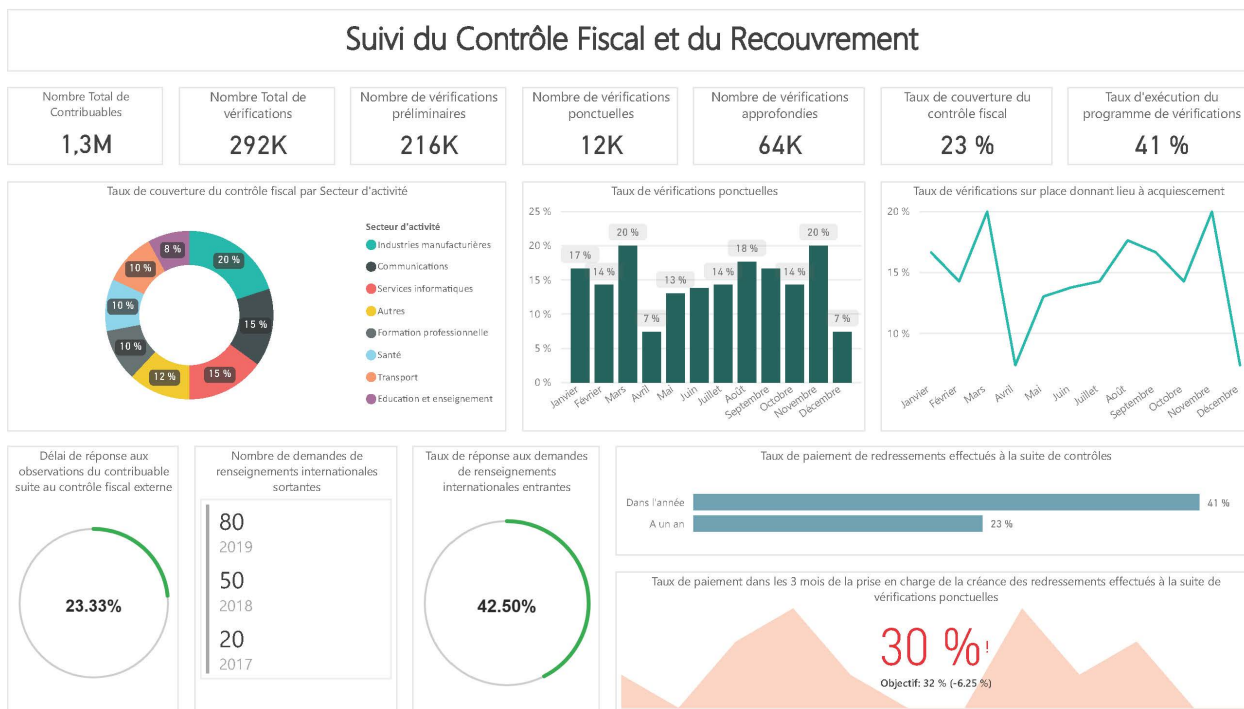
Risk-based audit tool

Initially developed under the TCP Project, the ACSS (Automated Audit Criteria Selection System) is a scoring system using 21 criteria for the classification of taxpayers upon risk criteria. Taxpayers with the highest scores will be audited. FIRST drafted a technical design to upgrade ACSS into a web-based application with a user-friendly graphic interface. This will allow auditors to adapt risk criteria and other configuration parameters and facilitate use of ACSS as a tool for risk-based audit. FIRST further advanced this tool by developing a prototype IT solution using Python development software. This tool is available to the MOF for further development.

Fiscal control dashboard

FIRST developed a dashboard for DGI to measure the efficiency of fiscal controls. The dashboard includes indicators such as the number of verifications by type of verifications (targeted or comprehensive), the number and value of additional taxes owed to the MOF, the proportion of controls by economic activity sector, and the response time of taxpayers to the results of an audit.

Exhibit 4. Fiscal Control Dashboard



2.3 USING FISCAL POLICY INSTRUMENTS

The third lever used by MOF to increase fiscal revenues is to use fiscal policy instruments to adjust rates, assess the costs and benefits from subsidies and tax expenditures. FIRST provided considerable support to MOF by providing tools and analytical methods to improve its capacity to conduct proactive fiscal policy.

2.3.1 MODELS

Microsimulation

The microsimulation models provide Tunisia's fiscal policymakers and analysts with a tool to test the impacts of proposed policy changes in the VAT, PIT and CIT system on tax revenues. The models predict the net impact on revenue of a change or several simultaneous changes to tax policy. The models can also be used for generating the estimates of tax expenditures of alternative policy specifications.

A microsimulation model serves as a key analytical tool for Tunisia's complex tax environment. The population of taxpayers exhibits a high level of diversity, and the way in which they interact with the tax

system or with any other tax reflects their unique “personalities.” In addition, in any complex tax system a change in one aspect of the tax may have complex interactive effects with other parts of the tax. Microsimulation analysis has the capacity to manage this high level of complexity by calculating the net impact of a change or many simultaneous changes, ceteris paribus, to the tax law on government revenue.

First developed three microsimulation models that cover the main taxes in Tunisia: PIT, VAT and CIT. The user guides that describe the data used, the methodology and the application of these models are shared and presented to the MOF.

Medium-Term Fiscal Framework (MTFF)

The MTFF is designed to provide a consistent basis for the analysis of impacts of revenue and expenditure policies over a three to five-year period. The use of an MTFF represents sound fiscal policy practice and is a core tool supported by the IMF to help countries manage periods of projected fiscal distress.

Conceptually, an MTFF begins with the articulation of a forecast for the future values of macroeconomic indicators. These forecasts, in turn, along with current law/current practice, determine the revenues and expenditures the government should expect with no change in policies. The projected surplus/deficit is a major focal point for the discussions between the IMF and the government.

A major shortcoming in Tunisia had been the absence of both a functioning MTFF model as well as the absence of the legal requirement to incorporate medium term considerations into the budget process.

FIRST supported the government of Tunisia (GOT) through its efforts to operationalize an effective MTFF. Previous and on-going EU initiatives have focused on either the short term and thus do not provide the technical infrastructure needed for the medium-term period covered by an MTFF. FIRST supported the development and implementation of a high-performance macroeconomic forecasting model to generate the macroeconomic forecasts needed to support an MTFF. The macroeconomic forecasts are intended to be directly used to generate consistent revenue and expenditure predictions over the medium term. This will represent a major step forward. It will enable the government to evaluate the projected costs of simply continuing present policies for the medium term, i.e., the cost of doing nothing differently from how they are being done now.

An MTFF report of real benefit requires an analysis of the baseline scenario for revenues and expenditures with no change in current policy, along with a clear articulation of how changes in revenues and expenditures impact the budget over the medium term. The incorporation of the medium-term process into the budget process is mandatory by the new Organic Budget Law for every Draft Budget.

The work on MTFF with DGRE staff involved several steps:

- Ten laptops and five EViews licenses were furnished to the DGRE.
- Comprehensive training was offered that covered EViews programming and econometrics fundamentals. The staff has acquired the necessary skills.

- The MTFF database was compiled by FIRST together with the DGRE. It is composed of four main blocs of annual timeseries, 1975/2000-2018: fiscal, monetary, real, and external. Each block contains several sheets of figures.
- The development of the model was organized as workshops and conducted in a participatory format. DGRE staff was actively contributing to the development of the model, step-by-step. This format has resulted in the DGRE ownership of the model by establishing an "institutional memory" and securing its durability. DGRE staff has been made competent to continue MTFF work after the end of FIRST. They will be developing future models to be used for budget formulation in 2022, 2023, and beyond.

Computable General Equilibrium

The computable general equilibrium (CGE) model is a useful tool for policy analysts. It is applied to analyze the economy, to evaluate impacts of policies, and to forecast future behaviors of the economy. It can be classified as an extended/advanced I-O model. The latter is embedded inside our CGE models. The relationships among the sectors of a national economy are quantified. The FIRST project trained staff of the General Directorate of Resource and Equilibrium (DGRE) of the MOF in applying the CGE models in their analytical work. The CGE model is a tool used by policy analysts to simulate the impacts of changes in financial and fiscal policies. In addition to providing training on the CGE model, FIRST procured and delivered ten laptop computers to DGRE staff and purchased GAMS licenses. GAMS is a software package used to program and code CGE databases and models.

The training consisted of producing the estimates of responses of the Tunisian economy to hypothetical policy changes. It included programming CGE models with available data to predict changes in the government budget. With these tools, DGRE staff is becoming able to provide the policymakers with the methods and know-how to make informed decisions and improve policies, based on available information. Also, FIRST supported the MOF in conducting three studies of macro-fiscal impacts of: (1) adjustments of the price of electricity, (2) reduction in hydrocarbons subsidies, and (3) depreciation of the dinar.

Intersectoral Input-Output Model

The intersectoral input-output (I-O) model provides a detailed "map" of a national economy. Its standard version belongs to the comparative-statics family of models. Many I-O models have been compiled for the Tunisian economy for several points in time by the INS. Our 2020 model was derived from a 108-sector 2015 model. Our model is composed of 21 industries/sectors, for which interindustry transactions have been estimated along with several other components of the economy (each of which is disaggregated by the 21 sectors): (i) Value-added and final demand subsectors, (ii) Labor employment: private formal, public, and private informal, (iii) Labor income, (iv) Labor productivity, (v) Budget revenue (tax and nontax) and expenditures, (vi) Tax burden, and (vii) Foreign direct investment.

The model finds many useful applications, serving as (i) a comprehensive "map" of the national economy, (ii) a framework for linking together different building blocks of the economy and imposing internal consistencies among them (in particular the linkages between the fiscal sector and other sectors of the

economy), (iii) a basis for the derivation of many indicators, each of them specified by the 21 economic sectors, including labor productivity, tax burden, and tax gap, (iv) an analytical tool for experimenting with the economy, estimating the impacts resulting from diverse internal and external shocks, such as demand and income shifts, budgetary expenditures, distribution of sectoral tax burdens, etc., (v) a forecast tool for predicting the values of macro-fiscal variables, especially short-term and medium-term, and perhaps most importantly (vi) a learning device of the direct and indirect inter-relationships in the national economy among its different sectors and components, a particularly useful tool in fiscal policy capacity building.

