



TUNISIA

FISCAL TRANSPARENCY EVALUATION

November 2016

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F I S C A L A F F A I R S D E P A R T M E N T
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S T A T I S T I C S D E P A R T M E N T

Tunisia

FISCAL TRANSPARENCY EVALUATION

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Technical Assistance Report

May 2016

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GLOSSARY

ARP	Tunisian Legislative Assembly (<i>Assemblée des Représentants du Peuple</i>)
BCT	Central Bank of Tunisia (<i>Banque Centrale de Tunisie</i>)
BH	Housing Bank (<i>Banque de l'Habitat</i>)
CGAF	Government General Accounting Statement (<i>Compte général de l'administration des finances</i>)
CGE	Public Administration Financial Accounting Statement (<i>Compte général de l'Etat</i>)
CNAM	National Health Insurance Fund (<i>Caisse nationale d'assurance maladie</i>)
CNRPS	Public Sector Social Security and Pension System (<i>Caisse nationale de retraite et de prévoyance sociale</i>)
CNS	National Statistics Board
CNSS	Private Sector Social Security and Pension System (<i>Caisse nationale de sécurité sociale</i>)
CPSC	Subnational governments Support Fund (<i>Caisse de prêts et de soutien des collectivités locales</i>)
DGRE	Directorate General of Fiscal Resources and Balances
EPA	Public Administrative Agency
EPNA	Public Nonadministrative Agency
GFSM	Government Finance Statistics Manual
MDCI	Ministry of Development, Investment, and International Cooperation
MoF	Ministry of Finance
MTEF	Medium-Term Expenditure Framework
PAP	Annual Program Plans
PPP	Public-Private Partnership
SDDS	IMF Special Data Dissemination Standard
TGT	Tunisian Treasury General or Treasurer General
TND	Tunisian Dinar

Practice in regard to the Fiscal Transparency Code

PRACTICE	Not Met	Basic	Satisfactory	Advanced

Importance for fiscal management

IMPORTANCE	Practice		
	High	Medium	Low

PREFACE

At the request of the Tunisian Minister of Finance, a mission from the IMF Fiscal Affairs Department (FAD) and Statistics Department (STA) visited Tunis during November 25 to December 9, 2015 to conduct a fiscal transparency evaluation based on the IMF's Fiscal Transparency Code. The mission was led by Sailendra Pattanayak and consisted of Racheeda Boukezia, Benoit Chevauchez, Moussé Sow (all FAD), Majdeline El Rayess (STA), and Adrien Tenne (FAD expert).

The objective of the mission was to conduct a qualitative and quantitative analysis of practices in Tunisia by applying the IMF's Fiscal Transparency Code, which includes three pillars: (i) fiscal reporting; (ii) fiscal forecasting and budgeting; and (iii) fiscal risk analysis and management.

In the conduct of the evaluation, the mission met with the representatives of the Ministry of Finance (MoF), including the managers of the General Committee of Budget, the Director General of Resources and Balances, the Director General of Public Debt, the Director General of Public Corporations, and the Director General of Accounting and Collections. The mission also met with representatives of the Ministry of Development, Investment, and International Cooperation (MDCI); the Court of Auditors; the Office of the Prime Minister, the Central Bank of Tunisia (BCT), the Public Sector Social Security and Pension System (CNRPS), and the National Institute of Statistics (INS).

The evaluation is based on the data available at the time of the mission's visit to Tunis in December 2015. The conclusions and recommendations of the report represent the points of view and recommendations of the IMF mission and do not necessarily reflect those of the Tunisian government. Unless otherwise specified, the data presented in the report are based on mission analyses and estimates and discussions with the Tunisian administration.

The mission would like to thank the Tunisian authorities for their excellent collaboration in the conduct of this evaluation and for the open, and frank exchanges of views on all matters discussed. Particular thanks go to the Director General of Resources and Balances, Mr. Abdelmalek Saadaoui, for his ongoing support of the mission during its visit to Tunis.

Finally, the mission thanks Ms. Giorgia Albertin, IMF resident representative to Tunis, for her assistance in conducting the mission.

EXECUTIVE SUMMARY

Since 2011, Tunisia has experienced a profound transformation of its political institutions, including the new Constitution that came into force on January 27, 2014. In this context, the authorities have initiated several reforms to improve fiscal transparency and modernize public financial management. The establishment of a new government in early 2015 also presents an opportunity to revitalize the reform agenda in this area.

This report, prepared at the request of the authorities, presents an evaluation of fiscal transparency practices in Tunisia. The report was prepared by the IMF mission in close collaboration with its principal counterparts at the Ministry of Finance (MoF) and other agencies, and presents an analysis of practices in Tunisia based on the new IMF Fiscal Transparency Code.

In regard to the 36 principles of the IMF Fiscal Transparency Code, 11 Tunisian practices are considered basic, 6 are considered satisfactory, 4 are considered advanced, 14 principles are not met, and one principle (environmental risks) is considered not relevant. The analysis of Tunisian practices is presented below in terms of the Code's three pillars: (i) fiscal reporting; (ii) fiscal forecasting and budgeting; and (iii) fiscal risk analysis and management.

Fiscal Reporting

Tunisian practices in the area of fiscal reporting (2013 data) in relation to the Fiscal Transparency Code are mixed. Most practices are basic or satisfactory. In most cases, the information exists but is fragmented among different entities, and the existing analyses are often for internal purposes and not published. Many indicators can be improved in the short term without significant changes to procedures. There are several strengths of Tunisian practices.

- All fiscal reports for the general government* are centrally prepared within the MoF by the Directorate General of Resources and Balances (DGRE) in accordance with the IMF Special Data Dissemination Standard (SDDS).
- The fiscal statistics present revenues and expenditures using administrative, functional, and economic classifications and are published in the IMF Government Finance Statistics Yearbook.
- A number of in-year reports are produced and published on a monthly, quarterly, or semiannual basis, including in particular the biannual budget execution report, which presents comparisons between approved budget and outturn.

However, there are significant gaps between international good practices and the current situation in Tunisia that call for reforms in a number of areas:

* [Tr.: "Administrations publiques, defined as the central government, social security funds, and local jurisdictions.]

- Fiscal statistics are produced for the general government (representing over 40 percent of GDP), with the exception of extrabudgetary entities, which include the Public Non Administrative Agencies (EPNAs), the Public Administrative Agencies (EPAs), and special funds. These 2621 extrabudgetary entities represent 2.1 percent of GDP (mission estimate).
- Fiscal reporting for the other public sector entities—in particular public corporations, whose budgets represent 38 percent of GDP—is incomplete or nonexistent.
- Reports on the stock of public debt (which represents 48.5 percent of GDP) and the composition of public debt are produced and published on a regular basis, but there is no comprehensive overview of net worth reflected in a balance sheet for either the central government or the general government. The Tunisian public sector's negative net financial worth is particularly large and represents 86.7 percent of GDP. The total public sector liabilities represent 160.3 percent of GDP while financial assets represent only 73.5 percent of GDP.
- There are no statistics on tax expenditures, the impact of which could be considerable in Tunisia. For example, one estimate places the fiscal impact of VAT exemptions, which is part of tax expenditures, at 0.9 percent of GDP.

This report provides several recommendations to improve the coverage, quality, and dissemination of fiscal reports to further improve fiscal transparency. The principal recommendations are as follows:

- Prepare consolidated reports on the public sector financial position, which should initially include the preparation of a financial balance sheet for which information is available (Recommendation 1.1);
- Reduce the delays in preparation of the annual accounts by complying strictly with the length of the complementary period established by law, improving bank reconciliation procedures, and regulating the timetable for the production of the annual accounts (Recommendation 1.2); and
- Attach a list of tax expenditures and their impact on government revenue as an annex to the draft annual budget law (Recommendation 1.3).

Fiscal Forecasting and Budgeting

Most of the fiscal and budget forecasting practices in Tunisia are considered basic or satisfactory, with a few considered advanced, as regards to the IMF Fiscal Transparency Code. Forecasts are produced over a short-term horizon by competent teams and based on reliable data, although the volatile political and economic environment of recent years has given rise to more pronounced gaps than usual. Significant improvements to the legal and fiscal reporting frameworks are also underway with the preparation of a new draft organic budget law.

However, significant deficiencies related to the coverage and time horizon of fiscal and budget forecasts need to be addressed.

- The main issues in fiscal forecasting relate to the coverage of the central government budget documentation. For example, the budget documentation does not include information on the annual budgets of social protection agencies.
- The forecast horizon for public finances, including those of central government, is limited to one year (particularly during the recent political transition), despite the gradual but still modest development of the Medium-Term Expenditure Framework (MTEF) and program budgeting.
- Although the report presenting the budget law includes numerous qualitative objectives for fiscal policy and sets out priorities and the main fiscal aggregates for the coming year, no explicit numerical targets for the medium-term fiscal policy are formally established.

The principal recommendations to strengthen fiscal forecasting and budgeting are the following:

- Integrate the budgets of social protection funds into the annual budget law by annexing the budgets of the three funds in the budget documentation with an introductory statement discussing, inter alia, the financial relationships between these funds as well as the total direct and indirect support provided by the government (Recommendation 2.1).
- Improve the quality of fiscal forecasts by taking account of, in a comprehensive framework, all interactions between key macroeconomic variables likely to influence the fiscal aggregates and by establishing a procedure for independent evaluation of fiscal forecasts (Recommendation 2.2).
- Formulate an explicit medium-term fiscal policy, which would entail the regular adoption of quantified targets for total revenues and expenditures as well as deficit and debt targets for general government, over a period of no less than three years¹ (Recommendation 2.2).

Fiscal Risks Analysis and Management

Significant fiscal risks have materialized in Tunisia in recent years. For example, the government had to recapitalize two public banks in 2015 and a third recapitalization is now under way. The estimated amount of the recapitalizations is about 647 million Tunisian Dinar (TND) which represents 0.7 percent of GDP. Moreover, the vulnerability of the Tunisian economy to fluctuations in oil prices and the exchange rate entail fiscal risks estimated at TND 78 million (0.3 percent of the central government budget in 2015).

In general, the information related to fiscal risks is fragmented and reported only on a limited basis. There is no consolidated publication of the main risks to public finances or a

¹ An MTEF covering the period of the 2016–2020 plan for the central government is currently being finalized.

presentation of a government strategy to address those risks. While certain risks are discussed in the budget documentation and the government guarantees are monitored on an aggregate basis, there is no document to facilitate the monitoring of fiscal risks relating to government holdings in the numerous public corporations, including systemically important banks. Similarly, there is little or no monitoring of policy commitments in respect to the financial sector. The same holds true for commitments in connection with concessions arrangements, although the government plans to develop Public-Private Partnerships (PPPs) of which the government's obligations should be regularly disclosed and actively managed.

Apart from macroeconomic risks, the Tunisian government is exposed to different risks that could affect fiscal and budget forecasts. These risks include but are not limited to:

- Risks with no direct link to macroeconomic variables but having an impact on overall tax revenues such as the impact of a decline in tourism (related to security risks) on public finances;²
- Risks associated with the management of the government's assets and liabilities. Risks related to government assets, such as Treasury loans or onlending, could entail significant costs if the loans are not repaid. These risks also include risks related to the government holdings of public corporations and the government's equity participation;
- Risks associated with the government's contingent liabilities, in particular guarantees, including external and domestic debt guaranteed by the government (more than 10 percent and 1.4 percent of GDP respectively at end-2014), and the government's exposure to the financial sector (20 percent of GDP);
- Finally, the medium- to long-term risks associated with the sustainability of the social security system. The public sector social security and pension system (CNRPS) registered a deficit of 0.3 percent of GDP in 2014, and the financing gap is estimated at TND 15.9 billion by 2040 (18 percent of GDP in 2015); and
- Risks associated with public corporations. The lack of transparency in monitoring the financial performance of the 104 public corporations creates considerable fiscal risks for the Tunisian public finances. For example, government subsidies to the 28 largest corporations increased from TND 2.7 billion (4.3 percent of GDP) in 2010 to TND 6.5 billion (9.2 percent of GDP) in 2012, an increase of over 140 percent in two years.

² A macroeconomic modeling exercise is being conducted at the MoF by the DGRE that will support the evaluation of macroeconomic risks and risks affecting budget revenue.

Significant improvements in the analysis and reporting of fiscal risks are needed to better understand and manage them. The following measures are recommended:

- Prepare alternative scenarios of macroeconomic forecasts and expand the sensitivity analysis to reflect interactions between the different macroeconomic variables (Recommendation 3.1).
- Conduct a fiscal sustainability analysis for the medium- and long-term taking account of: (i) the evolution of external debt; (ii) the social security system related to civil service; and (iii) other fiscal pressures (demographic, security related, etc.) (Recommendation 3.2).
- Develop and operationalize a consolidated framework to monitor and analyze fiscal risks affecting the government balance sheet. The framework should build on: (i) a consolidated overview of government's assets and liabilities; (ii) a closer monitoring of risks associated with guarantees provided by the government; (iii) a closer monitoring of public corporations, in particular public banks; and (iv) a monitoring of policy commitments in respect to the financial sector. (Recommendation 3.3).

The implementation of the reforms already planned by the authorities and recommended in this report, including publishing existing analyses that are prepared for internal management purposes, will significantly improve the areas identified as important by this evaluation, as shown in Table 0.3 below. This would result in considerable improvement in fiscal transparency in Tunisia in the coming years.

