

Proposal Summary

MENA JWP: Tunisia - Municipal Finance and local Fiscal Study

Global

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| Summary | Tunisian municipalities have always been suffering from weak and inadequate resources. Just before the revolution, the ratio of municipal resources to central resources was estimated at 4% and was on a declining trend, which is a lower performance than in many Sub-Saharan countries. The January Revolution has led to a consequential disorganization of tax management. Particularly, the current situation is characterized by an absence of fiscal discipline with two major developments: (i) a complete collapse of local revenues; and (ii) an exceptional one-time-only doubling of total government transfers from 147MD to 294MD supported by various donors. |
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| Objectives | Activities |
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| The main purpose of the proposed activity is to present a set of reforms aiming at sustainably enabling the municipalities to mobilize the necessary resources for performing efficiently needed services to the population and for financing investments and development projects. | <p>Task 1: Based on the existing results of previous studies related to local finances, assessment of the difficulties faced by Tunisian municipalities in mobilizing revenues from their tax base (including enumerating the type and number of administered taxes, the breadth of the tax base and whether administered taxes are efficiently captured)</p> <p>Task 2: Proposal of a typology of municipalities and specific evaluation of the difficulties encountered by each type of municipalities</p> <p>Task 3: An evaluation of the formula used to administer intergovernmental fiscal transfers in Tunisia and its consequences on the distribution of central resources across municipalities, with a particular attention to the municipalities lacking sufficient tax bases.</p> <p>Task 4: The drawing up of different scenarios of reforms to fill the gap between actual and potential tax revenues, and to propose different formulas to reorganize intergovernmental fiscal transfers in a more equitable and more stimulating way, including options of CPSC evolution</p> <p>Task 5 : Deepening of validated scenario of reforms at short, medium and long term to improve local finances (tax, bank sector and transfer from the State) and to allow the adjustment of the municipal finances' framework to the institutional framework of decentralization, when defined.</p> <p>Task 6: Dissemination activity to share findings and validate proposed action plan</p> |

| Submission | | Implementation | Budget and Time | |
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| Submitted by: World Bank | CA Sponsor: Agence Française de Développement (AfD); World Bank | Implemented by: World Bank CA Monitor: William John Cobbett | Request to CA: \$ 100,000 Co-Financing: \$ 0 Total Budget: \$ 100,000 | Duration: 8 months |

Expected Impacts

1) Advance the policy dialogue to provide inputs for the reform of the sector towards : a) Increasing the performance of the municipal tax system: strengthening registration of tax payers, revising tax bases and improving tax collection; b) Revising the system of intergovernmental fiscal transfers in order to give the poorest municipalities the necessary means to manage their own development and to stimulate all the municipalities to exploit their fiscal potential resources; c) studying scenarios of evolution of the Caisse des Prêts et des Collectivités Locales (CPSCL) , which is the main Municipal development Fund and d) Providing several consistent options for the reform of the municipal finances' framework.

2) Inform future urban operations to implement the reform program of the government.