While applying the model to generate a 2020 forecast, three possible scenarios have been tested, and each produced under a different level of interventions by the government to tackle the COVID-triggered crisis: (1) Low intervention, (2) Medium intervention, and (3) High intervention. Based on the results of the model, several policy interventions have been recommended.

Macro-fiscal trends model

The macro-fiscal trends model is one of several analytical tools that have been developed to be used by the Ministry of Finance (MOF) for the needs of fiscal policy analysis. The trends model is intended to serve as a primary tool, preceding a more detailed analysis. It delivers the "big picture" of the economy, enabling one to get a comprehensive "macro" presentation of the main developments. It involves (i) the identification of the main (qualitative) components, each of which to be represented by a (quantitative) proxy variable, (ii) the analysis of directions and dimensions of the trends of the variables over the last ten years, and (iii) the estimation of the relationships among/between the variables. The results of this model provide a framework for further analytical work to deliver an evidence base for policy formulation.

The analysis has demonstrated unsustainability of the recent trends. Several variables grew faster than GDP: Deficits, Debt, Budget Revenue (Tax burden), Expenditure, and Consumption. On the other hand, Industrial production, Capital investment, and National savings have been declining in real terms. The formal private sector accounts for only a quarter of the labor force. Excess of demand (driven by Public sector labor remuneration) over supply (Output of the national economy) has triggered high inflation, which gradual increase has not been prevented by a high interest-rate policy of the central bank.

The relationships between the variables have been quantified by means of two measures: Elasticity and Trend deviations. Regression coefficients have been calculated for the pairs of variables. In most cases, our initial hypotheses concerning the inter-variable causalities have found support in the regression results. The main conclusion from the analysis is that there is a need for radical changes in the Tunisia's macro-fiscal policymaking.

2.3.2 ANALYSES

In addition to providing MOF with the modeling tools presented above, the FIRST project also conducted a number of fiscal policy analyses with MOF and shared the methodologies so that the Ministry can update and replicate these analyses in the future.

Tax expenditures

Tax expenditures represent the revenue foregone as a result of special deductions, exemptions, credits, preferential rates or from any other provision of a tax law that represent a deviation from an “ideal” or “normative” version of that tax.

In fact, The GOT has historically utilized the creation of Special Tax Regimes (tax advantages and tax exemptions) to pursue several objectives ranging from promoting investment to addressing social concerns. These Special Tax Regimes are more generally referred to as Tax Expenditures. International Financial Organizations have requested that the Government rationalize these tax expenditures, which collectively represent a major drain on potential budget resources.

FIRST worked with the MOF DGAFF to enable the production of the first Tax Expenditure report for Tunisia as part of the 2021 budget. Such a report became mandatory for every Draft Budget Bill by new Organic Budget Law adopted by the parliament in January 2019. The contribution of FIRST represent a key element in completing the work on tax expenditure.

The technical assistance provided to the DGAFF made it possible to progress quickly on the estimation of the different tax expenditures and mainly VAT. The first phase of the work - the identification of tax expenditures and quantifying the resulting loss in revenue. FIRST has worked also with the MOF to adopt a proposed methodology and identified around 369 tax expenditures in Tunisia. The revenue losses from over 200 of these have already been estimated, the remainder are under development. The economic effects of these tax expenditures will be evaluated next, to provide policymakers with the information needed to evaluate the efficiency and effectiveness of tax expenditures in comparison with policy

Tax incidence

Tax Incidence analysis is a critical aspect of any tax reform. It is not only essential to know the revenue impact of a change in tax laws, but also to know who will bear the burden of those revenue changes. This is a complex area and requires a major effort to systematically gather required data (often merging large datasets) and building the required models. The results of this analysis are essential in forming consensus on the complex policy packages that are necessary in a tax reform.

First conducted an analysis and developed a Fiscal Intervention Evaluation methodology that applies to the Tunisian context of the fiscal system in the broad sense that will enable policy maker to verify how fiscal income distribution is consistent with government policies which are supposed to positively contribute in decreasing all forms of poverty and inequality. Thus, an efficient system of income redistribution generally based on direct and indirect taxation, transfers (such as education and health) and subsidies.

Special treasury funds

In many French-speaking countries, there are autonomous budgets called the STFs. They have been created to reach certain objectives and are financed by additional and specific taxes allocated to these STFs. Each STF depends upon a technical ministry. It receives an autonomous budget and expenditures that are subject to the standard budgetary procedure.

The fiscal consolidation process agreed with the International Financial Organizations implies the return to the General State Budget of public resources whose management it is dispersed and hence not controlled in a transparent manner (favoring not fully accountable practices.)

The GOT engaged expertise from FIRST to assist the GOT- conduct an evaluation of the STFs in fact, tax reform alone will not bring enough financial resources to significantly reduce the budget deficit. Taxation cannot be seen in isolation; indeed, a finance ministry sometimes needs to question the economic benefit of traditional institutions and their sources of financing. In this framework FIRST supported the MOF on the reform of the Special Treasury Funds (STF).

The STFs in Tunisia are important in size and number. There are currently more than 34 Special Treasury Funds financed by more than 50 taxes. Revenues for these funds represent approximately 2.0% of GDP (2018). Earmarked taxes have been created to finance them, in addition to traditional taxes (VAT, PIT, excise, etc.). They are based on turnover and wage bill, which has the effect of taxing the taxpayer several times, potentially causing market distortions, contributing to joblessness and growth slowdown. In addition, these STFs are a breach of the principle of unity and universality of the budget. There is no evidence that their utility justifies such an exception. That is the reason why we suggested an in-depth analytical study of the STFs.

FIRST supported the MOF to conduct an analysis on the economic evaluation of STFs with an objective to eliminate inactive funds and advise on an approach to streamline funds and move more funds in the budget.

Tobacco taxation

The market structure of the tobacco sector in Tunisia is characterized by a state monopoly. Tobacco is either manufactured or imported by two companies: RNTA and MTK. The distribution of tobacco products is under the oversight of tax offices. The prices of tobacco products are administered by orders issued by the Minister of Finance. These prices contain all tax charges that are levied on tobacco products. This procedure is perceived to be complex and non-transparent. The current situation suffers from several potential anomalies like the fact that the tobacco companies do not control the selling price which is determined by administrative decisions of the GOT, In most cases, current prices do not cover the cost of production, which leads to chronic losses experienced by the sector. Also, tobacco taxes amount to 74.5% of the prices, while a global average does not exceed 70%. As a result, the domestic manufacturing and imports fail to satisfy demand promoting smuggling. First project FIRST supported the MOF on the reform of the taxation of tobacco by analyzing the current system of taxation of tobacco in Tunisia and by preparing a report offering an analysis of the sector, an international benchmarking of the tobacco taxation and formulated a reform scenario that included estimates of revenue impacts. The proposed reform was supported by a database and a microsimulation model that would enable the MOF to test alternative reform specifications. The results of the analysis showed that the reform of the sector, which fits into the objectives announced as part of the fiscal reform of indirect taxes begun in 2013, could opt for both the simplification of taxation and the transparency of the price structure, in addition to the measures that can be undertaken to fight the informal sector and broaden the base of collected duties and taxes.

Marginal effective tax rate

The Tunisian system of incentives introduces a range of distortions in corporate behavior. The calculation of the marginal effective tax rate (METR) is an approach that attempt to measure the impact of taxes on the marginal (or incremental) decision by economic agents to invest in capital. Building capacity in effective tax rate analyses is very important for the Tunisian authorities. In fact, the marginal effective tax rate (METR) modelling can be used to assess the impact of tax policy reforms to the level of investment across different: types of capital (machinery, buildings, inventories, land); sectors/industries (manufacturing, agriculture, services, other); shareholder groups (taxable, tax-exempt, non-resident); regions, and size. Also, METR comparisons are always made either to show tax distortions across asset types and industries within a given tax regime, or to evaluate tax competitiveness across different tax regimes. The results are always informative for both investors and policymakers. These comparisons help investors to allocate or reallocate their capital in response to tax burdens that vary across systems by lessening distortions within their jurisdictions and ensuring that domestic rates are internationally competitive to the extent appropriate for meeting the country's economic goals. First project developed a methodology that could be applied to an analysis of impacts of the Tunisian tax system on the perceived profitability of capital investments, which is influencing the decisions of investors. A spreadsheet simulator that could be used as a convenient tool to study the effects of potential changes in the tax policy was also developed.

Budget and economic impacts of the Covid-19 crisis

In 2020, FIRST conducted a comprehensive analysis of the potential budget and economic impacts of the Covid-19 crisis. This work was undertaken during the lockdown period when there was a lot of uncertainty about the potential impacts of Covid. The FIRST team used the inter-sectoral input-output model and a social accounting matrix that links the various economic sectors of the Tunisian economy. The analysis also included a benchmarking of what other countries were doing to deal with the economic impacts of the Covid-19 pandemic.

The FIRST report includes [insert]

Budget and economic analysis of petroleum and gas subsidies

Using the CGE model, FIRST assisted the DGRE in estimating the potential budget and economic impacts of reducing or eliminating subsidies on natural gas and petroleum products. This analysis is particularly relevant in 2020 because these subsidies are very costly to Tunisia at a time when its budget deficit is exploding due to the Covid-19 crisis.