Table 1. Tunisia: Summary of Evaluation in regard to the Fiscal Transparency Code















Importance	Practice		
	1. Fiscal reporting	2. Fiscal forecasting and budgeting	3. Fiscal risk analysis and management
HIGH IMPORTANCE	1.1 Coverage of Institutions	1.1 Budget unity	1.1 Macroeconomic risks
	1.2 Coverage of stocks	1.3 Medium-term budget framework	1.2 Specific fiscal risks
	1.3 Coverage of flows	3.1 Fiscal policy objectives	1.3 Long-term fiscal sustainability analysis
	1.4 Coverage of tax expenditures		2.3 Guarantees
	2.2 Timeliness of annual financial statements		2.5 Financial Sector Exposure
			3.2 Public corporations
MEDIUM IMPORTANCE	3.1 Classification	1.2 Macroeconomic forecasts	2.2 Asset and liability management
	3.2 Internal consistency	3.2 Performance Information	2.4 PPPs
	4.2 External audit	4.1 Independent evaluation	2.6 Natural resources
		4.3 Forecast reconciliation	
LOW IMPORTANCE	2.1 Frequency of in-year reporting	1.4 Investment projects	2.1 Budgetary contingencies
	3.3 Historical revisions	2.1 Fiscal legislation	2.7 Environmental risks
	4.1 Statistical integrity	2.2 Timeliness of budget documents	3.1 Subnational governments
	4.3 Comparability of fiscal data	3.3 Public participation	
		4.2 Supplementary budget	




Table 2. Tunisia: Overview of Public Financial Position, 2013
(As a percentage of GDP)

	General Government					Public Corporations			Consolidation	Public Sector
	Central Gov	Social security fund	Local government	Consolidation	Total	Nonfinancial	Financial	Central Bank		
Transactions										
Revenue	26.7	8.7	2.2	-1.7	35.9	33.6	2.0	0.6	-6.6	65.5
Expenditures	31.1	8.9	1.7	-1.7	40.0	36.1	1.9	0.3	-6.6	71.7
Balance	-4.4	-0.2	0.5	0.0	-4.1	-2.5	0.2	0.2	0.0	-6.2
Outstanding										
Assets	nd	3.2	nd	nd	nd	52.5	28.9	59.3	-19.5	nd
Nonfinancial	nd	0.1	nd	nd	nd	26.8	0.4	35.5	0.0	nd
Financial	12.4	3.1	0.1	-0.5	15.0	25.7	28.6	23.8	-19.5	73.5
Liabilities	67.3	2.3	0.2	-0.5	69.3	56.6	30.0	23.8	-19.5	160.3
Registered	46.5	2.3	0.2	-0.5	48.6	56.6	30.0	23.8	-19.5	139.5
Public pensions	20.8				20.8					20.8
Net amount	-54.9	0.8	-0.1	0.0	-54.3	-31.0	-1.5	0.0	0.0	-86.8
Net amount	nd	0.9	nd	nd	nd	-4.2	-1.1	35.4	nd	nd

Sources: MoF, BCT, various fiscal reports, and mission estimates
a) Data are consolidated to the extent possible
b) GDP totaled TND 76.350 billion in 2013

Table 3. Tunisia: Implementation of Reforms Already Planned or Recommended

Principle	Current practice	Reform in progress or to be implemented	Description of reform	Practice planned after implementation of reforms
Coverage of institutions	Not observed		Include consolidated information on EPAs, EPNAs, and special funds in public finance statistics	Satisfactory
1.2 Coverage of stocks	Not observed		Creation of a balance sheet	Satisfactory
Coverage of flows	Basic		Gradually develop an accrual accounting system for all flows	Satisfactory
Coverage of tax expenditures	Not observed		Publication of tax expenditures is planned in the new draft Organic Budget Law	Satisfactory
Timeframe of publication of financial statements	Not observed		Adhere to the cut-off period and improve closing procedures in order to publish the financial statements within the prescribed time frames	Satisfactory
Budget unity	Satisfactory		Include information on budgets for special funds, EPNAs, and social protection agencies as an annex to the draft budget law	Advanced
Medium-Term Budget Framework	Basic		Explicitly affirm a medium term fiscal policy by including MTBF/MTEF in draft budget law, at least by major economic category	Satisfactory
Fiscal policy objectives	Not observed			Basic
Macroeconomic risks	Not observed		Prepare an alternative forecast scenario and expand the sensitivity analysis to include interactions between the different macroeconomic variables	Satisfactory
Specific financial risks	Not observed		Include a report on specific budgetary risks in the budget documentation	Satisfactory
Long-term sustainability analysis	Not observed		Prepare and disclose a public finance sustainability analysis over the medium and long term including at least the evolution of external debt and the liabilities of social protection systems	Satisfactory
Guarantees	Not observed		Monitor guarantees more closely by publishing a list of beneficiaries	Satisfactory
Commitments to the financial sector	Not observed		Quantify and disclose the value of the government's explicit support to the financial sector, including the public banks	Basic
Public corporations	Basic		Publish an annual consolidated report on the financial performance of public corporations (provided in the draft Organic Budget Law)	Satisfactory

 Publication of analyses already prepared for internal management
 Reforms under way or already planned by the authorities
 Priority reforms recommended following the evaluation

I. FISCAL REPORTING

A. Introduction

1. Fiscal report should provide a comprehensive overview of the financial activities of the public sector and its subsectors, in accordance with international standards. This chapter provides an evaluation of the Tunisian government's fiscal reporting practices in reference to the standards defined by the Fiscal Transparency Code. The following four dimensions are taken into consideration:

- i. Coverage of institutions, stocks, and flows;
- ii. Frequency and timeliness of fiscal reporting;
- iii. Quality, accessibility, and comparability of fiscal reports; and
- iv. Integrity of reported fiscal data.

2. Fiscal reports should provide a comprehensive, relevant, timely, and reliable overview of the general government's financial position and performance. To this end, fiscal reports, including budget execution reports, fiscal statistics, and government financial statements, should:

- cover all entities in charge of public activities;
- cover all assets, liabilities, revenues, expenditures, sources of financing, and other flows;
- be published on a frequent and regular basis;
- present fiscal information using a classification that facilitates international comparison;
- provide for reconciliations between different financial aggregates and explain any discrepancies in or between fiscal reports; and
- for fiscal statistics, be prepared by an independent agency and submitted for review by an independent supreme audit institution.

3. In Tunisia, fiscal reporting is relatively transparent for the central government but is fragmented for other government entities and does not cover all public sector entities. Numerous reports are prepared, and some of them are made public. Management analytical reports on the amount and composition of public debt are produced and published on a regular basis. However, there is no comprehensive overview of the net amount, for either the central government or the general government, reflected by the preparation and publication of a balance sheet. Similarly, reports on provisional budget execution outturn are prepared and published each month. Fiscal statistics concern the general government sector, and are prepared and published monthly in accordance with the Government Finance Statistics Manual 1986 (GFSM). They are produced annually in accordance with *GFSM 2001* and transmitted to the IMF for publication in the Government Finance Statistics Yearbook. For the central government, the

fiscal statistics are reconciled with the budget execution reports and the financial statements. However, it is difficult to obtain fiscal information for the entire public sector and its subsectors.

4. Fiscal reporting for the central government is characterized by a lack of comprehensiveness. No budgetary or fiscal information is prepared or published for the subsector comprising the extrabudgetary entities. This subsector includes EPNAs,³ EPAs, and special funds.⁴ The principal financial reports, which essentially cover the general government, are summarized in Table 4 below.

5. All fiscal reports produced for the general government are centrally managed at the MoF. The DGRE is the directorate responsible for preparing fiscal statistics for the general government. The financial statements, including the general government's financial accounting statements (the *compte général de l'Etat* (CGE) and the Government General Accounting Statement (CGAF)) are prepared by the Directorate General of Public Accounting and Collections (DGCPR). The DGCPR consolidates the accounts maintained by the public accounting officers.⁵ The budget execution reports are prepared by the General Committee of Budget. Finally, the Directorate General of Public Debt (DGDP) produces a monthly report on public debt.

6. Fiscal reporting for the other sectors of the public sector is partial or nonexistent. Listed public corporations, and in particular financial public corporations, publish audited annual financial statements and activity reports. The other public corporations are monitored by the Directorate General of Corporate Holdings (DGP).

³ Like EPAs, EPNAs are government entities operating under a simplified administrative framework with respect to their personnel, who are not subject to the civil service code, and their accounting systems, which are subject to commercial accounting standards, as are public corporations.

⁴ Only information on revenue and expenditure forecasts (for EPAs) and government subsidies (to EPAs and EPNAs) is provided in the budget documents.

⁵ In addition to the Tunisian Treasurer General (TGT), the network of accounting officers includes 347 financial receivers, 57 customs receivers, 623 accounting officers for the EPAs, and 27 regional treasurers.

Table 4. Tunisia: List of Fiscal Reports

Ratio	COVERAGE			ACCOUNTING SYSTEM			PUBLICATION	
	Institutions	Flows	Stocks	Mode	Classification	Nontax income	Frequency	Date
IN-YEAR REPORTS								
Monthly budget execution report	CG other than EBE	Revenue/exp enditures and financing		Cash	GFSM 1986 and Nat	Gross	M	45 D
Financial position	CG other than EBE	Revenue / expenditure		Cash	Nat	Gross	M	15 D
Semiannual budget execution report	CG other than EBE	Revenue/exp enditures and financing		Cash	GFSM 1986 and Nat	Gross	S	45 D
Report on public debt	CG other than EBE	Debt service	Debt	Cash	N/A	Gross	M	45 D
ANNUAL REPORTS								
Budget execution reports	CG other than EBE	Revenue/exp enditures and financing		Cash	GFSM 1986 and Nat	Gross	A	45 D
CGAF	CG other than EBE	Revenue/exp enditures		Cash	Nat	Gross	A	24 M
CGE	CG other than EBE	Revenue / expenditure		Cash	Nat	Gross	A	24 M
Finance Discharge Bill	CG other than EBE	Revenue/exp enditures and financing		Cash	Nat	Gross	A	24 M
Public finance statistics	AP	Revenue/exp enditures and financing		Cash	GFSM 2001	Gross	A	9 M
Report on public debt, including information on guarantees	CG other than EBE	Debt service	Debt	Cash	Nat	Gross	A	45 D
Financial reports, listed public corporations	EP	Flows	Outstanding	Accrual	Nat	Gross	A	6 M
BUDGETS								
Budget laws	CG other than EBE	Revenue/exp enditures and financing		Cash	Nat	Gross	A	Oct
Supplemental budget laws	CG other than EBE	Revenue/exp enditures and financing		Cash	Nat	Gross		One per year
Citizen's budget	CG other than EBE	Revenue/exp enditures and financing	Debt	Cash	Nat	Gross	A	Oct

B. Coverage of Fiscal Reports

1.1.1. Coverage of Institutions (Not Met)

7. Fiscal statistics are produced for the three subsectors of the general government except for the extrabudgetary entities. However, there is no consolidated information for the public sector and it is difficult to obtain consolidated data for the different subsectors.

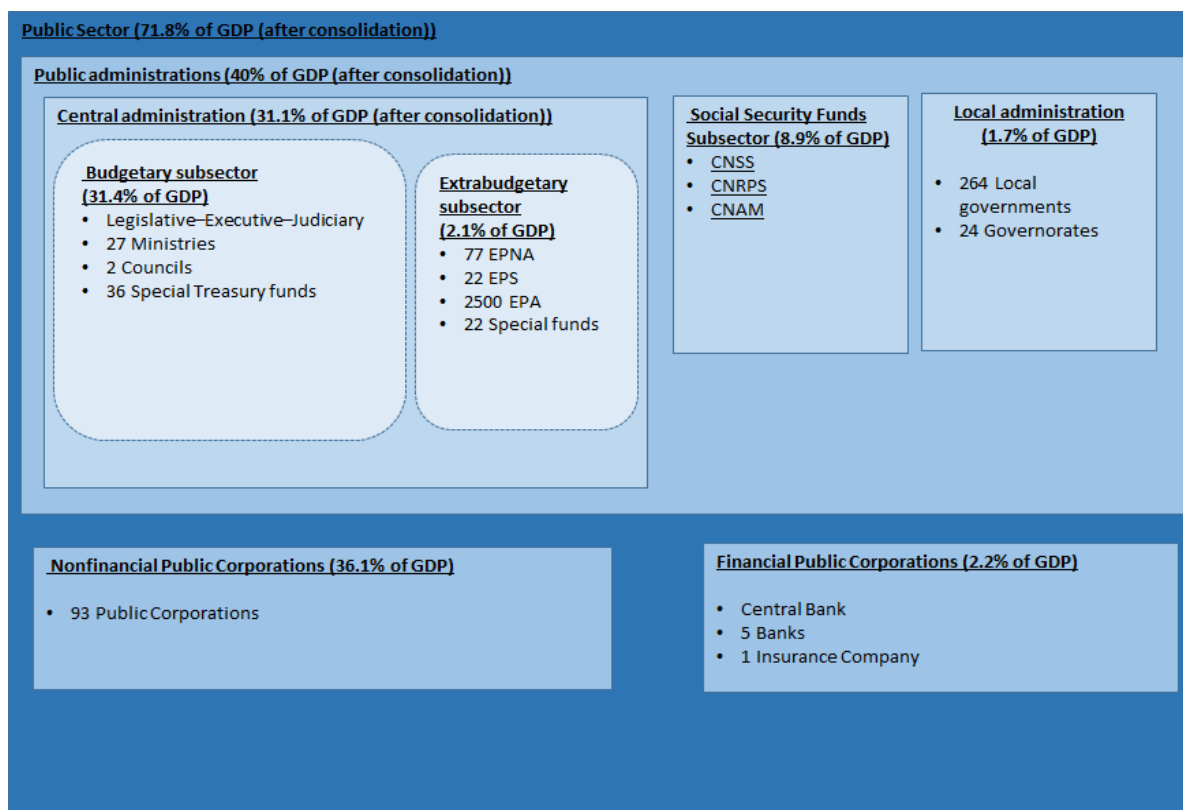
In particular, extrabudgetary entities are not covered by any fiscal report. Fiscal data for the EPNAs are difficult to obtain, although subsidies to those entities represented 5 percent of the general budget expenditures (or 1.6 percent of GDP) in 2013. Similarly, data for financial and nonfinancial sector public corporations are not consolidated, although much of the data is available from the supervising line ministries or the DGP at the MoF level.

8. In 2014, the Tunisian public sector consisted of 3,077 entities:

- The central government consists of 2,686 entities, including 27 ministries, 2 Councils, 36 special treasury accounts, 2,500 EPAs, 99 EPNA (including 22 public health agencies), and 22 special funds.
- The subnational governments, which comprise governorates and municipalities, includes 288 entities.
- The social security fund sector consists of three entities covering all retirement, social security, and health insurance services for the public and private sector.
- Nonfinancial public corporations, all of which are controlled by the central government, total 93 entities including 24 in the industry and energy sector, 21 in the transportation sector, and 15 in the agriculture and water supply sector.
- The financial public corporations total seven entities, including the BCT.

Diagram 1.0 presents the structure of Tunisia's public sector and each sector's share of expenditures as a percentage of GDP.

Diagram 1. Tunisia: Composition of the Public Sector — Expenditures as a Percentage of GDP, 2013



Source: Financial statements and available report, mission estimates
(* after consolidation)

9. The expansion of institutional coverage to include the financial and nonfinancial public corporations would have a substantial impact on the fiscal deficit. The deficit would increase from -4.1 percent of GDP for the general government to -6.2 percent of GDP for the entire public sector. Moreover, the financial net worth would decline from -54.3 percent of GDP to -86.8 percent of GDP. The number and nature of special accounts, for which there is little fiscal information, could have a particularly significant impact on the deficit and the net financial debt. Table 5 below presents a summary of Tunisia’s institutional and financial composition in 2013.

Table 5. Tunisia: Institutional and Financial Composition: Revenue, Expenditures, and Net Balance, 2013
(As a percentage of GDP)

	Number of entities	Revenue	Expenditures	Net balance
Central government	2,686	26.7	31.1	-4.4
Budget	65	26.0	30.4	-4.4
Extrabudgetary	2,621	2.2	2.1	0.0
Consolidation between local government		-1.5	-1.5	0.0
Social security fund	3	8.7	8.9	-0.2
Local administrations	288	2.2	1.7	0.5
Consolidation between public administrations		-1.7	-1.7	0.0
General government	2,977	35.9	40.0	-4.1
Nonfinancial public corporations	93	33.6	36.1	-4.4
Financial Public Corporations	7	2.6	2.2	0.4
Central bank	1	0.6	0.3	0.2
Other	6	2.0	1.9	0.2
Public sector consolidation		-6.6	-6.6	0.0
Public Sector	3,077	65.5	71.7	-6.2

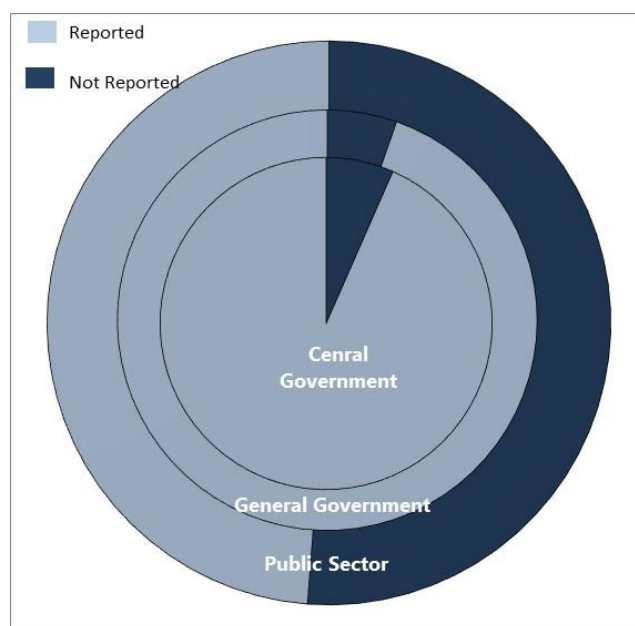
Source: MoF, BCT, various fiscal reports, and mission estimates

1/ The consolidation includes grants, subsidies, income from property, and taxes received and paid to other public sector units.

10. Total expenditures for the public sector represented 72 percent of GDP in 2013.

The total expenditures for the general government represented 40 percent of GDP, including 9 percent for the social security funds, while the public corporations represented 38 percent of GDP in expenditures. Reported expenditures for the public sector represent 49 percent of GDP. Unreported expenditures essentially concern the nonfinancial public corporations, which accounted for 90 percent of the unreported total. As per mission estimates, unreported expenditures for the extrabudgetary entities represented 2.1 percent of GDP but cover 161 entities, or more than 5 percent of total public sector entities. Figure 1 below presents the scope of fiscal coverage in terms of reported expenditures relative to GDP.

Figure 1. Tunisia: Coverage of Public Sector in Statistical Reports, 2013



Source: MoF, BCT, various fiscal reports, and mission estimates.

1.1.2. Coverage of stocks (Not Met)

11. The government accounting system is maintained on a cash basis using a single-entry bookkeeping system. This does not provide any consolidated and comprehensive information on all government assets and therefore does not support the preparation of the balance sheet. Information on financial assets and liabilities exists, but it is fragmented. For example, the value of equity investments controlled by the government is determined annually by DGP staff but is not published. The total public debt is also available and published monthly. Information on the amount and nature of deposit is available at the BCT level but is not published. Moreover, there is no information available for total payment arrears or accounts receivable. The same applies for EPAs and subnational governments, which do not operate within an accrual accounting framework.

12. EPNAs, social security funds, and public corporations apply private sector accounting framework and prepare annual financial statements, including a balance sheet; however, with the exception of listed corporations, most of these entities do not publish their financial statements. Balance sheets are not consolidated for each subsector of the public sector. Financial public corporations are subject to audit and certification of their financial statements, which they publish annually. This information is also available for listed financial public corporations on the Financial Markets Commission website. Also, the BCT maintains information on the value of the general government' banking assets.

13. The draft new organic budget law provides for the implementation of accrual accounting. This reform will require significant reforms in the government assets management.

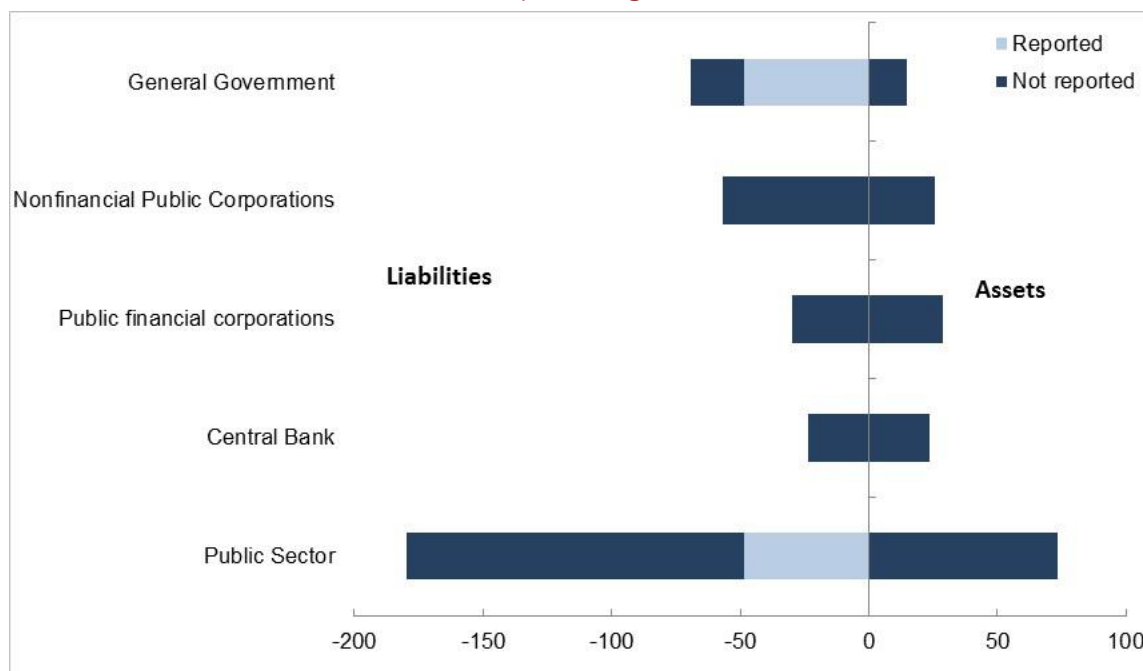
The Ministry of Public Domain started an inventory of real property assets in 2012, but no valorization has been conducted.

14. Financial assets and liabilities represented 15 percent and 69.3 percent of GDP for the general government sector in 2013. According to mission estimates, those assets and liabilities consist mainly of the following:

- **In assets:** (i) the net worth of the government's equity holdings, representing 7.1 percent of GDP; (ii) deposits representing 2.5 percent of GDP; and (iii) receivables representing 5.4 percent of GDP.
- **In liabilities:** (i) gross debt, representing 48.6 percent of GDP for the whole general government, including the social security funds; and (ii) the civil service pension liabilities (not reported) representing 20.8 percent of GDP.

Figure 2 below presents the coverage of public sector assets and liabilities as a percentage of GDP.

Figure 2. Tunisia: Balance Sheet and Fiscal Reports coverage, 2013
(As a percentage of GDP)

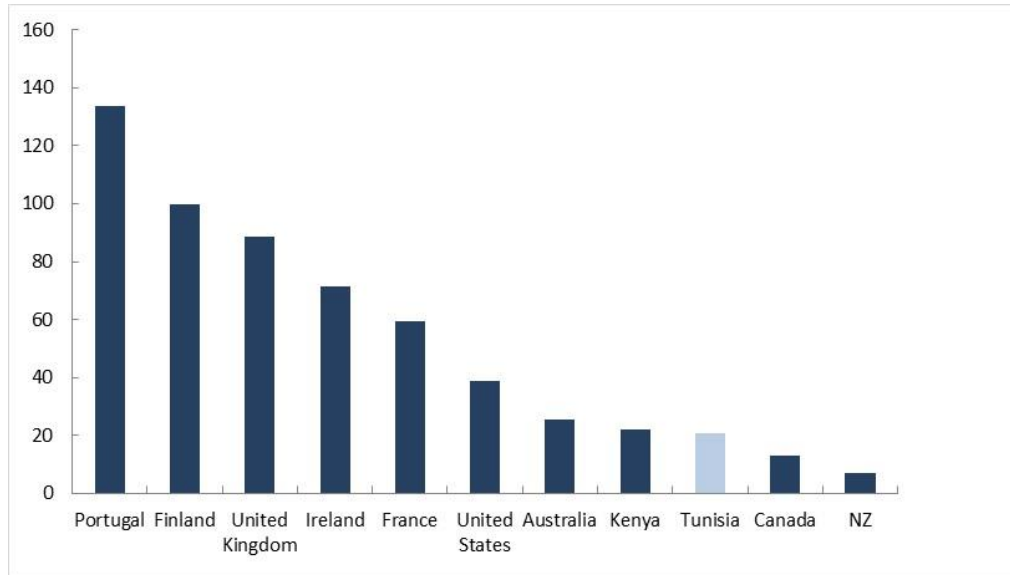


Source: MoF, BCT, various fiscal reports, and mission estimates

15. Pension liabilities for the civil service sector are not presented neither reported in any fiscal report, although the present value of the liability represents 20.8 percent of GDP. As suggested in Figure 3 below, the amount of these liabilities is not significant compared to other countries, yet Tunisia stands out in lacking sufficient assets to cover the debt. Also, the Tunisian pension system is currently not fully funded and poses risks to reduce the net worth of the public sector over time. Moreover, an actuarial study based on the assumption that 50

percent of civil servants would voluntarily retire at 65 (instead of age 60, as currently provided) brings the amount of the debt to TND 21.2 billion,⁶ or nearly 28 percent of GDP.

Figure 3. Comparison of the Civil Service Pension Obligations of Selected Countries
(As a percentage of GDP)



Source: Center for Economic and Social Research (CRES), Tunisia, most recent data available (2013 for Australia, New Zealand, United States, United Kingdom, and Portugal; and 2011 for France and Ireland).

16. The Tunisian public sector has a particularly large negative financial net worth.

The net worth is impacted by public pension obligations and the liabilities of public corporations (excluding the BCT), which represent 86.8 percent of GDP. Figure 4 below compares the gross liabilities of the Tunisian public sector as a percentage of GDP with those of a sample of selected countries.

⁶ This amount was not used by the mission given that the underlying assumptions pertain to a planned reform that is not yet finalized and must be presented to the unions and the ministerial council in the coming weeks.

Box 1. Overview of the Civil Service Retirement System

The CNRPS administers the civil service pension system. Under the system, contributions from current employees' fund benefits for current retirees (*système par répartition*). The system covers all employees of the general government, including subnational governments, EPAs, and EPNAs.

By way of exception, employees of certain public corporations are also covered under the CNRPS system.

According to the most recent information available, the maximum civil service pension is fixed at an amount not to exceed 90 percent of the reference salary, provided the employee has contributed to the system for 40 years. The minimum pension can be no less than two-thirds of the multisector minimum guaranteed salary (SMIG). Pension benefits are indexed on salaries. The legal retirement age is set at 60 years, with the exception of certain categories of personnel (e.g., military personnel and their survivors).

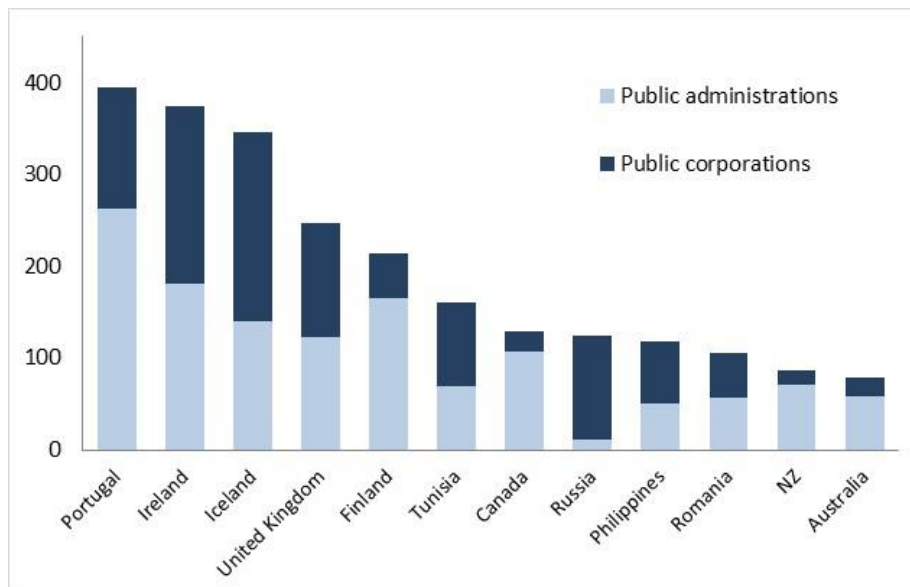
The pension amount depends on two factors: the reference salary and the pension rate, which ranges from 35 to 90 percent and is determined based on the annuity rate and length of service as follows:

- 2 percent per annum for the first 10 years;
- 3 percent per annum for the following 10 years; and
- 2 percent per annum for the remaining years.

The current retirement pension system is not sustainable and has been continuously in deficit since 2012. One should note that the government does not recognize any pension obligations in the calculation of the debt. The government currently provides an advance on the amount of employer contributions, which was around TND 100 million in 2015 (0.11 percent of GDP) compared to TND 60 million in 2013 (0.08 percent of GDP).

1/ GDP estimated at end-2015: TND 87.399 billion.

Figure 4. Comparison of Gross Public Sector Debt for Selected Countries, 2013
(As a percentage of GDP)



Source: IMF estimates for Tunisia, Finland, Portugal, Ireland, Russia, the Philippines, and Romania; financial statements for other countries.

1.1.3. Coverage of flows (Basic)

17. The budget execution and government accounting systems are maintained on a cash basis and estimates for noncash flows do not exist. The accounting system employs single-entry bookkeeping. Revenue is recorded as it is collected, and expenditures as they are paid. The fiscal statistics present all transactions (budgetary and financing operations) on a cash basis for the general government other than the extrabudgetary entities. Financing flows (issuance of debt, repayments) are also detailed in the fiscal statistics. The current lack of data on some noncash items such as liquidations and interest accrued does not allow for the presentation of statistics on a modified cash basis (intermediate phase prior to implementation of accrual accounting).

18. Coverage of flows is not comprehensive. There are no reports presenting the details of noncash flows generated during the year, such as outstanding balances to be recovered, payment arrears, accrued interests, transfers, and donations in kind. As an example, details on the variation of debt due to exchange rate revaluation are not published. The lack of such information prevents complete integration of flows and stocks, particularly as regards to debt-related data (see Figure 4 below).

1.1.4. Coverage of tax expenditures (Not Met)

19. The number of tax benefits in Tunisia is quite significant. There are a variety of tax benefits, or tax incentives, and they include tax exemptions per se and reduced VAT rates, for example. Tax benefits can also take the form of the government paying for taxes or social contributions to promote investment or entrepreneurship. All tax exemptions are defined in either the Investment Code,⁷ the VAT Code, the Individual and Corporate Income Tax Code, or the Customs Code. The 2016 draft budget law includes the provisions of earlier decrees providing tax advantages—in particular for consumer products—in order to give them legal force. The sectors that benefit more from tax advantages are offshore companies, the agriculture sector, support sectors (sports, scientific research), and activities that contribute to regional development in general. Table 6 below presents a number of tax incentives provided by the Investment Code and the cumulative impact of the deductions between 2008 and 2011.

20. There are no statistics on tax expenditures. The Directorate General of Tax Benefits prepares an annual dashboard of tax benefits based on information received from the customs and tax administrations, but it is intended for information only. No methodology has yet been defined to identify all tax benefits that qualify as tax expenditures. A project is under way to identify all current tax provisions that meet the strict definition of a tax expenditure. The mission also recommends defining a methodology to improve the estimates.

⁷ Law 93-120 of December 27, 1993.