Budget and economic analysis of the depreciation of the Dinar

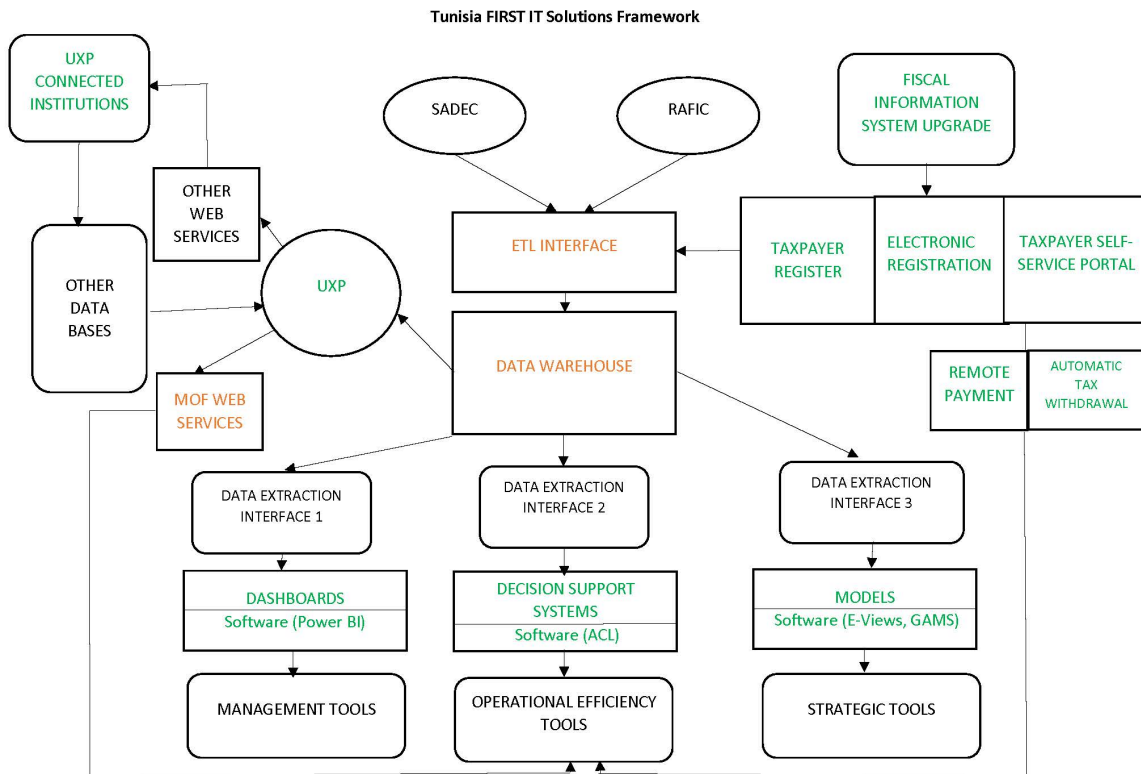
FIRST assisted DGRE in estimating the potential budget and economic impacts of a depreciation of the Tunisian Dinar using the CGE model. This analysis will be used by DGRE to calibrate budget projections based on fluctuations in the Dinar exchange rate.

2.4 SUPPORTING DIGITAL TRANSFORMATION

The FIRST project provided significant support to the Tunisian MOF and other institutions to foster digital transformation. The activities in this cross-cutting work stream are in support of all the other

work streams. Though IT tools and digital transformation, the MOF has an opportunity to significantly increase operational, strategic, and managerial efficiency. Figure _ below summarizes the IT support provided by FIRST.

Exhibit 5. FIRST IT solutions framework



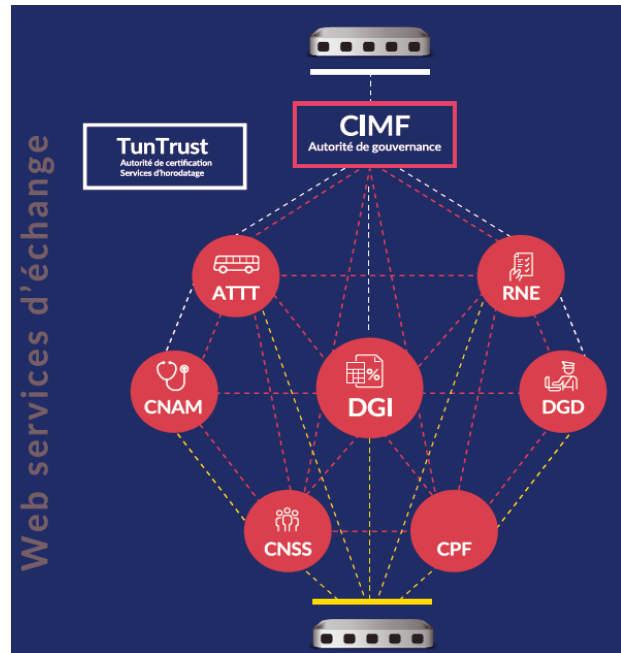
2.4.1 UXP

In all governments, including the government of Tunisia, high-level government decision makers require efficient access to a variety of government data to make informed decisions in a timely manner. Often, some of the data required for a decision by a Minister or Director General resides in the data center of a different government institution, which creates a technical problem in terms of physically transferring the data to be exchanged from one data center to another. Government institutions in Tunisia currently share data on request, in a variety of ways – using printed documents, CD’s, USB-drives, email, and specially programmed direct data connections. Notably, the Government has data warehouse software that facilitates repeat exchanges of data that have been specially programmed; however, maintaining the data buffers and conducting the programming to respond to new requests both require intensive human resources, resulting in substantial delays in responding to user requests.

Optimal decision-making can benefit greatly from the use of state-of-the-art technology to exchange electronic files in real time. In this regard, international best practice is to establish a general electronic data exchange capability that facilitates requested and authorized data exchanges in a secure manner, instead of addressing the problem with special programming for each type of exchange request. Software that provides general exchange capability is sometimes referred to as “interoperability” software.

In 2018, the Tunisian MOF and FIRST agree to provide Tunisia with a software that would make data exchange between government structures more efficient. The software that was chosen to be implemented is UXP, is an interoperability software platform also called “X-Road”, which was developed by the Estonian government beginning in 2001.

In 2019, the MOF and its IT department signed agreements with seven other governmental structures, to exchange data automatically. Following the formal agreements, a decree was drafted to allow for electronic data exchanges between institutions participating in the UXP pilot. Servers with the UXP software and production environments were installed in CIMF, ATTT, CNAM, CNRE, CNSS, DGD, and ONPF and are now operational. MOF staff and agents were also trained in working with the software.



FIRST also worked to strengthen the legal and regulatory framework to facilitate the electronic exchange of information. Legal consultant Jaouida Guiga prepared draft texts that could be used to modify the existing legislation and facilitate electronic data exchange.

In 2020, FIRST worked with the UXP partners to begin the development of web services. However, this work was slowed by the Covid-19 pandemic and the resulting shutdown and adjustment of work hours. Despite these constraints, several web services were developed in the test environment and one web service between DGI and DGD has been deployed in the production environment. Of note, is that only two memoranda of understanding (MOUs) have been signed; one between DGI and CNRE, and one between DGI and DGD. The development of further web services will require that the remaining MOUs between all institutions connected to UXP be negotiated and signed.

To ensure sustainability of the UXP interoperability solution, FIRST procured perpetual licenses for the institutions involved in this pilot and secured a three-year service agreement beyond the life of the project with software firm Cybernetica. Furthermore, FIRST presented the work done on UXP to the electronic administration unit at the Prime Minister’s office and to the Ministry of Communications and Information Technology to ensure that the work undertaken under FIRST is integrated into the broader digital transformation initiatives of the Government of Tunisia.

2.4.2 FISCAL INFORMATION SYSTEM UPGRADE

In 2018, the Ministry of Finance (MOF) requested assistance from the FIRST project to in modernizing its current tax information and payment collection solutions. The current system is largely antiquated and suffered from inefficiencies due to obsolete technology and a heterogeneous patchwork of siloed applications. The FIRST project conducted a detailed scoping analysis to implement the three priority applications of the new system: (1) a revamping and updating of the taxpayer database (RAFIC); (2) the implementation of a new intranet solution for the management of taxpayer accounts by the tax administration; and (3) the development of a taxpayer self-service portal. Working closely with CIMF, FIRST hired a local IT development firm (Arabsoft) to develop the new applications, in close collaboration with CIMF staff. FIRST provided hands-on technical supervision and management for this project. To ensure ownership of the solution by CIMF, the source code for the developed applications has been transferred to CIMF and staff from CIMF, DGI and DGCPR have been extensively trained on the solutions. Furthermore, technical staff from DGI and DGCPR have been involved in all phases, including conducting detailed user acceptance testing.

The key features of the fiscal information system upgrades that have been implemented by FIRST are summarized in the table below.

Table 2. Key Features of the Fiscal Information System Upgrades Supported by FIRST

Fiscal Information System Module	Key Features
Taxpayer account management by tax administration (intranet)	<ul style="list-style-type: none"> • Creation of a taxpayer account • Modification of a taxpayer account • Creation of fiscal obligation • Activation/deactivation of a user • Transfer of a taxpayer account • Creation of a fiscal family • Modification of a fiscal obligation
Taxpayer self-service portal	<ul style="list-style-type: none"> • Online registration • Delegation of authority • Withdrawal authorization • Change of address • Change of status • Consultation of a taxpayer account • Termination of an account • Electronic filing • Electronic receipt • Graphic charter • User interface
Taxpayer register (RAFIC 2)	<ul style="list-style-type: none"> • User profile • Fiscal population • Link taxpayer account with fiscal obligations

Fiscal Information System Module	Key Features
	<ul style="list-style-type: none"> • For each obligation, link relevant policy/law and nature of obligation • Window for clearing an obligation and deadlines automatically generated for each fiscal obligation by fiscal family • Applicable rates/thresholds automatically generated

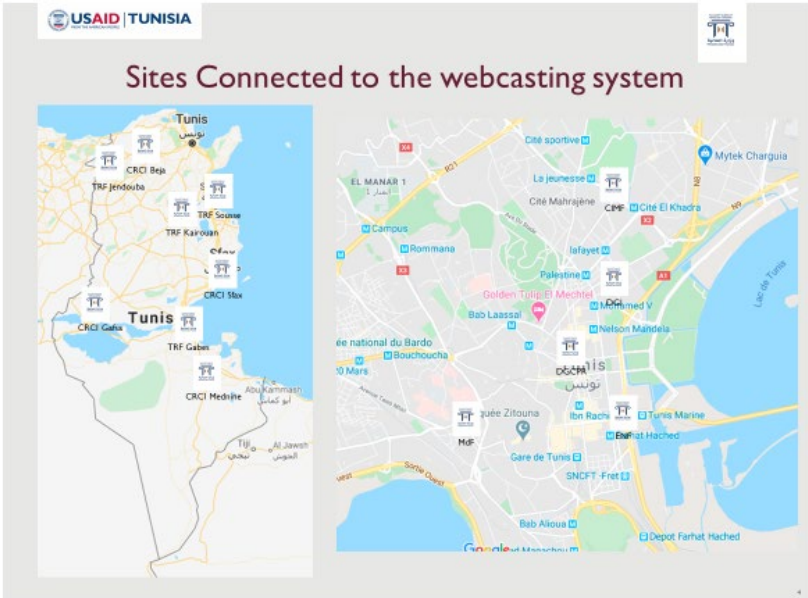
2.4.3 WEBCASTING SYSTEM

FIRST implemented a webcasting system for the MOF. This system virtually links 13 sites of the MOF throughout Tunisia. The integration of a webcasting system to improve internal communication stem from the internal communication audit that took place in July 2018. This audit included 327 internal surveys, 2 focus groups, 22 interviews and 2 workshops with the heads of units of the Ministry of Finance.