Table 6. Example of Incentives and Cumulative Impact of Deductions, 2008–11
(TND millions)

Benefits	Deductions (MTD)
Total exporting industries	826.8
Partial exporting industries	87.2
Incentives for municipalities (<i>communes</i>)	25.9
Priority regional development (first 10 activities): deduction in respect of activity	24.5
Priority regional development (first 10 activities): subscription	17
Regional development (Zone 1): subscriptions to the equity of enterprises	16.5
Agriculture and fisheries development (deduction in respect of activity)	15.8
Investment/Support (subscriptions to the equity of enterprises)	11.7
Economic Free Zone (ZFE) enterprises (deduction in respect of activity)	11.1
Total between 2008 and 2011	1,036.50

Source: ECOPA - World Bank - Costs/benefits of tax and financial incentives to investment, December 2012.

21. The draft new organic budget law provides for the obligation to join a list of all tax expenditures to the draft budget law, with the estimated impact on the government's foregone tax revenue. If this provision is maintained in the draft law, it could considerably improve the transparency of tax expenditures in Tunisia. A methodology should also be defined to calculate the cost of tax expenditures. For example, the mission estimates that the 2016 budgetary impact of VAT exemptions that qualify as tax expenditures amount to slight over TND 800 million, or close to 0.9 percent of GDP. The amount could vary considerably depending on the calculation methodologies⁸ used by the Tunisian authorities. Box 2 presents several examples applicable to Tunisia.

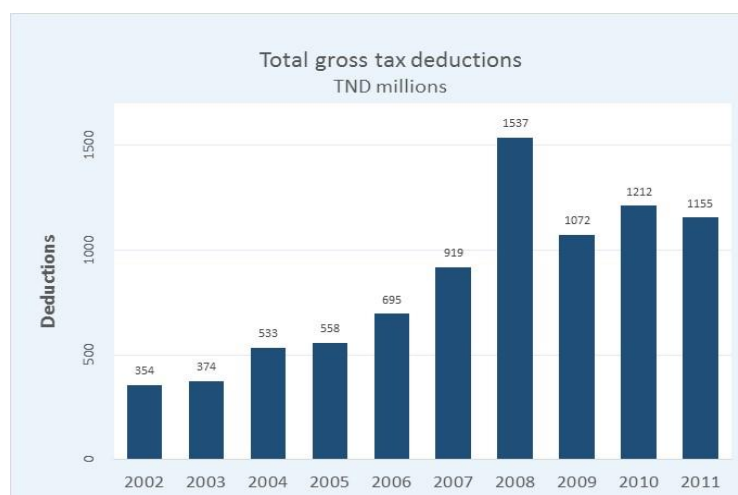
⁸ There are three commonly accepted methods for calculating the estimated budgetary impact of a tax expenditure: the "foregone revenue" method (ex-post determination of the loss of tax revenue due to the tax expenditure); the "revenue gain" method (estimation of the revenue gain that would result from eliminating a tax expenditure), and the "outlay equivalent" method (estimate of the direct expenditure that would be needed to provide a benefit to the taxpayer equivalent to the benefit established by the tax expenditure).

Box 2. Definition and Examples of Tax Expenditures

Each country has its own definition of tax expenditure, but there are two common characteristics. A tax expenditure should: (i) result in a loss of revenue; and (ii) represent an exception to the "normal" tax structure. The OECD defines a tax expenditure as a tax benefit or exemption from "normal" tax provisions that reduces the revenue collected by the general government and could be provided by other means, e.g., subsidies or other direct spending. Tax expenditures include exemptions (amounts excluded from the tax base), deductions (deductions from the income on which taxes are assessed), credits (deductions from the tax payable), reduced rates (reduced tax rate applied to certain categories of taxpayers or taxable transactions), or deferrals (tax relief in the form of an extension of time to pay the tax). In Tunisia, the following exemptions can also be considered tax expenditures: (i) the exemptions provided by Article 46 of the Individual and Corporate Income Tax Code meet the definition of a tax expenditure; and (ii) the preferential rate established for a certain category of companies by article 49 of the same code also meets the definition of a tax expenditure.

22. The impact of tax expenditures could be considerable. Figure 5 below presents the budgetary impact of tax deductions between 2002 and 2012 in Tunisia. In addition, the 2010 PEFA assessment estimated the "tax expenditures"⁹ excluding VAT exemptions, to represent around 6 percent of tax revenue.

Figure 5. Tunisia: Gross Tax Deductions
(TND millions)

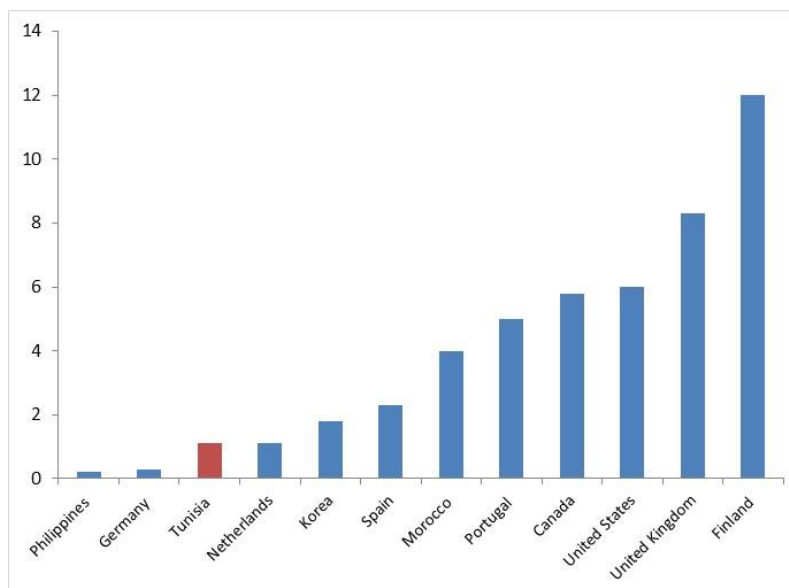


Source: Tunisian Economic Observatory, *Bilan des incitations aux investissements en Tunisie (Results of Incentives to Investment in Tunisia)*.

23. The mission estimate covers only a portion of tax expenditures. Given the wide range of activities and projects exempted, the impact could be quite significant. By way of illustration, Figure 6 below compares the cost of one exemption—the VAT exemption—as a percentage of GDP in selected countries.

⁹ This term includes all tax benefits, which are not necessarily tax expenditures within the definition provided by the OECD, for example.

Figure 6. Tax Expenditures — International Comparison
(As a percentage of GDP)



Source: Tax expenditures in OECD countries (2010), IMF reports of bilateral surveillance 2013 (Philippines and Morocco), fiscal transparency report (Finland) 2014.

Estimates for 2008 except as follows: Philippines (2013), Morocco (2013), Germany (2006), the Netherlands (2006), Korea (2006), and Canada (2004). Mission estimate for Tunisia.

C. Frequency and Timeliness of Fiscal Reporting

1.2.1. Frequency of in-year reporting (Advanced)

24. Tunisia produces and publishes a number of in-year reports at monthly or quarterly intervals. The DGRE produces a draft report on budget outturn within a delay of maximum of 45 days each month. Similarly, the DGDP produces and publishes a monthly public debt report within the same timeframe on the MoF website. The General Committee of Budget publishes a semiannual budget execution report detailing budget outturn and trends and the reasons for any discrepancy with respect to the budget. The scope of these three reports is limited to the budgetary central government. As regards to the government financial statements, the TGT produces and transmits to the DGRE a monthly statement of financial position (*situation des comptes publics*), which is provisional and is not published.

1.2.2. Timeliness of Annual Financial Statement (Not Met)

25. There are significant delays between the year-end closing and the publication of the annual financial statements in Tunisia. The annual financial statements, for which the MoF is responsible, are produced more than 12 and as much as 16 months after the end of year to which they relate. They take the form of a general statement consisting of: (i) a trial balance; (ii) detailed receipts by budget title, section, category, and article, indicating the forecast and actual collections amounts; (iii) detailed expenditures; (iv) a comparison of revenue and expenditure with budget forecasts; (v) detailed transactions in the special treasury funds; (vi) the net of the Treasury account; and (vii) the net position of government loans and other commitments.

26. The General Code for Public Accounting provides for delays to produce financial statements, however a long and not respected cut off period results in longer delays. As a matter of fact, financial accounts of each public accounting officers and the CGAF must be submitted to the Court of Auditors by July 31 and December 31, respectively, of the year to which they pertain.¹⁰ However, a complex and largely manual closing procedure combined with a lengthy cut off period, for which the deadline is widely disregarded,¹¹ leads to particularly lengthy delays in producing the annual financial statements: the most recent statements produced relate to fiscal year 2012 and were submitted to the Court of Auditors in April 2014.

D. Quality of Fiscal Reports

1.3.1. Classification (Good)

27. Fiscal statistics present revenue and expenditures according to administrative, functional, and economic classification and are published in the IMF reports. The monthly fiscal statistics are based on an economic classification of revenue and expenditures based on the *GFSM 1986*, while the annual publication transmitted to the IMF uses an economic classification of revenue and expenditures based on the *GFSM 2001*. The publication also includes a functional classification of expenditures based on the classification of government functions.

28. A programmatic classification of budget expenditures has come into practice. Twenty ministries selected for pilot implementation of performance budgeting now present several budget fascicles according to programmatic and economic classification. The economic classification system used for the budget does not conform to international standards, but the draft new organic budget law provides for its harmonization.

¹⁰ Article 209, first paragraph, of the Code mentioned above.

¹¹ The cut-off period runs to January 20 but in practice, transactions—including payment authorizations—are executed through the end of February.

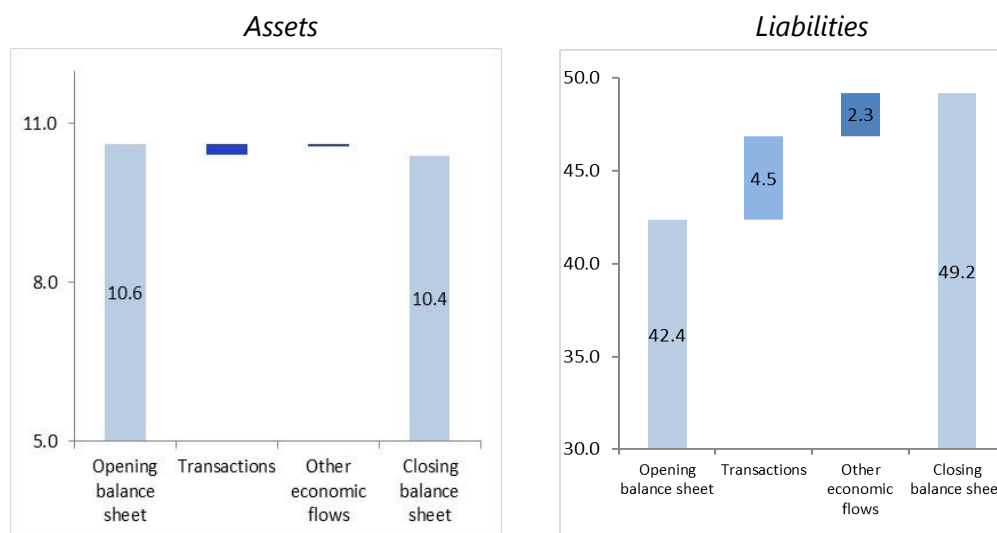
29. Budget and accounting classification systems are not harmonized across the general government or the public sector. For example, subnational governments use their own budget classification, which is similar to the one used by the central government. However, the DGRE developed a conversion table for the production of fiscal reports. The financial statements published by listed public corporations use commercial classification system, which is an economic classification system.

1.3.2. Internal Consistency (Basic)

30. The only reconciliation prepared and published annually in fiscal statistics reports is the reconciliation of the fiscal balance and financing. Since the statistics are published on a cash basis, the deficit is the same in both the budget execution reports and the statistical reports. Only one annual reconciliation shows how the deficit was financed during the year.

31. There are efforts to reconcile the financing with the debt stock variations but this is done internally and not completed yet. Figure 7 below shows the integration of stocks and flows for financial assets and liabilities provided in the 2014 budget. The integration is more significant for liabilities than for assets: the variation in the stock of liabilities represents an increase of 4.5 percent of GDP that comes from transactions and a 2.3 percent increase coming from other economic flows. However, since the information does not exist as such, it is difficult to determine whether the economic flows are effectively generated by revaluation operations or whether they include omissions. In addition, there is no comprehensive documentation available showing the reconciliation between the fiscal balance and financing.

Figure 7. Tunisia: Adjustment of Stocks and Flows Provided in the Government Budget, 2014
(As a percentage of GDP)



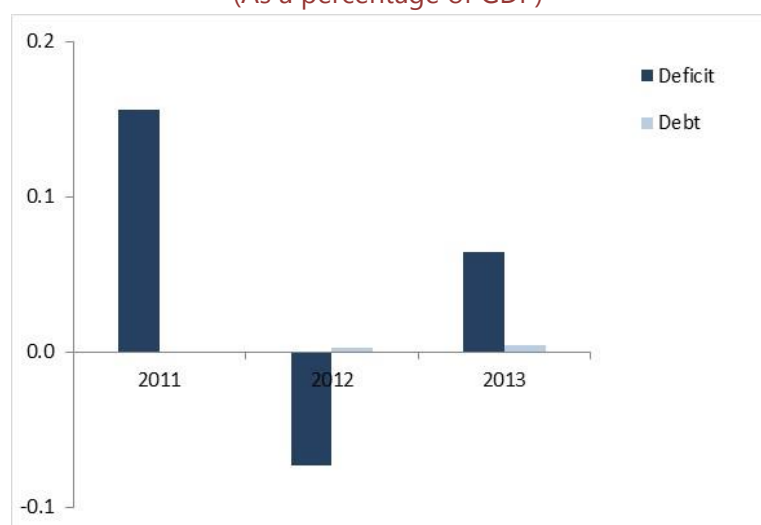
Source: MoF, fiscal reports, and mission estimates.

1.3.3. Historical Revisions (Basic)

32. An explanation is provided for each revision of fiscal statistics. The exercise is not systematic, however, since there is no formal obligation to make historical revisions. When the data are adjusted, particularly data relating to the fiscal balance, a new series is published, but no explanation is provided at the time the revised figures are published.

33. The rate of revisions is not significant. As shown in Figure 8 below presenting revisions of fiscal balance and debt data for years 2011, 2012, and 2013, revision of the fiscal balance generated an average change of 0.1 percent of GDP, while debt revision was of the order of less than 0.01 percent of GDP.

Figure 8. Tunisia: Volume of Historical Revisions
(As a percentage of GDP)



Source: MoF and mission estimates

E. Integrity of Fiscal Reporting

1.4.1. Statistical Integrity (Good)

34. Fiscal statistics are produced by the DGRE and published in accordance with the SDDS. The DGRE's responsibility in preparing and disseminating fiscal statistics are established by a decree defining the mission and organization of the MoF.¹² In the context of the SDDS, Tunisia provides a preliminary dissemination timetable identifying the dissemination dates for

¹² Decree no. 2005-492 of March 1, 2005, amending and supplementing Decree no. 91-556 of April 23, 1991, on the organization of the MoF, as amended and supplemented in turn by Decree no. 211-2856 of October 7, 2011, to expand the authorities and organizational structure of the DGRE.

the current month and the following three months. Tunisia also publishes on the BCT website the data according to the intervals and timeliness prescribed by the standards.

35. A National Statistics Council (CNS) was also created. The Council's functions include technical coordination of the activities from different institutions charge of producing statistics (the DGRE for fiscal statistics, the INS for national statistics, and the BCT for monetary statistics). The authority of the CNS is limited, however, and its role is purely advisory.¹³

1.4.2. External Audit (Basic)

36. The Court of Auditors, which is independent, is a public administrative entity (EPA). It reports to the Office of the Prime Minister, and its independence is guaranteed, first, by the statute governing its employees and irremovable magistrates, and, second, by its autonomy in determining its three-year work program.

37. The Court of Auditors does not certify the government's annual financial statements. Under the current provisions at force, the Court of Auditors reviews the year-end financial statements submitted by the public accounting officers (*comptes de gestion*), the CGE produced by the TGT, and the CGAF, which consolidates the financial statements of government payment officers. It is also responsible for controlling the EPAs, EPNAs, public corporations, and subnational governments. Finally, it is required to issue a statement of conformity (*déclaration de conformité*) confirming that the *comptes de gestion* are consistent with the CGAF that accompanies the Finance Discharge Billx (*loi de règlement*).

38. The statement of conformity by the Court of Auditors, which includes comments on the CGAF accompanying the Finance Discharge Bill, is produced long after of the end the budget year to which it pertains. Neither the current organic budget law nor the General Code for Public Accounting establish a deadline for the statement of conformity. The draft Finance Discharge Bill for 2012, which was forwarded to the Court of Auditors in April 2014, was reviewed and published in late December 2014. These delays, partly due to the late transmittal of the CGE and CGAF by the MoF, deprive the Parliament of information essential to the budget discussions for the upcoming year. To provide the Parliament with some information on the fiscal position, the Court provides comments on structural problems it has identified (for example, expenditures financed by Treasury advances but not reflected in the CGAF) in its annual activity report submitted to the President of the Republic.

¹³ The CNS functions include advice, coordination, cooperation, monitoring, and evaluation. It prepares a statistical activities development program through a cooperative process involving users and producers of statistical information.

39. There are no individual reports from the Court of Auditors for the EPAs, EPNAs, public corporations, or subnational governments. As part of its working program, the Court of Auditors conducts sectorial audits to measure the financial risks of each sector, and in that context it evaluates the risk for public corporations, EPNAs, and EPAs of the sector concerned.¹⁴ However, no opinions, certifications, or statements of conformity are available for these public entities.

40. The Court of Auditors and the Tunisian authorities are considering the certification of the government financial statements as soon as the authorities have implemented accrual accounting and produced the government financial statements under that system.

The draft new organic budget law provides the implementation of accrual accounting and the obligation for the Court of Auditors to produce certifications. Also, while the Court of Auditors has not officially adopted the standards of the International Organization of Supreme Audit Institutions (INTOSAI), it has developed an operational guide to adapt their work program and practices to align with the requirements of the standards. However, the guide does not address the financial audit standards that should be applied in certifying the accounts.

1.4.3. Comparability of fiscal information (Advanced)

41. Tunisia's fiscal forecast, budget, and fiscal reports present comparable data.

- *The semiannual budget execution report presents comparable data for budget outturn and forecasts.* The report was published for the first time in December 2014, and includes a comparison between forecast and actual revenue, expenditures, and financing;
- *A reconciliation between the budget execution and final accounts is prepared in the context of transmitting the CGAF to the Court of Auditors.* However, the reconciliation is not published; and
- *A reconciliation between the budget execution and statistical reports is published in the monthly bulletin on the provisional budget execution.* The reconciliation takes the form of a transition table between the budget classification system and the statistical presentation.

Table 7 below presents an example the forecast vs. actual revenue reconciliation for 2012, 2013, and 2014 with the respective budget execution rates.

¹⁴ An audit for the transportation sector was being conducted in 2015.

Table 7. Tunisia: Government Budget Execution, 2014
(TND millions)

TND millions	2014 Budget law	Cumulative end of June	Cumulative end of December	Execution rate
Own revenue	20,331	9,935	20,335	100.1%
Tax revenue	18,592	9,083	18,581	99.9%
Non-tax revenue	1,739	853	1,774	102.0%
Borrowing proceeds and Treasury receipts	7,444	1,070	6,936	93.2%
Total revenue	27,775	11,005	27,291	98.3%
Current expenditures	17,530	7,663	17,256	98.4%
Capital expenditures	5,320	1,050	4,801	90.2%
Loans	250	33	379	151.7%
Debt service	4,675	2,259	4,856	103.9%
Total expenditures	27,775	11,005	27,291	98.3%
Fiscal deficit (excluding grants and confiscations) = Own revenue less total expenditures	-4,842	421	-4,054	83.7%

Source: *Semiannual report on budget execution*, MoF.

F. Conclusions and Recommendations

42. Tunisia's fiscal reporting practices in relation to the IMF Fiscal Transparency Code are mixed. A number of practices are basic or good. Tunisia is characterized by the fact that the information exists but it is fragmented among multiple departments. Moreover, the available analyses are often produced for internal purposes. Many indicators can be improved in the short term without disrupting procedures. For example, preparing fiscal statistics for the extrabudgetary entities subsector could qualify Tunisia's coverage of institutions as good, subject to the availability of fiscal information for EPNAs and special funds. Similarly, publication of the reconciliation between change in debt and financing, which is currently produced by the DGDP but not made public, would improve Tunisia's practices relating to internal consistency of data from basic to good.

43. However, significant gaps between international good practice and current Tunisian practices remain, and call for fundamental reforms in many areas. For example, the implementation of accrual accounting provided for in the draft new organic budget law is a long-winded reform, which will impact the position of public accounting officers and the accounting procedures. But it will also have a positive impact for the valorization of the government assets and liabilities, as well as for the application of *GFSM 2014*. A tighter closing procedure, which often follows such a reform, will also significantly reduce the timing required to prepare and publish fiscal reports. Finally, pursuing further the definition and identification of

all tax expenditures will considerably improve the transparency of the government budget and, with time, the efficiency of those tax initiatives.

44. Based on the present evaluation, summarized in Table 8 below, the priorities primarily concern the following areas:

- i. improving the coverage of the public sector's transactions and stocks;
- ii. reducing the delays of publication of the final financial accounts; and
- iii. improving transparency as regards to tax expenditures.

1. Improve the coverage of public sector's transactions and stocks

45. Observation: The fiscal statistics for general government do not cover extrabudgetary entities. Moreover, the statistics do not cover the entire public sector. Accordingly, a significant portion of transactions flow in Tunisia are currently not reported. Also, the cash-basis accounting system does not allow for the recording of the government assets and liabilities, which have a substantial impact on GDP.

46. Recommendation 1.1: Gradually begin preparing consolidated reports on the public sector fiscal position.

- *First, prepare a financial balance sheet, for which information is available.*
- *Second, improve fiscal statistics by implementing GFSM 2014.*
- *Finally, continue and finalize the implementation of accrual accounting to prepare comprehensive financial statements.*

2. Reduce the publication timing for the final financial accounts

47. Observation: Producing the CGE and the CGAF takes unusually long, and as a result information on budget execution is not available when needed and the Parliament is not provided with the final annual budget execution report in time to support its discussions at the time of adoption of the following year's budget.

48. Recommendation 1.2: Reduce closing periods to comply with the legal cut-off period; improve closing procedures through automation, particularly the bank reconciliation process; and amend regulations to provide for a timetable for producing the and transmitting them to the Court of Auditors.

3. Improve reporting of tax expenditures

49. Observation: Despite the large number of tax incentives, there is no definition nor publication of tax expenditures. The mission estimates lead to the conclusion that the foregone revenue due to these tax incentives could be particularly significant.

50. Recommendation 1.3: Publish a list of tax expenditures and the impact in terms of foregone revenue as an annex to the draft budget law. To this end, a precise definition of tax expenditures should be provided by law, tax expenditures meeting the definition should be individually identified; and a methodology should be developed to determine their value. This practice is provided in the draft new organic budget law (Article 44).

Table 8. Tunisia: Summary Assessment — Pillar I (Fiscal Reporting)

	Principle	Evaluation	Importance	Priority
1.1.1	Coverage of institutions	Not Met: Fiscal statistics are produced for all subsectors of the general government with the exception of the "extrabudgetary entities" as there are no fiscal report presenting consolidated information for EPAs, EPNAs, and special funds.	High: Exhaustive coverage of public sector financial statements would afford a better understanding of fiscal risks. For illustrative purposes, the revenue of public financial and nonfinancial corporations represents 35.6 percent of GDP, and subsidies to EPAs and EPNAs in 2013 represented TND 1.8 billion, or 2.4 percent of GDP.	1.1
1.1.2	Coverage of stocks	Not Met: Statistical reports include flows for the period. The financial statements are produced on a cash basis, which does not allow for providing the amount of central government cash and cash equivalents. Only the monthly report on public debt provides information on the stock of debt.	High: Unreported liabilities for the entire public sector represent 131 percent of GDP.	1.1
1.1.3	Coverage of flows	Basic: The financial statements are prepared on a cash basis and include revenue, expenditures, and financing operations for the entire central government and the general government subsectors, with the exception of extrabudgetary entities (e.g., EPA, EPNA).	High: The amount of unreported flows for the public sector represents 40 percent of GDP in expenditures.	1.1
1.1.4	Coverage of tax expenditures	Not Met: The estimated foregone revenue attributable to tax expenditures is not prepared and published. Despite the multitude of tax incentives provided, the concept of tax expenditure is not yet developed.	High: The total gross tax deduction in 2012 is particularly large: TND 1.2 billion, or 1.6 percent of GDP. The amount could be substantial if the authorities undertake a comprehensive inventory of these expenditures and validate the amounts concerned.	1.3
1.2.1	Frequency of in-year reporting	Advanced: Since 2014, the budget execution reports have been published monthly within a maximum of 45 days. Similarly, financial position of all accounting officers is published monthly within 15 days.	Low: In-year fiscal reports are produced on a monthly basis. There is room for improvement with respect to reports on provisional budget outturn and reports on public debt, for which publication may lag as much as 45 days.	
1.2.2	Timeliness of annual financial statements	Not Met: The most recent financial statements forwarded to the Court of Auditors were published more than 12 months after the year-end closing. The Finance Discharge Bill (<i>loi de règlement</i>) is published within two years after end of the year to which it pertains.	High: It may take as long as 16 months to produce the final government financial accounts, which deprives the Parliament of the information on actual budget execution and financial results needed at the time the budget is adopted.	1.2
1.3.1	Classification	Good: Fiscal statistics are presented according to administrative, economic, and functional classification and are included in the IMF publications (<i>Global Financial Statistics Yearbook</i>).	Medium: The budget nomenclature does not conform to statistical nomenclature (administrative and economic nomenclature for the 2016 proposed and programmatic budgets of 20 ministries).	
1.3.2	Internal consistency	Basic: A reconciliation between the fiscal balance and financing is presented monthly in the report on provisional budget execution outturn.	Medium: The reconciliation between the change in stock of debt and financing shows 2.4 percent of GDP in 2014 like other economic flows.	
1.3.3	Historical revisions	Basic: Revisions to historical financial statistics (primarily debt) are transmitted with no explanation of the individual changes.	Low: Historical revisions represented 0.1 percent of GDP for the fiscal deficit and 0.1 percent of GDP for public debt in 2013.	
1.4.1	Statistical integrity	Good: Fiscal statistics are prepared by the DGRE and disseminated according to international standards (SDDS).	Low: fiscal statistics are prepared by the DGRE in accordance with applicable regulations.	
1.4.2	External audit	Basic: The Court of Auditors is an independent institution and produces an annual statement of conformity between the CGAF (maintained on a cash basis) and the CGE (maintained on an accrual basis) with respect to the comprehensiveness, accuracy, and consistency of data. An annual report is presented to the Parliament. Observations are provided on structural issues in preparing the accounts.	Medium: The Court of Auditors may take up to 24 months to prepare its statement on the CGAF accompanying the budget review law, since the CGE and the CGAF are not available on a timely basis.	
1.4.3	Comparability of fiscal data	Advanced: the results of budget execution are reconciled annually with fiscal statistics and the final accounts. An explanation of any differences between the final accounts and the budget execution results is provided to the Court of Auditors.	Low: The semiannual budget execution report provides execution forecasts and results and reconciliation tables with the statistical reports.	

II. FISCAL FORECASTING AND BUDGETING

A. Introduction

51. This section evaluates Tunisian practices in the area of fiscal and budget forecasts in regard to the IMF Fiscal Transparency Code. The analysis and discussions addressed for dimensions:

- i. The comprehensiveness of the budget law and associated documentation;
- ii. The clarity and timetable of the budget process;
- iii. Fiscal policy objectives; and
- iv. The credibility of fiscal forecasts.

52. The budgets and the macroeconomic forecasts supporting these dimensions should clearly present the administration's fiscal objectives and policies and present comprehensive, timely, credible projections of the evolution of public finances. To this end:

- Macroeconomic forecasts and budgets should provide a comprehensive overview of fiscal prospects;
- The powers and responsibilities of the executive and legislative branches of government in the budget process should be defined by law, and the budget law should be presented, debated, and approved in a timely manner;
- Fiscal forecasts and budgets should be presented in a way that facilitates policy analysis and accountability; and
- Economic and fiscal forecasts and budgets should be credible.

53. In Tunisia, the budget scope, the timetable for budget preparation, and the budget process are set forth in the Constitution and the organic budget law. A summary of the principal budget documentation and macro-fiscal forecasts is presented in Table 9 below. Significant improvements have been undertaken for the legal framework and budget reporting with the preparation of a draft new organic budget law.

Table 9. Tunisia: Macroeconomic Forecasts and Budget Documents

Document	Description	Timeframe
Economic Budget	This document, prepared by the Ministry of Development, Investment, and International Cooperation (MCDI), links the multiyear objectives of the National Development Plan with the annual budget and establishes the economic assumptions on which the budget is based, such as GDP growth, investment, and inflation, unemployment, etc., although no alternative scenario or sensitivity analysis is presented. It also reconsiders the economic results of the previous year and provides an economic and financial overview of the draft budget law. The significant budget aggregates are briefly presented, as well as a sector analysis of the government's social and economic policies	September
Report on the Government Budget	This report is prepared by the DGRE and provides details of the key macroeconomic developments and fiscal results, in comparison with the two previous years, for revenue (evolution of tax and nontax revenue, borrowing proceeds, exceptional revenue) and expenditures (current, investment, debt repayment, etc.). The information contained in the report are highly relevant and useful.	October
Introductory Statement Accompanying the Budget Law	The introductory statement is presented by the MoF with the draft budget law and is revised to include the changes adopted by Parliament (ARP). It describes the fiscal decisions as regards to national priorities such as improved competitiveness, increased employment and investment, the government's social policies, addressing tax evasion, and improving tax administration operations. The 2015 version is published on the MoF website.	October
Explanatory Notes to the Budget Law	Each ministry submits notes to explain the details of expenditures under several classifications. They detail developments in the ministry budget, staffing, progress on infrastructure projects, etc.	
Supplemental Notes on the Budget Law	These notes provide additional information on performance budgeting in the 20 pilot ministries.	November
Budget Law	The annual budget documentation and annexes are comprehensive documents detailing revenue and expenditures for the fiscal year. The budget law is freely accessible.	October
Medium-Term Budget Framework	The MTBF presents the major budget aggregates for three years according to the macroeconomic assumptions of the economic budget. It is updated once each year in the context of preparing the budget law.	No established schedule ¹
Citizens' Budget	This document was first published in in 2013/2014 in paper format, and is available on the MoF website. It provides the Tunisian citizens with the general table on expenditures and revenue for the coming year and the key assumptions on which the budget for a given fiscal year is based.	January/February
Supplementary Budget (LFC)	Supplementary budget amends the budget during the course of the year. It is presented in the same format as the budget law.	Variable

1/ The most recent MTBF was produced in 2012.