The main findings identified in the audit include:

- Staff in the regional offices of DGI and DG CPR need more effective, regular, and timely communication with the central office in Tunis.
- Training methods are only limited to face-to-face training, which excludes the majority of regional staff.
- Information mainly takes one direction (top-down).

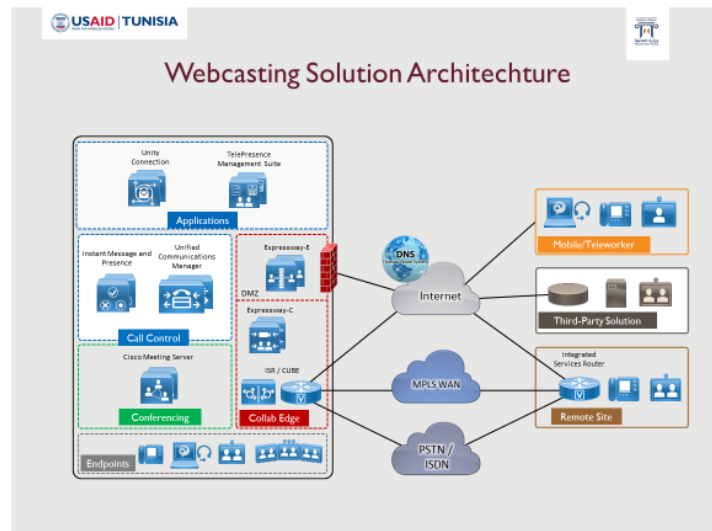
This evaluation has led to a communication strategy for implementation in the coming year. One of the main recommendations was to establish a webcasting system that will connect the regional offices with the center and with each other through audio-visual and real-time tools. This will further improve the efficiency and frequency of two-way communication, while saving time and resources for staff who need to travel for training, meetings, and seminars.



Following a scoping mission in 2018, FIRST identified the optimal design for a webcasting system for the Ministry of Finance and launched a request for proposals in 2019. The selected system uses Cisco state of the art technology that allows maximum flexibility to connect sites virtually. The 13 sites selected for the webcasting system include 5 sites in Tunis (La Kasbah, CIMF, DGI, DG CPR, and ENF); and 8 regional sites (Sousse, Kairouan, Sfax, Beja, Jendouba, Gafsa, Gabes, and Medenine). FIRST launched the

procurement of the equipment in October 2019 and began the installation of the system in February 2020. The system was inaugurated on August 24th, 2020; and MOF staff were then trained on its use. The architecture of the webcasting system is presented in Exhibit 6 below.

Exhibit 6. Architecture of the webcasting system



2.4.4 EMERGENCY IT APPLICATIONS

The recent COVID-19 crisis highlighted the need to facilitate the remote payment of taxes for all businesses, since currently businesses can file online but have to pay their taxes at the tax office. Since tax offices were closed in the lockdown period, the MOF could not collect due taxes at a time when the Government needed resources to face the economic crisis generated by the pandemic. At the request of the MOF, FIRST quickly developed two emergency IT applications to (1) allow for the remote electronic payment of taxes; and (2) allow for the automatic electronic tax withdrawal for certain transactions (e.g., real estate transaction).

The remote payment application includes the following key features:

- Electronic payment by credit card
- Electronic payment through bank transfer
- Validation of payment by the tax administration
- Integration of the payment into the taxpayer account
- Production of an electronic receipt

The automatic tax withdrawal application includes the following features:

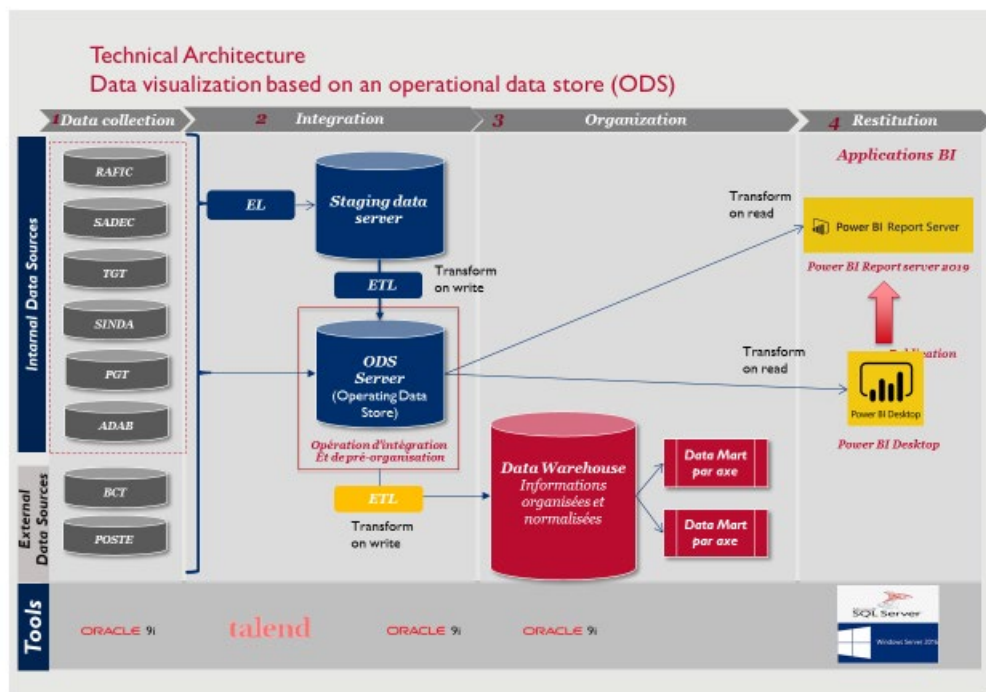
- Declaration of automatic tax withdrawal
- Verification of withdrawal by the tax administration
- Authentication of the taxpayer
- Tax withdrawal certificate generation
- Electronic receipt for the withdrawal
- Interface with the taxpayer management system

While these two applications have been developed according to the specifications of the MOF, they have not yet been activated. The applications have been transferred to CIMF and the MOF should enable them to go live as soon as possible.

2.4.5 BUSINESS INTELLIGENCE / DATA WAREHOUSE

FIRST worked with CIMF to implement a business intelligence tool to link existing data bases and data sets with the IT applications developed by the project (dashboards, models, decision-support tools). The architecture of this solution is shown in the Exhibit 7 below.

Exhibit 7. Business Intelligence Data Visualization Framework



The solution includes an operational data store (ODS) that extracts relevant information from existing data sources and makes them ready for use by the dashboards developed by FIRST. The application uses the concept of data lake (including both structured and unstructured data), which is a recent evolution from the traditional data warehouse (which uses only structure data).

2.4.6 HARDWARE PROCUREMENT

To support the many IT applications implemented by FIRST, CIMF requested assistance with upgrading its IT physical infrastructure to handle the anticipated increased electronic traffic flow. FIRST procured a load balancer, additional servers, and critical software to ensure that the CIMF IT infrastructure has sufficient capacity to efficiently manage the IT applications.

2.4.7 INFORMATION SECURITY MANAGEMENT SYSTEM

When the Foreign Account Tax Compliance Act (FATCA) was passed in the US, financial institutions and certain other non-financial entities worldwide became required to report on the foreign assets held by their U.S. account holders, or be subject to withholding on withhold-able payments. For the DGI to meet FATCA's requirements on information security, FIRST worked with the DGI to implement an

Information Security Management System (ISMS), in compliance with the ISO/IEC 27000-series standards.

The project provided the DGI with a detailed project plan for the ISMS implementation, which DGI had to submit to IRS before end of September 2019. Both entities also collaborated on creating a high-level Information security policy, as well as an information security risk treatment plan.

2.4.8 DASHBOARDS

As mentioned above, FIRST assisted DGI and DGCPR with the development of dashboards to monitor performance. Overall, seven dashboards have been created (4 for DGCPR and 3 for DGI) using Microsoft Power BI software. FIRST procured Power BI licenses for MOF to run the dashboards. These dashboards are now connected to the MOF data bases using the BI/data warehouse solutions that have also been implemented by the project. The dynamic use of dashboards will provide MPOF decision-makers and staff with practical tools for management and operational efficiency. The FIRST team prepared detailed reports and user guides for all the dashboards that are available through the virtual library of resources.

2.5 ENHANCING INTERNAL AND EXTERNAL COMMUNICATIONS

FIRST provided considerable support to the MOF on strategic communications. This section presents the communications activities undertaken by the FIRST project.