B. Comprehensive Overview of Fiscal Prospects

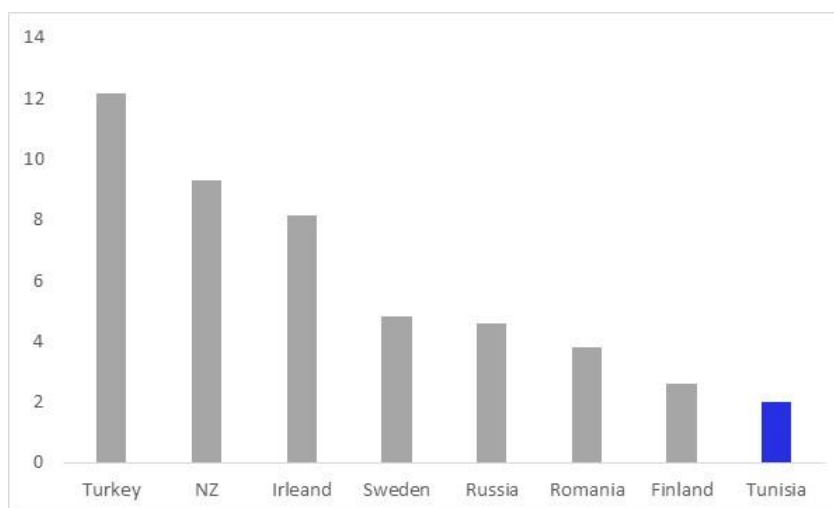
2.1.1. Budget Unity (Good)

54. The budget documentation provides information on revenue, expenditures, and financing operations of all central government entities on a gross basis, with the exception of some special funds and EPNA own resources. The annual budget law covers primarily revenue and expenditures of the 25 ministries and constitutional institutions included in the "general budget." Six accompanying tables (A through F) are an integral part of the budget law and provide details on budget figures (see Table 10). Total expenditures of central government budget represent about 76 percent of the general government expenditures. However, two particular components are still excluded from the budget laws: EPNAs' own resources, and transfers to some special funds (see Figure 9). All appropriations are binding except appropriations for debt service, special funds budget as well as EPA and EPNA budgets, which are nonetheless required to be balanced (see Table 11).

Table 10. Tunisia: Budget Annexes

Tables annexed to budget law	Description
Tables A, C, D, and E	General budget revenue and expenditure, including in the form of program appropriations and commitment appropriations for investment (or "development") expenditures.
Table B	Revenue and expenditures of the 32 special Treasury funds and 39 EPAs.
Table F	Own resources of the 32 special Treasury funds and 39 EPAs.

Figure 9. Revenue not Included in the Budget
(As a percentage of total revenue)



Source: Authorities and mission estimates.

Table 11. Tunisia: Budgetary and Extrabudgetary Entities

	Number of entities	Total expenditures (2015)	Own resources	Budgetary status	Budget-related documents
Ministries	25	TND 27.945 billion	No	Component of the general budget	Explanatory notes (fascicles) PAPs published at the same time as the budget law
Special fund	22	Unknown	Yes	Uncertain	These funds appear nowhere in the budget documentation
Special Treasury fund	36	TND 955 million	Yes, own resources allocated, in total	Component of the general budget	Budget proposal, Table B
EPA	2,500	TND 928 million	Yes, in the amount of TND 417 million	Subsidized by the general budget	Budget proposal, Table F
EPNA	99	Not available	Yes, but unknown		EPNAs do not appear in the budget documents
Social security funds	3	Not available	Yes, payroll contributions finance nearly the full amount of benefits	Social Security Funds budgets are not approved in the context of the budget law (LF) (except the government transfer)	Social security funds do not appear in the budget documentation
Local governments	264 communes 24 regions (governorates)	Not available	Yes, covering a small proportion of their expenditures	The budgets of local governments are approved by their own councils. Only the government appropriations are presented in the budget.	Local governments are not addressed in the government budget documents

55. Moreover, an important document regarding spending by line ministries is provided to Parliament and made public. For each line ministry and constitutional agencies, a budget booklet provides full details¹⁵ of their respective general appropriations and special funds, classified by economic categories, administrative units and programs.¹⁶ A statement on situation of public staff is also included. In addition, the development of objectives-based management has led to the publication of PAP, in addition to the draft budget. This important

¹⁵ For example, the booklet for 'Agriculture' in 2015 comprises 378 pages, mostly tables of numbers.

¹⁶ For 20 pilot ministries.

documentation on budgets of line ministries and agencies is available on CD and accessible via the Internet. In total, the budget documents each year consist of several thousands of pages.

56. In addition to budgetary operations, the budget law provides for and authorizes a portion of financing transactions under the following conditions:

- Net total debt variation and amount of new borrowings are approved in the budget law; however, the details of domestic and external borrowings are not provided, and the budget law does not include detailed table on financing;
- Ceilings for new loans and new guarantees are also approved in the budget law; however, no data is provided as regards to the loans and guarantees stock nor on the debt repayment forecast or the calls on guarantees;
- Finally, the budget law is silent on treasury advances, which are liquidity facilities provided by the MoF to public entities such as the CNRPS at terms ranging from several days to several months and (theoretically) repayable at year-end.

57. The budget law includes most of the external financing from donors: (i) general and sector budget support and project assistance in the form of grants are reported under category "grants"; and (ii) project assistance in the form of loans are included in general budget financing or special funds.

58. The budget documents include no information on the budgets of the social security funds and subnational governments (see Box 3), or on tax expenditures. Tax expenditures represent close to 6 percent of total expenditures¹⁷ distributed over some hundred tax loopholes, not including VAT exemptions. Valuations are estimated by the monitoring units responsible but the annex to the budget law (Annex A, Revenue), which provides details on all tax revenue, is silent on cost of tax expenditures cost.

Box 3. Social Security Fund and Subnational Governments' Budgets

Social security fund. Social security finances are handled by three financially autonomous funds administering pensions and survivor benefits, family benefits, and medical benefits: the CNRPS, the National Health Insurance fund (CNAM), and the Private Sector Social Security and Pension System (CNSS). The funds are financed primarily by direct (employer and employee) contributions assessed on salaries, the total amount of which represents 8.1 percent of GDP. The funds' financial balance has started to deteriorate in recent years for demographic and economic reasons, prompting the government to make various contributions: (i) short-term advances, which do not appear in the budget law (TND 100 million in 2015); (ii) coverage of employers' contributions for certain financially distressed public corporations; and (iii) subsidies to cover the three systems' deficit (general system; members of government and the Parliament; and military personnel). The latter two contributions are duly budgeted under the Ministry of Social Affairs.

¹⁷ Source: 2010 PEFA.

Box 3. Social Security Fund and Subnational Governments' Budgets (concluded)

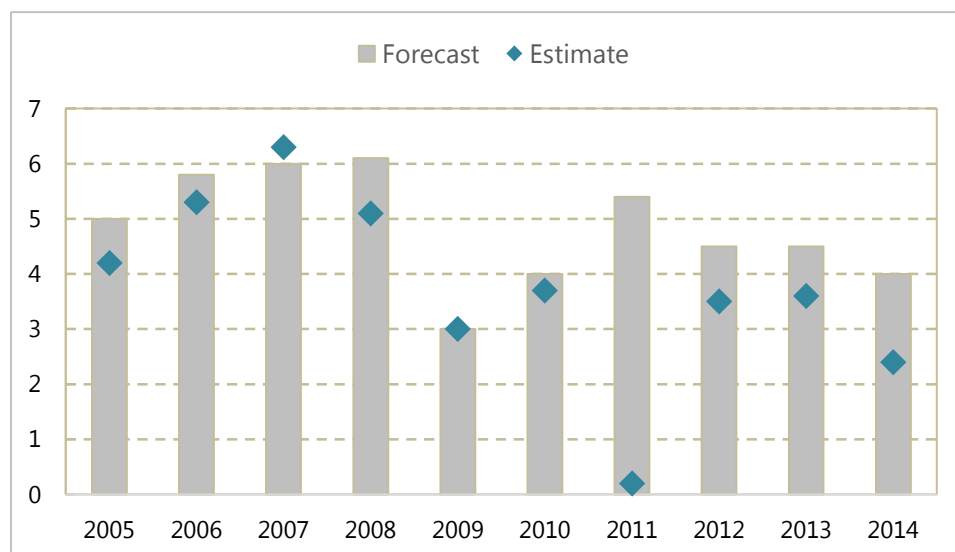
Subnational governments' budgets. The local budgets (264 municipalities and 24 regions) represent 4.3 percent of public expenditure in 2013. The majority of their resources come from government appropriations, in addition to their own tax and non-tax resources. Horizontal revenue-equalization mechanisms have been implemented. Only the government appropriations, calculated according to regularly updated criteria and formula, are included in the government budget in the Subnational Governments Common Fund (FCCL) and are managed by the Ministry of the Interior. The equalization funds are not included in the budget laws, and no information on local finances is attached to the draft budget law or the accompanying report.

2.1.2. Macroeconomic Forecasts (Good)

59. The macroeconomic forecasts present the principal macro-fiscal variables and the underlying assumptions. In July of each year, the government prepares a preliminary economic budget, which presents the main objectives in terms of fiscal, monetary, and financial policy, regional and sector development policy, and social policy. The economic budget, prepared by the MDCI, presents the macroeconomic framework that forms the basis for preparation of the government budget. Following initial discussions between the ministerial directorates involved in preparation of the economic budget, a final version is presented to the MoF in September. The macroeconomic assumptions presented in the final version of the economic budget, in particular the GDP growth rate, the price of crude oil, and the USD-TND exchange rate, are some of the principal variables used in forecasting key fiscal aggregates such as expenditures, revenue, and financing. The same applies in preparation of the draft budget law to be submitted for approval by the Parliament.

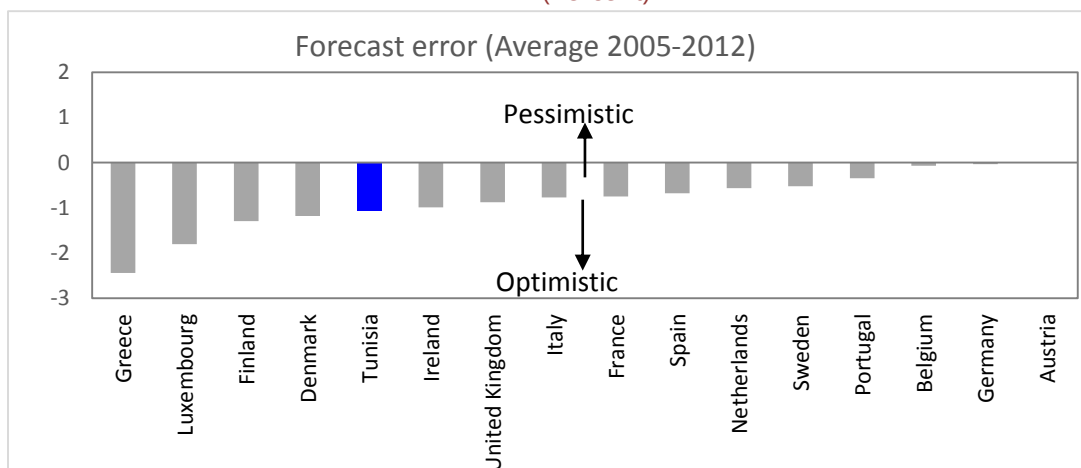
60. Forecasting errors concerning the real GDP growth rate have been relatively minor. Based on information provided by the authorities, forecast errors averaged 1.1 percentage points (Figure 10 and Figure 11). In other words, growth forecasts were overestimated by 1.1 points, representing an optimistic forecast bias of 22 percent of the real GDP growth rate relative to the growth rate initially provided. Over the pre-revolution period (2005–10), forecast errors were only 0.4 percentage points on average, or an optimistic bias of 7.3 percent. Year 2011, a year marked by the revolution, political instability, had their severe adverse effects on economic activity, with an optimistic forecast bias of 96.3 percent. Despite a gradual return to a relatively low level of error (21 percent over the period 2012–13), 2014 saw a deterioration of the security situation that affected economic activity. This resulted in a deterioration of the forecasting quality, with an overly optimistic forecast error of 40 percent.

Figure 10. Tunisia: Forecasting Errors for Real GDP Growth, 2005–14
(As a percentage of GDP)



Source: Tunisian authorities.

Figure 11. Tunisia: Errors in Forecasting Average Growth Rate
(Percent)



Source: Authorities and mission estimates.

61. In the context of fiscal reforms, the authorities launched the development of a macro-econometric forecasting model, with support from the European Union, to improve their fiscal projections. The model under development at the MoF was approved in 2015 and is currently in the test phase. It is essentially based on the interaction between different macroeconomic variables (GDP, price of oil, and dollar-dinar exchange rate), and other exogenous variables (international trade, consumption, and the civil service wage bill) to predict the principal fiscal aggregates, such as the revenue and public expenditures provided in the government budget. With assistance from the European Union and the cooperation of the

MDCI's Directorate General of Forecasting (DGI), a further project is being developed to formulate a quarterly macro-fiscal model.