2.5.1 INTERNAL COMMUNICATIONS

Internal communications strategy

In July 2018, FIRST launch an audit of internal communications, with the aim of improving internal communication in the Ministry of Finance, with a particular focus on the General Directorate of Taxes (DGI) and the General Directorate of Public Accounting and Collection (DGCPR), the tax administration and collection services of the Ministry of Finance. An audit of internal communications was conducted to review current internal communications practices. The audit consisted of a quantitative survey of employees on current and proposed internal communication tools, as well as more qualitative key informant interviews and two focus groups in Sfax and Mahdia. Final conclusions and recommendations resulting from the communications audit advise that the MOF:

- a. Develop clear, powerful and consistent messages that help make sense of ongoing change at all levels of employees.
- b. Communicate the vision and strategy and how it will fit together in an authentic way. Employees value honesty and are willing to accept challenges if they understand the context, trust management to set a true path forward, and feel that they are part of a fair and equitable team.

Support for creation of a communications department

FIRST is supporting the design of an internal and external communications unit within the Ministry of Finance and is developing a comprehensive roadmap for its establishment. The objective of the unit is to develop and implement a 360-degree communication strategy which would enable the Ministry to

improve public and stakeholder engagement, enhance transparency in communicating reforms, strengthen internal communications across all departments and regions and implement targeted media campaigns. FIRST is using a capacity building approach by which the unit would be completely self-reliant and able to plan and implement activities regardless of donor presence. The assessment phase was completed and a decree is being prepared to officially establish the unit. Communications related trainings have been delivered in the following topics:

- Social media community management
- Graphic design
- Mission, vision, and communication strategies
- Creating online learning courses
- Internal communications
- Public speaking and media relations
- Strategic planning
- Institutional relations

Training on strategic communications

FIRST provided training to MOF staff on strategic communications in July 2020. The training modules included strategic planning, strategic communications, institutional relations and stakeholder engagement, and internal communications.

Virtual library of resources

To ensure that all the tools, analysis, training materials, and methodologies developed and implemented throughout the FIRST project continue to be easily available and accessible to MOF staff, FIRST developed a virtual library of resources. This virtual library will be accessible through the MOF's intranet. It will be administered by the Ministry's communications unit with the contents hosted on a server at CIMF. Users will be able to search for documents using key words. In addition, FIRST prepared a user guide and index for the virtual library of resources. Annex 3 presents the materials available in the virtual library.

2.5.2 EXTERNAL COMMUNICATIONS

Website

FIRST supported the MOF in creating a new website designed to improve communications, engagement, and consultation with the public. The new website is designed with a more user-friendly structure and modern interface, aimed at facilitating access to information by taxpayers, streamlining content across the Ministry's various departments and providing more engaging audio-visual content. The website is available in Arabic and French.

Support for communications campaigns

FIRST developed mass media campaigns for TV, radio, online and print to increase public awareness and transparency on reform issues. Campaigns included topics such as budget law measures, new online payment options and web services, de-cashing measures, COVID-19 measures and information on state budgets and revenues.

Social media support and training

Parallel to developing the new Ministry website, FIRST also managed the Ministry Facebook page and through producing engaging content and maximizing audio-visual content as opposed to previously used text-based content, was successful in increasing the engagement rate of the page by 300%.

Logo and visual identity

FIRST supported the MOF in the design of the new logo and graphic charter. The graphic charter was shared with CIMF and is integrated in the upgraded fiscal information system.

Participation in public events

In 2018 and 2019, FIRST participated in the Enterprise Day event (Journée des Entreprises) in Sousse that brings together the main actors of the Tunisian private sector and where fiscal issues and the business enabling environment are discussed. In October 2020, FIRST participated on the Tunisia Digital Summit and Chief of Party (COP) Mario Kerby was part of a panel discussing the digital transformation of the State. This panel provided the opportunity to present to a large virtual audience the support of FIRST towards the digital transformation of the MOF.

2.6 OTHER ACTIVITIES

2.6.1 GBO SUPPORT

The purpose of the study is to assess the Ministry of Finance's performance framework on several areas, essentially (1) relating to the relevance of programmatic redistricting and the linkage of structures to the various Programs, (2) to the division of the institutional environment (3) to the strategic direction elements given to programs managers (4) to the relevance of the objectives set (5) of the quality of the indicators set.

The second part of the study concerns the impact of the new organic budget law on the occurrent performance framework and the areas that require adjustment. The experts worked also on a new division of the Finance Mission into coherent programs.

Then the experts worked on a pilot program, in this case the "tax" program, and tried to implement the recommendations and lessons learned in terms of program scope, goal setting, indicators and management dialogue.

2.6.2 POST-CLEARANCE AUDIT FOR CUSTOMS

Post Clearance Audit (PCA) was introduced in Tunisia with the latest version (2008) of the Customs Code (Article 124). However, PCA has been practiced only rarely to date. A special unit called (contrôle à posteriori) has been set up since 2015 at the headquarters of the Tunisian customs, their main mission was to develop a PCA program based on the international best practices and the WTO Agreement on trade facilitation. However up to date very little has been accomplished. Excessive and time-consuming are keys words that describe the actual border controls. This is due to several reasons among them, obsolete selective criteria, archaic targeting methods, incomplete and unreliable database, and finally a lack of strong training policy related to customs controls and verification. Lack of

coordination and unclear decision-making process are slowing down the implementation of PCA. In this context, First project supported the Tunisian Customs Administration (General Directorate of Customs) and the Government of Tunisia (GOT) 's Ministry of Finance (MOF) to assess existing practices in conducting post-clearance audits and to define prerequisites necessary for a well-performing (according to international standards) post-clearance audit structure. The technical assistance in this area included (1) a review of procedures in place at Port Rades (in Tunis), such as handling and "control" of goods within the post-clearance system (2) an assessment that "diagnoses" existing practices in place as the basis for proposing a post-clearance audit (PCA) strategy (3) the development of a draft business process map of the post-clearance practices currently utilized by Tunisian Customs, including the current "control" policy in place at Port Rades (4) a comparison of the existing PCA strategy of Tunisian Customs vis-à-vis international best practices; this comparison allowed to identify the areas where the existing PCA strategy meets the legal, human and material prerequisites for a well-functioning PCA structure consistent with international best practices, and those areas where gaps exist. (5) proposition of a risk-based implementation strategy for the future PCA strategy (at national, regional and local levels) including the needed prerequisites for the good functioning of the risk indicators and the structure.

2.6.3 FATCA SUPPORT

The FIRST project teamed with the Tunisian Bankers Association Academy (Académie des Banques et Finances) to train Tunisian bankers and MOF staff on the newly signed Foreign Accounts Tax Compliance Act (FATCA) implementation agreement between the United States and Tunisia.

2.6.4 DOING BUSINESS SURVEY

Tunisia has implemented various reforms related to the business climate for several years, resulting in an improvement of the legal and regulatory framework as well as the simplification of administrative procedures for investments. However, the results achieved remained modest in terms of improving the rank in the DB ranking with relatively limited impacts at the private sector level. Efforts have also been vulnerable by the occurrence of the political transition. In fact, in seven years, between 2012 and 2018 Tunisia lost 46 places and went from the 42 position in DB to the 88. Nevertheless, Tunisia was able to observe a greater improvement for the DB 2019 with a gain of 8 places (80th rank). It is within this framework that the FIRST project closely collaborated with the Ministry of Development, Investment and International Cooperation (MDICI), the Tunisia Institute of Competitiveness and Quantitative Studies (ITCEQ), the Ministry of Finance (MOF), USAID/JOBS project and World Bank and developed a strategy and roadmap of reforms aimed to improve the rank of Tunisia in DB and enable the Government to achieve tangible results for its short-, medium-and long-term development policy. Furthermore, the strategy's recommendations were translated into concrete actions aimed at the prosperity of private enterprises and the development of new economic activities. A simulator was elaborated to allow the Tunisia government to experiment reform scenario and strategies on Tunisia's doing business score and a survey (10 answers) with accounting professionals was conducted to support FIRST project recommendations.

The outputs of this assignment are critical for fostering the Tunisian position in DB and the methodology that has been developed could be applied to all other indicators of DB that USAID projects could be interested to cover in the future.

2.6.5 IFRS TRAINING

Starting in January 2020, FIRST trained staff from the MOF on International Financial Reporting Standards. The training had to be interrupted in March 2020 due to the lockdown imposed by the Covid-19 pandemic. Overall, 50 MOF staff attended the training sessions on IFRS.

2.6.6 BUSINESS ENGLISH CLASSES

FIRST provided business English classes through Amideast to MOF staff to increase their command of the language. After an initial placement test, 159 MOF staff from DGI, DGCP, CIMF, DGR, DGAFF, and DGD attended trainings in business English with three levels (beginner, intermediate, and advanced).

3. KEY RESULTS

This section presents the key results obtained by the FIRST project. Table 3 below summarizes the results.