2.1.3. Medium-Term Budget Framework (Basic)

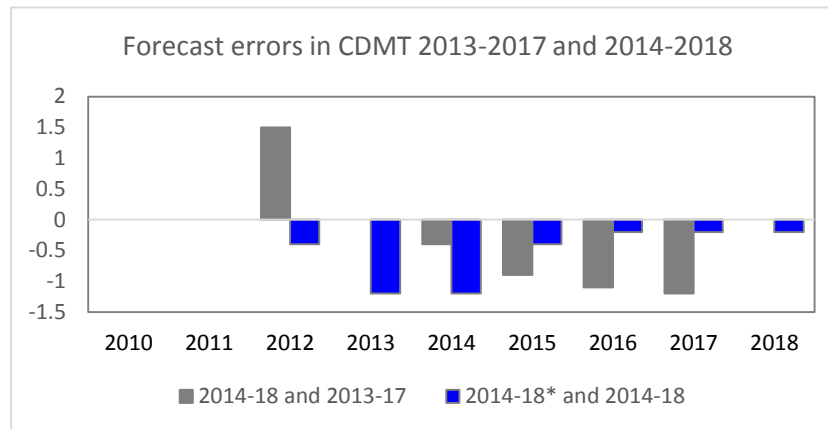
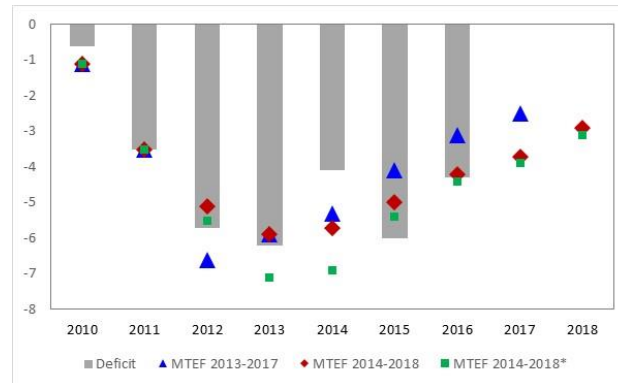
62. MTBFs—called comprehensive MTEFs (*CDMT globaux*)—exist but are neither systematically updated each year nor published. The Tunisian government developed multiyear budgeting tools several years ago. The first global MTEFs appeared in 2009. They are calculated based on the DGP macroeconomic forecasts but prepared by the DGRE, and present three-year projections of total revenue and expenditures (by major economic category), fiscal balance, and debt. The reliability of these overall forecasts is uncertain. For example, deficit targets have had to be increased between the two most recent MTEFs (see Figure 9), yet no explanation of the differences is available. Also, several sectorial MTEFs were developed in several pilot ministries in the context of performance budgeting. However, the multiyear frameworks are not produced on a regular basis and are poorly structured. The comprehensive MTEF was not updated in 2010, 2011, or, more recently, in 2015 for preparation of the 2016 draft budget law.¹⁸ None of the sector MTEFs undergo regular annual updates.

63. The linkage between the comprehensive MTEF and the sectorial MTBFs can be improved. The global MTEF does not provide details by ministry. The few sectorial MTEFs were prepared individually by certain ministries, but without using a common methodology. The budget classification developed for performance budgeting, in missions and programs, is not the same as the MTEF classification, which is based on administrative perimeters and structures. The perimeters, horizons, classification, and quantification methods of the different programming exercises and sector plans are not harmonized, which makes it difficult to integrate them. Resuming the planification process¹⁹ will no doubt add another layer to this already complex and dispersed arrangement. The global MTEF also suffers from transparency and visibility problems. For example, the treatment of special Treasury funds, for which expenditures are not broken out by economic type in the budget law, is also not explained in the MTEF.

¹⁸ The MTEF relating to the 2016 draft budget law was still in preparation during the mission's visit, although discussion of the 2016 budget was already well under way at the Parliament.

¹⁹ The preparation of a 2016–20 strategic plan is under way.

Figure 12. Tunisia: Gap between the 2013–17 MTEF, the 2014–18 MTEF, and Execution
(In terms of deficit)



Source: MTEF provided by DGRE and mission restatement. The 2015 deficit is provisional; the 2016 deficit is a projection.

* Deficit excluding confiscation receipts.

64. The comprehensive MTEF is also internal to the administration: it is not systematically approved by the Council of Ministers and not presented to the Parliament as such. Under those circumstances, it is not effectively used in budget decision-making. Each year, the overall budget framework is determined pragmatically, considering current circumstances and without reference to a pre-established sustainability perspective.²⁰ Moreover, the macro-fiscal framework is not finalized until the end of the preparation process, once the decisions on fiscal and tax trade-offs have been made. The inter-sectorial priorities for expenditure are decided with the same pragmatism. In particular, several sectorial MTEFs were prepared independently from the comprehensive MTEF and therefore with no resource constraints. Also, the multiyear budget programming tools are simple technical tools, developed apart from the budget process, and often finalized after the budget has been determined.

²⁰ We should note, however, that the guidance note for preparation of the 2016–20 strategic plan provides for the current deficit to narrow from 8.5 percent of GDP in 2015 to 6.8 percent of GDP in 2020.

Accordingly, they do not effectively serve to guide the overall fiscal policy, the establishment of inter-sectoral priorities, or the ministerial budgetary decisions.

2.1.4. Investment projects (Basic)

65. The major projects are contracted pursuant to open tender, but a clear, consolidated overview of public investment projects does not yet exist and no cost-benefit analysis of major projects are made public.

- *The budget documentation does not provide summary information on the total value of major multiyear projects obligations. The inventory of investments is inadequate. There are many lists of projects and databases in the technical ministries or at the MDCI, but there is no reliable, up-to-date reference document identifying each major investment project and its implementation status.*
- *Investment expenditures are also difficult to track in the presentation of the budget itself. Despite a structure based on the distinctions between Recurrent (Title I: "Management Expenditures") and Investment (Title II: "Development Expenditures" excluding principal repayments on the debt) and defined in the 2004 organic budget law, the investment effort is divided fragmented. It is distributed between: (i) direct investment; (ii) public financing (capital appropriations provided to the EPNAs and public corporations); and (iii) development expenditures funded by external resources (international donors).*
- *In addition, the special Treasury funds may finance current or investment expenditures, but the share of investment expenditures is not presented in the reports attached to the budget (they are mentioned only in the introductory report).*

C. Organization of the Budget Process

2.2.1. Fiscal Legislation (Advanced)

66. The legal framework (the Constitution and the organic budget law) provides for adoption calendar, the content of the budget and the Parliament's amendments rights.

- The 2014 Constitution, like the previous Constitution, does address slightly fiscal issues. However, like the former Constitution, it provides for an organic budget law (Article 65), a limitation on the Parliament's powers to amend the budget (Article 66), and procedures for implementing the budget by decree if the Parliament does not approve it on time. The 2014 text also clarifies the budget calendar (Article 66) and introduces the principle of the subnational governments' financial autonomy (Articles 131 et seq.).

- The current organic budget law reflects the administrative and legal tradition of Francophone countries. Amended in 2004²¹ to introduce program budgeting, it includes traditional provisions on the different categories of budget laws and procedures for preparing and adopting them. In regard to provisions specifically addressing fiscal transparency, the 2004 organic budget law prescribes the budget composition, content, and documentation as well as the calendar for its adoption by the Parliament.

67. A new organic budget law, which was recently submitted to the Parliament, introduces some major innovations. While retaining the principal characteristics of the current organic law, it introduces major innovations in terms of fiscal management, in particular multiyear budgeting and accrual accounting. Also, the new organic law further develops performance budgeting, which was introduced in 2004. As regards to fiscal transparency, the new framework law provides several significant improvements, particularly as to the following points:

- Principles of accuracy and transparency;
- Budget policy debate in July of each year;
- Budgeting and monitoring of resource uses in budget laws;
- Accrual and management accounting systems;
- Sectorial MTBFs and MTEFs;
- Monitoring of borrowing and financial operations;
- Mid-year budget execution report;
- PAPs with budget laws and Annual Program Reports (RAP) with Finance Discharge bills;
- Financial position of public corporations, including transfers from the government;
- Estimates and monitoring of tax expenditures;
- Regional distribution of investment; and
- Expansion of the Parliament's right to receive information.

68. Other texts, in particular a General Code of Public Accounting, address issues of fiscal management. The General Code of Public Accounting, adopted as a law²² in 1973, governs the management of public expenditures and revenue, related control and accounting procedures, as well as liquidity management. It will be adapted to the new organic budget law at the appropriate time. Other texts that increase transparency include decree of May 26, 2011²³ on the transparency of public data and which promotes "open data" by requiring the public

²¹ The original framework budget law dates from 1967.

²² Law no. 73-81 of December 31, 1973.

²³ See, e.g., Article 5 of the law.

disclosure of all data and documents held by the administration, and creates broad rights for all citizens to receive public information, including information about public finances.

2.2.2. Budget Calendar (Good)

69. The principal phases of the budget calendar are established by law. The current organic budget law provides that budget preparation must begin prior to the end of May. The Constitution establishes October 15 as the deadline for submission of the draft budget law to the Parliament, which must be adopted prior to December 10 (see Table 12 for a comparison of Tunisia's budget calendar with those of other countries in the region). While the earlier date for submission of the draft budget law (October 15 instead of October 25) represents progress, the time allowed for discussion by the Parliament was reduced from 65 days to 55 days by the new Constitution. Furthermore, the governmental preparation calendar—which appears short given that May start date is usually missed—seems too tight to incorporate the innovations introduced by the new organic budget law, in particular the fiscal framework, the organization of the budget policy debate, and the additional requirements for the budget documentation.

Table 12. Comparative Budget Timetables

	Budget strategy discussions	Submission of budget proposal to Parliament	Adoption	Legal authority
Algeria	<i>None</i>	October 1	December 31	LLF 1984
France	July 15	Second Tuesday of October	December 31	LOLF 2001
Morocco	July 31	October 20	December 31	LOLF 2014
Mauritania	June 30	First Monday of November	December 31	New LOLF
Tunisia	July 31	October 15	December 10	Article 66 of the Constitution

D. Fiscal Policy Orientation

2.3.1. Fiscal Policy Objectives (Not Met)

70. No numerical fiscal policy objective for the medium term is explicitly or formally established. Each year, the introductory report to the budget law provides large qualitative information on the fiscal policy and priorities and presents the key fiscal aggregates for the coming year. The short-term objectives may be modified on a discretionary basis each year according to the current environment and decisions of the administration in office. Naturally, the Tunisian authorities hold internal discussions on medium-term objectives for the fiscal policy, which they share at times with their partners, particularly the IMF. Yet no rule for fiscal balance or fiscal sustainability are explicitly established in either the applicable legal texts or the programs

of successive administrations.²⁴ The same is true as regards to inter-sectorial budgetary priorities, which are discussed in general and qualitative terms in the budget documentation without the precise figures.

2.3.2. Performance Information (Good)

71. Budget documentation provides a wealth of information on budget outturn. With performance budgeting, detailed information on performance is compiled in the PAPs: for each program, various output indicators are presented with target values for the two coming years, but no objectives are defined. Activities are sometimes described, and some costs are evaluated. However, the data on impact or outcomes is very limited. The PAPs currently involve 20 of 25 ministries. The last five regalian ministries to move to performance budgeting are expected to produce their PAPs in the near future, and certainly for the 2017 draft budget law. Annual performance reports are not yet attached to the Finance Discharge Bills. The sectorial annual budget documentation is seldom linked to the ministerial strategies or planning. The sectorial MTEFs, when they exist, are not mentioned, much less included in the ministry budget fascicles or PAPs. Finally, linking the public policies with the budget resources has much room for improvement.

2.3.3. Public participation (Basic)

72. The MoF publishes a small booklet (the citizens' budget) presenting the major components of the draft annual budget to the Tunisian public. The booklet, published for the first time in conjunction with the 2014 budget law, includes summary figures accompanied by graphs, charts, and brief explanations. The booklet is distributed and made available to the public through agencies that interface with the public, the press, and NGOs. The MoF arranges a press conference when the draft budget is submitted to the Parliament. The national press provides broad coverage of the budget proposal and legislative debates preceding its adoption, including the individual budgets of each ministry. A number of NGOs as well as universities comment publicly on the budget proposals.

E. Credibility of Budget Forecasts

2.4.1. Independent Evaluation (Not Met)

73. There is no formal provision for an independent evaluation of the draft budget law. The Tunisian budgetary institutions do not include an independent evaluation mechanism (see Table 13 below). The Court of Auditors has no jurisdiction over and as such does not issue opinion on the draft budget. The BCT has expertise in analyzing macroeconomic and financial assumptions, but it does not prepare or publish any commentary on the draft

²⁴ The recent guidance note for the preparation of the 2016–20 strategic plan sets the fiscal deficit target for 2020 at 0.5 percent of GDP (during the December 2015 mission).

budget laws. The Parliament has no specific budget department although the parliamentarians are assisted by officials assigned to finance committees. Bank and university economists tend not to address these issues.

Table 13. Examples of Fiscal Councils

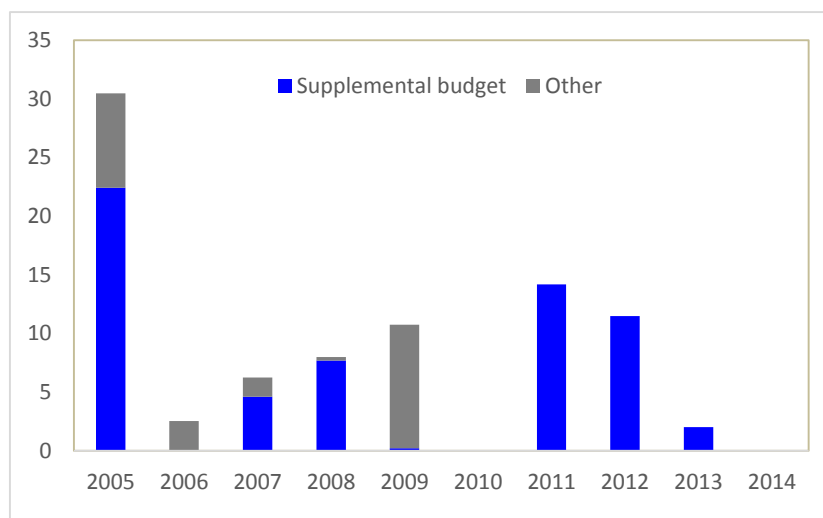
	Name of authority	Status	Date created	Functions ^{1/}
France	High Council of Public Finance	Independent authority reporting to the Court of Auditors	2012	Opinion on macroeconomic forecasts and compliance with European commitments (Maastricht).
Italy	Parliamentary budget office	Independent authority reporting to the Parliament	2014	Opinion on macroeconomic forecasts and compliance with European commitments (Maastricht).
Serbia	Fiscal Council	Independent authority	2011	Opinion on macroeconomic forecasts, compliance with budget rules and public policies.
Slovenia	Fiscal Council	Independent authority	2009	Prepares macroeconomic forecasts.
South Africa	Parliamentary budget office	Independence authority reporting to the Parliament	2014	Opinion and studies on any budgetary or fiscal subject.
United Kingdom	Office for Fiscal Responsibility	Independent authority reporting to the Treasury	2010	Prepares macroeconomic forecasts and analyzes the achievement of objectives, budget sustainability and risks, and the cost of public policies.

1/ See IMF study on the functions and impact of fiscal councils (July 2013).

2.4.2. Supplementary Budgets (Advanced)

74. A supplementary budget is presented and approved by the Parliament when increasing total expenditures or significantly changing their composition. Budget modifications (to increase expenditures) are adopted during the year, through legislative or regulatory means (see Figure 13 for sample figures). The executive has a number of procedures by which to amend the budget during the year: using the contingency reserve; and the virements and transfers, which are ultimately ratified in the budget law. The government makes regular use of these mechanisms. For larger modifications, a supplementary budget law must be adopted. While there usually had been the practice of one supplementary budget at the close of fiscal year, recent years have seen an increase in supplementary budgets adopted throughout the year. This is due to the political instability in Tunisia since 2011 and the volatile economic environment. Two supplementary budgets have been adopted each year since 2011. Overspending is rare, and ratified in any case in the Finance Discharge bills.

Figure 13. Tunisia: Increased Spending Following Budget Approval (2005–14)
(As a percentage of approved expenditures)



Source: Tunisian authorities.

2.4.3. Forecast Reconciliation (Basic)

75. The introductory statement to the supplementary budget law briefly describes the fiscal impact of the new provisions, but there is no comprehensive discussion on the source of modifications to the forecast revenue, expenditures, and financing. The budget documentation presents the anticipated budget revenue and the distribution of new budget appropriations and/or reallocation of appropriations to different expenditure categories, without detailing the basis for modification of the revenue and expenditures initially provided in the budget law (presenting the effect of each change in policy, macroeconomic determinants, or other factors).