Table 3. FIRST Results by Indicators of Performance

Ind #	Indicator definition	2017	2018	2019	2020	LOP Target	LOP Actual
1	Tax administration and compliance improved (% increase in the ratio of tax collections as a percent of GDP) with USG assistance [F EG. I.1-]*	-	7.09%	7.13%	-3.56%	2%	-3.56%*
2	Amount of domestic revenue mobilization (DRM-Taxes, Fees, Fines, and Charges) collections as a percentage of GDP [F EG. I.1- 2]*	24.7%	26.4%	28.3%	27.3%	23.5%	27.3%*
3	Fiscal Deficit (Percentage of GDP)	-6.1%	-4.8%	-3.5%	-13.4%	-3%	-13.4%
4	Number of registered taxpayers	690,000	732,793	765,622	793,282	900,000	793,282
5	Number of tax administration processes improved	-	-	4	10	8	14
6	F Std DR 2.2 (2.2.2-6) number of training days provided to executive branch personnel with USG assistance* 2.2.2-6a men 2.2.2-6b women	-	T:793 M:517 F:276	T:6,846 M:3,755.5 F:3,090.5	T:1,153 M:676 F:477	T:2,040 M:1,020 F:1,020	T:8,792 M:4,948.5 F:3,843.5
7	Number of executive branch personnel trained with USG assistance 2.2.2-6a men 2.2.2-6b women	-	T:217 M:124 F:93	T:3,150 M:1,606 F:1,544	T:157 M:86 F:71	T:1,360 M:680 F:680	T:3,524 M:1,816 F:1,708
8	Number of tax information system modules operational	-	-	-	4	3	4
9	Number of IT tools developed and adopted			7	16	10	23 23 (d) 11 (a)
10	Number of institutions using UXP for data exchange C = connected; u = using			7 (c)	1 (c) 3 (u)	7	8(c) 3(u)
11	Number of taxpayers filing electronically	16,732	18,824	34,000	62,000	35,000	62,000

Ind #	Indicator definition	2017	2018	2019	2020	LOP Target	LOP Actual
12	Variance between actual and projected revenue	-	4.3%	5.3%	-21.1%	2%	-21.1%(*)
13	Number of revenue and expenditure reforms reflected in the annual budget process	-	-	2	2	3	4
14	Number of analyses, models, tools (a) delivered and (b) produced independently by MOF	-	1	11	28	7	40 40 (a) 22 (b)
15	Percent of taxpayers with favorable view of the MOF tax administration	-	42.2%	46.1%	-	60%	46.1%
16	Number of awareness campaigns, public events and consultations led by MOF supported		1	3	2	6	6
17	Number of information products led by MOF developed					30	30
18	Frequency of use of MOF external communications	5,000	10,000	16,000	21,930	20,000	21,930(**)
19	F Std DR 2.4-1 Number of government officials receiving USG supported anti-corruption training* 2.2.2-4a men 2.2.2-4b women					T = 100 M = 50 F = 50	T = 232 M = 147 F = 85

* These indicators have been significantly impacted by the Covid-19 crisis in 2020

** Number of subscribers to the DGI Facebook page

4. LESSONS LEARNED AND THE WAY FORWARD

Despite the success of the Tunisia FIRST intervention, there are some key lessons from implementation that could be useful for other projects and initiatives. In this section, we present the main lessons learned and provide guidance for the way forward.

Key lessons learned

Allow time for process change management to work. The timeframe of three years for the Tunisia FIRST project was insufficient to allow for the full adoption of changes by the tax administration. The introduction of process changes takes time, and despite significant training on best practices and IT tools, the adoption of the new tools and methods takes time. This is particularly true because key interlocutors at the MOF are often very busy with their other tasks and have difficulty finding the time to fully engage in the adoption of new processes.

Reach beyond Tunis. Tunisia is a very centralized country, and it is critical to reach beyond Tunis for capacity building and to ensure that changes initiated in Tunis reach the regions. FIRST was able to successfully reach beyond Tunis for the customer service training. However, the MOF should continue to train regional staff on best practices and the adoption of digital tools using the webcasting system.

Accompany change management. For effective change management to take hold at MOF, the Ministry should adopt the framework laid out in the management by objectives work (GBO) done by FIRST. The proposed results framework and related indicators of performance provide a clear way forward for the Ministry to implement key changes to improve the efficiency and accountability of the tax administration. A key aspect of making change work is to link the incentive structure (promotion, salary and bonuses) to performance indicators and to train leaders within MOF in management and leadership. The biggest opportunities to improve the performance of MOF are in improving management and delegation of tasks to MOF staff (too much centralized decision-making and a few key people being bottlenecks because they are involved in everything while other staff are under-utilized). In summary, the MOF has many talented staff with potential that are not being used efficiently. The combination of digital transformation, the adoption of best practices, and changes in personnel management can significantly improve the efficiency of the tax administration, even with a hiring freeze.

Work on CIMF and MOF officials on the distrust of “the cloud”. During the implementation of FIRST, we have found that some very appropriate technical solutions are not even considered by the MOF because they reside in “the cloud”. There is a common misconception at MOF that cloud-based solutions are less secure than “hard” solutions implemented on CIMF servers. However, our analysis of the MOF’s information security management system has shown that the current system is far less secure than many state-of-the-art cloud-based solutions that include significant layers of security. The MOF needs to continue to be educated on the pros and cons of the most modern technologies and applications.

The model with CIMF working on development of IT solutions while also being the “client” poses significant challenges. FIRST was asked to co-develop the upgrade of the fiscal information system modules with CIMF. However, CIMF staff do not have sufficient capacity as developers because they do not practice IT development every day. Furthermore, the CIMF management does not commit to keeping the same team in place. This approach has caused a lot of delays and losses in efficiency. It is better for CIMF to

clearly define what they want and to get regular technical updates of the solutions being developed so they can intervene quickly to resolve issues.

The way forward

The current economic and budget crisis faced by Tunisia is likely to be an accelerator of reform. The international community, as well as the Tunisian central bank have indicated that there is very little appetite for continuing budget support through debt to continue paying for a large public wage bill and for inefficient state enterprises. The tools, methodologies, and best practices that have been implemented and advocated by the FIRST project are available to accompany the necessary reforms of the tax administration. The MOF will need continued support to foster the full adoption and implementation of these tools and practices in a continuous process of change management. This will require leadership and a willingness to challenge some vested interests that favor the status quo.

The main recommendations to build on the legacy of the FIRST project are:

1. Fully embrace digital transformation and IT solutions. However, the MOF needs to ensure that IT solutions, while housed at CIMF, are owned by the technical directorates.
2. Adopt the process change management and results framework detailed in the management by objectives (GBO) work implemented by FIRST. This framework provides a clear road map for reorganizing the missions of the MOF to achieve results.
3. Look for ways to quickly automate the key bottlenecks in the budget-making process through some quick wins by developing targeted applications using the Agile method.
4. Make full use of the webcasting system to improve internal communications and the training of regional staff.
5. Make appropriate changes to the code of fiscal procedures (CDPF) by Ministerial decree to allow the tax administration to implement best practices.
6. Sign the MOUs to allow full implementation of UXP web services between the connected institutions.
7. Integrate the UXP platform into the broader digital transformation initiatives of the GOT.
8. Ensure that the fiscal information system upgraded modules (taxpayer account management, taxpayer self-service portal, and taxpayer register), as well as the emergency IT applications (automatic tax withdrawal and remote payment of taxes) go live as soon as possible.
9. Encourage MOF to make full use of the FIRST virtual library of resources to foster the adoption of best practices and avoid duplication of effort.

ANNEX I FIRST TRAINING SUMMARY

FIRST Project Training Summary

Training Topic	GOT Officials trained			Number of Training Days		
	Female	Male	Total	Female	Male	Total
Tax administration trainings						
Audit Command Language (ACL)	7	11	18	42	66	108
Fiscal citizenship compliance strategy	25	39	64	39	55	94
Customer service	1,301	1,256	2,557	1,951.5	1,884	3,835.5
E-filing	12	33	45	135	369	504
Fiscal citizenship	4	6	10	4	6	10
Fiscal control policy	3	6	9	3	6	9
Performance indicators	11	8	19	11	8	19
Fiscal control best practices	12	27	39	10	13.5	23.5
Enforced tax collection	47	27	74	87	52	139
Taxpayer services	5	3	8	5	3	8
TADAT	40	30	70	88	73	161
VAT refund	3	5	8	7	8	15
Targeted audit	31	96	127	305	902	1,207
Tax policy trainings						
CGE principles & GAMS	8	8	16	43	43	86
CGE modeling	4	2	6	4	2	6
CGE applications	7	3	10	57	52	109
Fiscal incidence modeling	4	4	8	12	12	24
MTFF principles	5	4	9	3	2	5
MTFF applications	14	6	20	26	4	30
MTFF & EViews	4	4	8	4	4	8
Tax expenditures	4	2	6	4	2	6
Tax gap	3	9	12	3	9	12
IT trainings						
Cisco – webcasting system	2	8	10	10	40	50
HSM training	3	10	13	6	20	26
Fiscal Information System Upgrade	5	1	6	5	1	6
Fiscal Information System Intranet	9	15	24	58	104	162
UXP	16	26	42	31	60	91
UXP service administrator	1	9	10	3	27	30
UXP service developer	5	16	21	20	66	86
UXP training of trainers	7	8	15	97	106	203
Communications trainings						
Media and communications	1	3	4	3	9	12
Media training	3	0	3	9	0	9
Public speaking	7	7	14	20	16	36

Training Topic	GOT Officials trained			Number of Training Days		
	Female	Male	Total	Female	Male	Total
Vision and strategy	13	23	36	13	23	36
Webcasting system operation	0	5	5	0	5	5
Other trainings						
Business English	53	52	105	416	432	848
FATCA	7	5	12	7	5	12
IFRS	20	30	50	300	450	750
Post-clearance audit	2	9	11	2	9	11
TOTAL	1,708	1,816	3,524	3,843.5	4,948.5	8,792

FIRST Trainings by Topic

Training Topic	GOT Officials trained			Number of training days		
	Female	Male	Total	Female	Male	Total
Tax administration	1,501	1,547	3,048	2,687.5	3,445.5	6,133
Tax policy	53	42	95	156	130	286
IT	48	93	141	230	424	654
Communications	24	38	62	45	53	98
Other	82	96	178	725	896	1,621
TOTAL	1,708	1,816	3,524	3,843.5	4,948.5	8,792

ANNEX 2 LIST OF FIRST IT TOOLS

Tool	Description	Utility	Software	Status	User guide	Steps to complete full adoption
UXP data exchange platform	Inter-operability platform to allow secure electronic data exchange between institutions	Platform uses encryption technology to allow secure data exchange and the development of web services between institutions	X-Road	Completed	Yes	<ul style="list-style-type: none"> . Have MOUs signed between UXP partner institutions . Continue developing web services . Integrate UXP into the broader digital transformation initiatives of the GOT
Webcasting system	State-of-the art webcasting and video-conferencing system with 14 connected sites	Allows for virtual internal and external communications and for virtual trainings	Cisco	Completed	Yes	<ul style="list-style-type: none"> . Continued use by MOF for internal communications and trainings
PIT tax gap calculator	Micro-simulation model to calculate PIT tax gap	Allows the calculation of the PIT tax gap by changing assumptions about thresholds, rates, exemptions	Excel	Completed	Yes	<ul style="list-style-type: none"> . Update of the most recent tax data from RAFIC . Use of the calculator by MOF
CIT tax gap calculator	Micro-simulation model to calculate CIT tax gap	Allows the calculation of the CIT tax gap by changing assumptions about thresholds, rates, exemptions	Excel	Completed	Yes	<ul style="list-style-type: none"> . Update of the most recent tax data from RAFIC . Use of the calculator by MOF
VAT tax gap calculator	Micro-simulation model to calculate VAT tax gap	Allows the calculation of the VAT tax gap by changing assumptions	Excel	Completed	Yes	<ul style="list-style-type: none"> . Update of the most recent tax data from RAFIC . Use of the calculator by MOF

Tool	Description	Utility	Software	Status	User guide	Steps to complete full adoption
		about thresholds, rates, exemptions				
“Doing Business” survey paying taxes indicator calculator	Calculates the change in Tunisia’s ranking in the DB survey based on changes in the “paying taxes” indicator	Allows GOT officials to estimate the potential changes in “Doing Business” rankings based on tax administration reforms	Excel	Completed	Yes	. Update calculator using most recent data to assess change in Tunisia’s ranking
Tobacco taxation calculator	Calculates changes in revenues based on changes in the structure of the tobacco taxation regime	Allows MOF to make simulation on potential revenues generated by changes in the tobacco taxation regime	Excel	Completed	Yes	. Use the simulator to assess potential revenues changes resulting in changes in the structure of tobacco taxes
Marginal effective tax rate calculator	Calculates the marginal effective tax rate paid by companies	Allows MOF to assess the real fiscal pressure on companies from changes in the tax law	Excel	Completed	Yes	. Use calculator to assess METR based on the latest finance law
DGCPR dashboard - revenues	Consolidates in one dashboard the fiscal and non-fiscal revenues generated by the DGCPR by region	Allows DGCPR to monitor in real time revenues accruing by region. Allows for comparisons with previous years.	Power BI	Completed	Yes	. Connect data from the Operational Data Store to the dashboard to view changes in revenues on a monthly basis.
DGCPR dashboard – collection	Consolidates in one dashboard the collection of tax arrears generated by the DGCPR by region	Allows DGCPR to monitor in real time tax collection accruing by region. Allows for comparisons with previous years.	Power BI	Completed	Yes	. Connect data from the Operational Data Store to the dashboard to view changes in collection on a monthly basis.

Tool	Description	Utility	Software	Status	User guide	Steps to complete full adoption
DGCPR dashboard – payments	Consolidates in one dashboard the revenues collected by type of payment method (check, credit card, bank transfer)	Allows DGCPR to monitor tax payments by type of payment.	Power BI	Completed	Yes	. Connect data from the Operational Data Store to the dashboard to view changes in payments on a monthly basis.
DGCPR dashboard – quality of service	Consolidates in one dashboard indicators measuring the quality of service at tax collection offices	Allows DGCPR to monitor improvements in the quality of service at tax collection offices against set targets	Power BI	Completed	Yes	. DGCPR sets up a system to routinely collect quality of service data to input into the dashboard.
DGI dashboard - Registration	Tracks the total number of registered taxpayers and new registrations	Allows DGI to track in real time registered taxpayers. Uses UXP interface with RNE to track newly registered companies.	Power BI	Completed	Yes	. DGI needs to validate the dashboard using test data . Data from RNE and RAFIC need to be connected through the ODS to the dashboard.
DGI dashboard – fiscal control and recovery	This dashboard tracks the performance of fiscal controls conducted by DGI by region and links controls with the collection of tax arrears.	Allows DGI to measure the performance of fiscal controls by region and improvements over time. Consolidates the information on the efficiency of fiscal controls in one dashboard.	Power BI	Completed	Yes	. DGI needs to validate the dashboard using test data . Data from RAFIC and SADEC need to be connected through the ODS to the dashboard.
DGI dashboard	This dashboard tracks changes on the use of e-procedures	Allows DGI to measure the increase in the use of e-	Power BI	Completed	Yes	. DGI needs to validate the dashboard using test data

Tool	Description	Utility	Software	Status	User guide	Steps to complete full adoption
– Use of e-procedures	(teledeclaration, teleliquidation) by DGI.	procedures by categories of taxpayers.				. Data from RAFIC need to be connected through the ODS to the dashboard.
Tax arrears prioritization tool	This tool allows DG CPR to prioritize the tax arrears to be collected based on pre-defined criteria	Improves the efficiency of tax arrears collection by DG CPR by prioritizing the tax arrears to be collected	SQL, Excel	Completed	Yes	. Training of DG CPR collectors on the use of the tool. . Systematic use of the tool at tax collection agencies
CGE model	Mathematical model to assess how the economy reacts to changes in fiscal policy	Used by MOF to determine potential macro-economic impacts of proposed fiscal policy changes (tax rates, subsidies, tax expenditures)	GAMS	Completed		. Systematic use of CGE models by the MOF in preparing the finance laws and in responding to queries from officials and parliament
MTFF model	The medium-term fiscal framework model assesses multi-year budget and economic impacts from changes in fiscal policy	Used by MOF to evaluate the medium-term budget and economic impacts of proposed fiscal policy changes	E-Views	Completed	Yes	. Systematic use of the MTFF model by the MOF to support and inform the preparation of finance laws.
Input-output model	Intersectoral input-output model that uses the relationships between economic sectors and macroeconomic data to assess the budget and economic impacts of external factors	Can be used by MOF to simulate economic and budget impacts resulting from changes in key macro-economic variables due to external factors affecting Tunisia	Excel	Completed	No	. Systematic use of the input-output model to inform the fiscal and economic policy of the government. . Use the I/O model by the GOT to improve the linkages between economic and fiscal policies.

Tool	Description	Utility	Software	Status	User guide	Steps to complete full adoption
Micro-simulation model			Excel	Completed	Yes	
Model to analyze tendencies and relations between macro-economic variables	Excel-based model using economic data to assess trends and relations between macro-economic variables	Useful to analyze the - medium-term trends resulting from fiscal and economic policies on key economic variables	Excel	Completed	No	. Use of the tool by analysts at MOF and in the broader Ministry of Economy, Finance, and Investment
Operational data store	Extracts data from CIMF data based and prepares them for use in IT applications such as dashboards	Extracts data from existing CIMF data bases (e.g., RAFIC, SADEC, SEDAR) and other data sources and prepares these data to be used as inputs to IT tools such as dashboards.	Oracle/Tal end	Completed	Yes	. Training on CIMF, DGI, and DGCPD staff on the ODS. . Use of ODS to connect data to dashboards developed by FIRST. . Expansion of ODS by CIMF to support new applications.
Risk-based audit prioritization tool	Automated tool using data from CIMF data bases to prioritize companies to audit based on risk factors	Tool to assist DGI in prioritizing audits based on risk factors and value of taxes to recover	Python	Prototype	No	. Application needs to be validated by DGI . CIMF to assess the compatibility of tool with its SEDARE application . MOF to expand the applicability of the tool based on review of risk criteria

Tool	Description	Utility	Software	Status	User guide	Steps to complete full adoption
Customer service e-learning module	Self-teaching module on customer service available in the virtual library of resources	Continue to train MOF staff on customer service	Moodle	Completed	Yes	<ul style="list-style-type: none"> . Integrate the training at the ENF . Provide access to MOF staff to be trained to the virtual library of resources . Monitor the performance of trainees
Modern VAT e-learning module	Self-teaching module on the principles of modern VAT available in the virtual library of resources	Train MOF staff on modern VAT to inform potential changes in the structure of VAT in Tunisia to make the tax more efficient	Moodle	Completed	Yes	<ul style="list-style-type: none"> . Integrate the training at the ENF . Provide access to MOF staff to be trained to the virtual library of resources . Monitor the performance of trainees
Virtual library of resources	Intranet-based virtual library containing resources developed by the FIRST project including user guides, methodological guides, studies, models, IT tools, and training materials	Continue the use of the resources developed by the FIRST project by the MOF long after the project ends. Have an accessible and consolidated directory of FIRST resources.	Moodle	Completed	Yes	<ul style="list-style-type: none"> . Train MOF on the structure and use of the virtual library . Provide access to the virtual library to the maximum number of users. . Add resources to the library over time . Monitor the use of the virtual library

ANNEX 3 VIRTUAL LIBRARY OF FIRST RESSOURCES

Documents in the virtual library of Resources

Improving fiscal citizenship

1. TADAT
 - Radar des résultats
 - Rapport d'évaluation de la performance de l'administration fiscale tunisienne Mai 2018
 - Fiscal administration performance assessment report May 2018
2. Stratégie d'amélioration du civisme fiscal
 - Elaboration d'une stratégie de civisme fiscal (ppt)
 - Stratégie de civisme fiscal : plan d'action (French and English)
 - Stratégie de civisme fiscal : note de présentation (French and English)
 - Stratégie de civisme fiscal : exposé de motifs (French and English)
 - Revoir la stratégie du civisme fiscal : restitution des travaux en atelier (French and English)
 - Rapport de l'expert Didier Maillot : Procédure d'analyse de risque de remboursement des crédits TVA
 - Rapport de l'expert Pierre Vandenberghe: le recouvrement
 - Rapport de l'expert Philippe Laurent : opérationnalisation de la direction des moyennes entreprises
 - Rapport sur le fichier du contribuable : gestion des doublons.
 - Rapport sur la révision du cadre légal des procédures fiscales
3. Indicateurs de performance des services fiscaux et de recouvrement
 - Manuel d'indicateurs de performance pour la DGI et la DGCP (French and English)
 - Liste des indicateurs de civisme fiscal
4. Formation service à la clientèle (supports de formation)
 - Support de formation des agents sur « pourquoi assister les contribuables »
 - Support de formation des responsables sur « la conduite du changement »
 - Guide de conduite (French and Arabic)
5. Nomenclature du portail électronique self-service du contribuable
6. Guide d'utilisation du portail self-service du contribuable
7. Rapport sur le fonctionnement de la DME
8. Rapport sur le contrôle à posteriori pour les douanes
9. Centre d'appel de la DGI
 - Rapport de diagnostic technique du centre d'appel de la DGI
 - Rapport de recensement des besoins du centre d'appel de la DGI
10. Guide sur la télédéclaration
11. Poster de communication : d'où vient et où va l'argent de l'Etat ?
12. Bande dessinée Tunman
13. Termes de référence du concours sur la fiscalité pour les jeunes (Youth Essay Competition)

Improving recovery and fighting tax evasion

14. La vérification ponctuelle
 - Stratégie de modernisation de l'audit fiscal (French and English)
 - Instauration de la vérification ponctuelle (exposé des motifs)
 - Document : Méthodologie et techniques de la vérification ponctuelle
 - Rapport sur la modernisation de l'audit
 - Support formation sur la vérification ponctuelle
 - Support formation pratique sur la VP
15. Stratégie du renforcement du recouvrement
 - Note : stratégie de recouvrement des arriérés
 - Note conceptuelle sur les clés de la stratégie de recouvrement
 - Rapport de mission recouvrement
 - Support de formation recouvrement organisation, pilotage, pratiques internationales
16. Vidéo de la formation sur la VP
17. Formation en ligne sur la TVA moderne (cours en ligne sur Moodle)
18. Méthodologie de scoring pour les restes à recouvrer
 - Manuel de notation des restes à recouvrer
 - Application web : scoring
 - Guide d'utilisation de l'application web : scoring
19. Indicateurs de performance et tableaux de bord recouvrement
 - Manuel : indicateurs de performance
 - Modèle tableau de bord recouvrement
20. Changements potentiels su CDPF pour moderniser l'administration fiscale
21. Remboursement de la TVA

Support fiscal policy implementation

22. CGE Modèle d'équilibre général
 - Rapport sur le modèle d'équilibre général (UNESCWA)
 - Formation sur le modèle d'équilibre général (UNESCWA)
 - Formation sur le modèle d'équilibre général (FIRST)
 - Note méthodologique sur le modèle d'équilibre général
 - Modèle CGE : Impact de la réduction des subventions sur les hydrocarbures
 - Modèle CGE : Impact de la dépréciation du Dinar
 - Modèle CGE : Elimination des subventions sur l'électricité et le gaz
 - Modèle CGE Combiné – élimination des subventions sur les hydrocarbures, l'électricité et le gaz
23. Dépenses fiscales
 - Note analyse des dépenses fiscales
 - Note dépenses fiscales en matière de TVA
 - Rapport dépenses fiscales en Tunisie
 - Support de formation dépenses fiscales

24. Analyse de l'incidence fiscale en Tunisie
 - Rapport sur l'incidence fiscale
 - Modèle Excel pour calculer l'incidence fiscale
 - Présentation de l'incidence fiscale en Tunisie
25. La crise COVID 19
 - Note sur les mesures fiscales prises par le gouvernement pour faire face à la crise COVID 19
 - Note de suivi des dons et emprunts bilatéraux et multilatéraux accordés à la Tunisie
 - Rapport : Impact macroéconomique et budgétaire de la crise COVID 19 sur l'économie tunisienne
 - Note : l'effet de la crise COVID-19 sur l'économie tunisienne
 - Modèle Excel intersectoriel input-output
 - Note : Les hypothèses des prévisions économiques en Tunisie
 - Simulateur modèle inter sectoriel
 - Simulateur modèle deux secteurs
 - Simulateur trend model
 - Présentation : modèle input out put
 - Présentation effets de la crise COVID-19 sur l'économie tunisienne
26. La fiscalité du tabac en Tunisie
 - Note récapitulative de la fiscalité du tabac en Tunisie
 - Rapport : la fiscalité du tabac en Tunisie : diagnostic, expériences internationales et outils d'analyse
 - Modèle de micro-simulation pour calculer l'impact budgétaire des taxes sur le tabac
27. Analyse des fonds spéciaux du trésor
 - Note méthodologique sur l'évaluation des Fonds Spéciaux du Trésor (FST)
 - Note méthodologique : la conduite d'une évaluation de deux FST en Tunisie
 - Note : FST en Tunisie : Analyse de l'existant
28. Taux marginal effectif en Tunisie
 - Rapport : taux marginal effectif en Tunisie : analyse, méthodologie de calcul
 - Modèle Excel pour calculer le taux marginal effectif
29. Les micro-simulateurs : les guides et les outils
 - Note méthodologique – modèle de micro-simulation écart fiscal IS
 - Guide méthodologique – modèle de micro-simulation IS
 - Modèle Excel de micro-simulation IS
 - Note méthodologique – modèle de micro-simulation écart fiscal IRPP
 - Guide méthodologique – modèle de micro-simulation IRPP
 - Modèle Excel de micro-simulation IRPP
 - Note méthodologique – modèle de micro-simulation écart fiscal TVA
 - Guide méthodologique – modèle de micro-simulation TVA
 - Modèle Excel de micro-simulation TVA
 - Interfaces pour les utilisateurs des micro-simulateurs
30. Modélisation économétrique
 - Économétrie appliquée avec Eviews
31. Le modèle CBMT (MTFF)
 - Rapport : un modèle CBMT (MTFF) pour la Tunisie

- Modèle Excel CBMT
- Guide d'utilisateur (French and English)

32. L'écart fiscal

- Note analyse de l'écart fiscal IRPP
- Note analyse de l'écart fiscal TVA
- Note analyse de l'écart fiscal IS
- Modèle Excel écart fiscal TVA
- Modèle Excel écart fiscal IRPP
- Modèle Excel écart fiscal IS

Support for MOF digital transformation

33. Les solutions Business Intelligence (BI)

- Accompagnement pour la revue des processus actuels de Reporting et la mise à niveau de la solution de Business Intelligence du CIMF : Assistance à la sélection des solutions de BI
- Analyse de l'existant avec recommandations d'amélioration

34. Dashboards

- Dashboards DGCPDR :
 - Note de cadrage
 - Liste des indicateurs
 - Rapport de synthèse
 - Les Dashboards DGCPDR
 - Le guide d'utilisation des Dashboards DGCPDR
- Dashboards DGI :
 - Note de cadrage
 - Liste des indicateurs
 - Rapport de synthèse
 - Les Dashboards DGI
 - Le guide d'utilisation des Dashboards DGI

35. Description de la plateforme UXP

- Rapport : Cadre légal des échanges électroniques des données en Tunisie
- Rapport de scoping échange de données
- Rapport d'évaluation échange de données
- Certificat d'enregistrement : guide d'installation et de configuration
- UXP portal administrator / user guides
- UXP connector installation/implementation guides
- Cybernetica installation report
- Cybernetica introduction to UXP

36. Rapport de cadrage sur le projet de refonte du Système d'Information Fiscal

37. Périmètre des modules de refonte du système d'information fiscal

38. Livrables Arabsoft sur le portail self-service

39. Livrable Numeryx sur l'application de paiement à distance

40. Livrable Numeryx sur l'application retenue à la source

41. Diagnostic du Système de Management de la Sécurité de l'Information (SMSI)

- Plan du projet
- Déclaration d'applicabilité
- Définition du périmètre SMSI
- Inventaire des actifs informationnels
- Le plan de traitement des risques
- Politique de sécurité des systèmes d'information
- Procédure de gestion des risques

Communication

42. Communication stratégique

- Rapport : Organisation de la fonction communication au sein du Ministère des Finances
- Rapport: 2019 Budget law communication strategy
- Livret d'exercice pour accompagner la formation: communication et planification stratégique

43. Centre d'appel de la DGI

- Diagnostic technique du centre d'appel
- Etude des besoins du centre d'appel

44. E-learning

- Présentation de l'outil Moodle
- Storyboard
- Différents scripts

45. Communication interne

- Rapport sur la communication interne
- Résultats du sondage d'opinion des cadres et agents du Ministère des Finances sur la communication interne

46. Communication externe

- Modèles de flyers sur différents sujets
- Différents films d'animations
- Comic-book
- Différents spots TV radio
- Le guide : « Mon impôts de poche »
- Manuel de formation sur l'application « TUNIMPO »
- Différentes vidéos et films documentaires et événements
- Concours de rédaction pour les jeunes (phase projet) note de conception du concours et plan d'exécution de l'activité

47. Formations en communication

- Formation des agents de RF : service clients
 - Support de formation
 - Guide de conduite (AR et Fr)
 - Formation : pourquoi faut-il assister les contribuables ?
- Formation à la Télé-déclaration des impôts en Tunisie
 - Guide de la Télé-déclaration des impôts

- Etude de l'existant et perspectives techniques

48. Web casting

- Etude des prérequis en vue d'un accompagnement du Ministère des Finances à l'acquisition d'une solution visio conférence
- Tableaux mise à niveau des switches et impact financier
- Guide d'utilisation du système de visio-conférence
- Formation transfert de compétences pour les utilisateurs de la solution visioconférence

49. Charte graphique du Ministère des Finances

Management Tools

50. Formation FATCA

- Présentation FATCA
- Supports work shops

51. GBO

- Rapport démarche pour l'évaluation du cadre de performance du MdF
- Rapport évaluation du cadre de performance du MdF
- Rapport accompagnement du MdF pour le renforcement de la mise en œuvre de la GBO : cas programme fiscalité

52. Doing Business

- Rapport sur l'indicateur « Paying Taxes » de l'enquête Doing Business
- Outil d'analyse du scoring de l'indicateur « Paying Taxes »
- Guide d'utilisation de l'outil d'analyse du scoring de l'indicateur « Paying Taxes »

53. Formation IFRS

54. Benchmarking – workshop expérience de la Géorgie en administration fiscale