76. The increase in spending following the initial budget law can be substantial. The 2005–14 period saw significant spending increases following approval of the initial budgets. Underexecution of the budget was also observed. The actual execution of expenditures during the past decade diverges from the level initially approved in the government budget. For example, expenditures execution level 2005–10 exceeded the expenditures initially budgeted by an average of 9 percent, primarily due to overspending. The trend was reversed after the transition period, when budget expenditures were underexecuted by an average of 3 percent.

F. Conclusions and Recommendations

77. The majority of Tunisia's fiscal and budgetary forecast practices are basic or good and in some instances advanced, as regards to the IMF Fiscal Transparency Code. The government budget per se poses no major problem, and only marginal improvements might warrant consideration. Over a one-year a short-term horizon, forecasts are based on reliable data and prepared by competent personnel, although the political and economic volatility of recent years has produced larger deviations than usual.

78. Significant deficiencies need to be addressed, in particular as regards to the perimeter and horizon. The main issues as regards to the transparency in fiscal forecasting lie at the periphery of the central government budget: the social security funds budgets are not presented and adopted in accordance with the Fiscal Transparency Code. Similarly, local finances are not subject to the same transparency requirements as government finances. Also, the forecast horizon for all public finances, including central government finances, is limited to one year, despite the gradual—but too cautious—development of program budgeting and MTEFs, which cover only government budget expenditures. No medium-term fiscal forecast is available for local finances. Ultimately, all the general government entities, if not the entire public sector, should operate under an explicit, and transparent multiyear fiscal framework, when adopting their annual budgets.

79. Based on the evaluation, summarized in Table 14 below, the priorities primarily concern the following sectors:

- i. Improved quality of macro-fiscal forecasts;
- ii. Explicit statement of a medium-term fiscal policy; and
- iii. Inclusion of the social security funds budgets in the annual budget laws documentation.

1. Inclusion of the social security funds budgets in the annual budget laws:

80. Observation: The budget documentation contains no information on the social security funds's nor on those of subnational governments. The social security funds are financed primarily by social contributions (employer and employee contributions), the total amount of which represents 8.1 percent of GDP. The funds' financial position has started to deteriorate in the recent years, for reasons both demographic and economic, leading the government to make various contributions to the funds.

81. Recommendation 2.1: (i) Include the budgets of the three funds (CNRPS, CNSS, and CNAM) as annexes to the budget law, with a single introductory statement describing, *inter alia*, the financial relationships between the three funds and the total direct and indirect contributions from the government; and (ii) thereafter, consider mechanisms for formal approval of the funds' revenue and expenditures by the Parliament during the review of the annual budget law process. Such provisions could usefully be incorporated in the draft of the new organic budget law.

2. Improved quality of macro-fiscal forecasts

82. Observation: 2011 was marked by revolution and political instability, resulting in a sharp decline in economic activity and an overestimation of real GDP growth by 1.1 percentage points (or an optimistic forecast bias of 22 percent). Despite a gradual return to a relatively small level of error (21 percent during 2012–2013), year 2014 was characterized by a deterioration of the security situation that impacted the economic activity, resulting in forecast errors of 40 percent.

83. Recommendation 2.2: Three essential factors will improve the quality of macro-fiscal forecasts. First, one should consider all macroeconomic variables likely to influence the budget aggregates. Second, the development of scenarios based on alternative forecast assumptions would allow domestic and external shocks to be better anticipated and integrated in the budget preparation process. Third, the establishment of an autonomous body such as a fiscal council that would independently monitor the quality of macro-fiscal forecasts would considerably reduce the forecast biases resulting from forecast errors.

3. Explicit statement of a medium-term fiscal policy

84. Observation: No quantitative medium-term objective is explicitly or formally established for the fiscal policy. MTBFs exist but they are not systematically updated each year or made public. The fiscal balance (cash basis, excluding grants) was highly volatile over the past four years, ranging from a surplus of 1.6 percent of GDP to a deficit of 4.5 percent of GDP in 2013.

Recommendation 2.3: (i) Regularly adopt deficit and debt targets, accompanied by a spending ceiling if appropriate, for all general government over a period of at least three years; (ii) define the procedural rules for discussion and adoption of these objectives by the government and the Parliament; and (iii) in terms of policy, adopt a MTBF and MTEF at the start of each budget year.

Table 14. Tunisia: Mapping of Main Issues — Dimension II (Fiscal Forecasting and Budgeting)

	Principle	Evaluation	Importance	Priority
2.1.1	Budget Unity	Good: special funds are not budgeted in the budget law; neither are the EPNAs' own resources.	High: The social security funds budgets represent 8.7 percent of GDP in revenue and 8.9 percent in expenditures of the general government. However, their budget is not included in the annual budget laws.	1
2.1.2	Macroeconomic forecasts	Good: Fiscal forecasts present the principal fiscal aggregates (expenditures, revenue, and financing) and the underlying assumptions.	Medium: Forecast errors are in the range of 30 percent of the growth rate initially forecast. The development of an alternative forecasting scenario would improve the quality of projections.	2
2.1.3	Medium-term budget framework	Basic: MTBFs are available but they are not systematically published each year.	High: The reliability of the comprehensive MTBF forecasts is uncertain. For example, fiscal deficit targets have had to be increased between the two most recent MTBFs, with no explanation of the differences.	3
2.1.4	Investment projects	Basic: Of the three criteria established, only one (major projects are contracted by means of open tender) is applied in practice. No summary information is presented in the budget documentation as regards to the total obligations associated with multiyear projects (there is some information in the budget fascicles). Furthermore, no cost-benefit analysis of major projects is made public.	Low: This practice does not constitute a particular problem, since the ministry budget documentation and Annex D of the budget law provide detailed information.	
2.2.1	Fiscal legislation	Advanced: Budget content, adoption calendar, and Parliament's amendment rights are established by law.	Low: The draft new organic budget law includes numerous advances in terms of transparency.	
2.2.2	Timeliness of budget documents	Good: The Parliament currently has two months to discuss the budget, which is adopted prior to the start of the fiscal year; however, the draft new organic budget law would reduce this period to less than two months.	Low: The new budget calendar, which is now fixed by the Constitution, does not warrant change.	
2.3.1	Fiscal policy objectives	Not Met: The budget documentation does not present the overall fiscal and financial policy framework with clear, quantifiable, and measurable objectives.	High: The fiscal balance (cash basis, excluding grants) was highly volatile over the past four years, ranging from a surplus of 1.6 percent of GDP to a deficit of 4.5 percent of GDP in 2013. The fiscal policy target figures for the medium term should be explicitly established, based on a form of fiscal rule, which could be procedural if necessary.	2
2.3.2	Performance information	Good: Information on outputs and outturn are provided in annexes to the annual budget for all but seven regalian ministries, which are expected to fulfill this obligation in the coming years.	Medium: Program proposals contain considerable performance-related information; however, additional information on activities, costs, and impact is needed.	
2.3.3	Public participation	Basic: Since 2014, key data from the annual budget have been presented to the public in the form of a small booklet.	Low: The booklet is distributed and made available to the public through agencies that interface with the public, the press, and NGOs. The booklet could be improved gradually each year.	
2.4.1	Independent evaluation	Basic: There is no agency or institution responsible for independently evaluating the authorities' fiscal forecasts.	Medium: The eventual establishment of an independent external evaluation procedure for fiscal assumptions and forecasts could be considered.	2
2.4.2	Supplementary budget	Advanced: A supplementary budget is required to increase total expenditures or significantly modify the composition of expenditures.	Low: The current practice applicable to the supplementary budget laws raises no particular problem. During the period 2011–14, underexecution of budget expenditures was relatively minor (3 percent of total expenditures).	
2.4.3	Reconciliation of forecasts	Basic: The differences between successive forecasts (initial and supplementary budget) are presented, but without explanation of substantial changes with respect to the previous forecasts.	Medium: The budget documentation already present the distribution of new budget appropriations and/or the appropriations reallocation to different expenditure categories. However, an explanation of the basis for modification of various forecasts could be provided.	

III. FISCAL RISK ANALYSIS AND MANAGEMENT

A. Introduction

85. The government should disclose, analyze, and manage fiscal risks and ensure effective fiscal decision-making across the public sector. This chapter evaluates the quality of Tunisia's management and analysis of fiscal risks according to the standards defined in the Fiscal Transparency Code. The analysis considers three dimensions for the management and analysis of these risks:

- i. Communication and analysis of macroeconomic and specific fiscal risks;
- ii. Monitoring, disclosure, and management of specific fiscal risks; and
- iii. Coordination in fiscal decision-making in the public sector.

86. While Tunisia has seen significant fiscal risks materialize in recent years, the authorities have only piecemeal and often unpublished information to rely upon in monitoring such risks. Social unrest and heightened security concerns in the face of terrorist attacks have sharply impacted the country's economic growth. Moreover, in 2015, the government was obliged to recapitalize to public banks, and the recapitalization of a third is still pending. In general, the fiscal risks monitoring and disclosure is limited and fragmented. There is no consolidated disclosure of the main risks that can affect Tunisian public finances or explanation of the government's strategy to manage them. Table 15 presents a selection of reports addressing fiscal risks.

Table 15. Tunisia: Selected Reports on Fiscal Risks

Report	Risks addressed	Author
Bank supervision report	Risks associated to financial sector; Risks associated to public banks	BCT
public corporations' annual reports	Risk associated to public corporations' finances	Various
Subnational governments Support Fund (CPSCL) annual report	Risks associated to local governments' finances	CPSCL
Budget documentation	Qualitative considerations for certain macroeconomic risks such as trends in the price of oil and fluctuations of the TND-USD exchange rate	DGRE and MDCI

B. Risk Disclosure and Analysis

3.1.1. Macroeconomic risks (Not Met)

87. The vulnerability of Tunisia's economy to fluctuations in crude oil prices and exchange rate can impact GDP growth rate forecasts. Figure 14.0 presents the volatility of the nominal GDP growth rate and general government revenue measured by the standard deviation

of those two variables over the 2005–14 period. The volatility of the GDP growth rate and the general government revenue is significant, although it is relatively low compared to other regional peer countries. Exchange rate risks and price volatility could bring about an economic slowdown, partly due to a contraction of domestic demand.

88. Accordingly, a deviation of the growth rate from the forecasts used to prepare the budget significantly impacts the public finances. For example, the 2015 budget was initially prepared on the basis of an average crude oil price of US\$95 per barrel,²⁵ which was revised to US\$ 62 in the supplementary budget. Estimates provided by the authorities show that a US\$1 increase or decrease in the price per barrel translates into a net expense or gain of TND 48 million (TND 68 million increase in expenditures and TND 20 million increase in revenue) for the government budget. Similarly, the macroeconomic framework provides for an exchange rate of TND 1.8 for US\$1; a TND 0.010 depreciation (or appreciation) of the exchange rate would result in a net expense (or gain) of TND 30 million (TND 43 million in additional expenditures and TND 13 million in additional revenue).

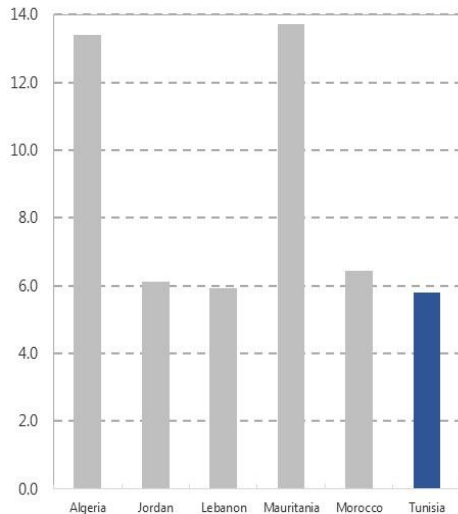
89. Apart from a qualitative discussion on certain risks, the budget documentation does not provide an overall analysis of the forecasts sensitivity to the principal macroeconomic assumptions. The budget documentation does not provide quantitative analysis on the sensitivity of forecasts to changes in the principal economic variables relevant for Tunisia (e.g., fluctuations in oil prices or the USD-TND exchange rate).²⁶

²⁵ For reference, the price of oil plummeted in 2015, with the Brent crude oil price fluctuating between US\$43 per barrel and US\$68 per barrel between January 1, 2015 and December 1, 2015.

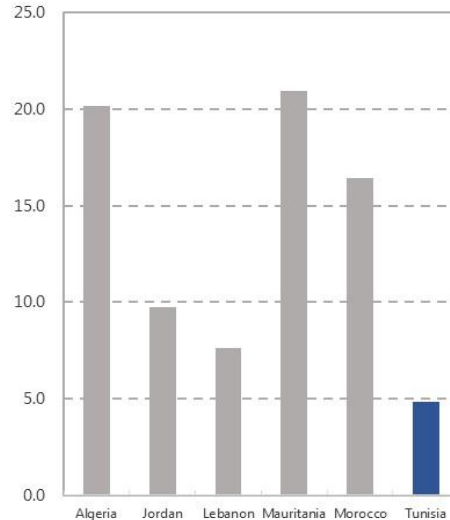
²⁶ The current macroeconomic forecast framework considers the USD-TND exchange rate and the EUR-TND exchange rate, particularly in estimating the stock of debt and international trade.

Figure 14. Tunisia: Macro-Fiscal Risk Indicators, 2005–14

a. Standard Deviation, Nominal GDP Growth Rate



b. Standard Deviation, General Government Revenue Growth



Source: IMF, *World Economic Outlook*, October 2015.

3.1.2. Specific Financial Risks (Not Met)

90. In addition to macroeconomic risks, the Tunisian government is exposed to different risks that could affect fiscal and financial forecasts but these are not presented in a consolidated report (Table 16). These risks include, but are not limited to:

- *Risks affecting government tax revenue that have no direct relationship to the macroeconomic determinants.* These risks include the security risk, which is one of the greatest risks facing Tunisia. Following the recent terrorist attacks of November 2015,²⁷ the authorities revised the budget to provide, *inter alia*, for the hiring of an additional 6,000 civil servants to strengthen national security. The security threat has also severely curtailed activity in the tourism sector²⁸ and has substantially reduced tax revenue from that sector. This negative effect on public finances is exacerbated by the potential accumulation of arrears in the form of payroll contributions from the hotel sector vis-à-vis the CNSS (see Section 3.1.3);
- *Risks relating to government asset and liability management.* These include risks associated with holdings in public corporations as well as with government's direct investments, in particular in several systemically important banks, and the Tunisian government's substantial

²⁷ The latest November 2015 attack targeting the Tunisian authorities claimed 15 victims, primarily members of the Republican Guard. Prior to that attack, another hundred persons were killed in the terrorist attacks of March and June 2015 at the Musée du Bardo and a hotel in Sousse.

²⁸ Tourism represents 7 percent of GDP and 10 percent of goods and services exports in Tunisia. The tourism sector employs 15 percent of the work force.

exposure to the financial sector. In addition, risks of interest rates volatility and refinancing costs of the government and the subnational governments could also prove significant (see Sections 3.2.5 and 3.3.1);

- *Risks relating to the government's contingent liabilities* associated with guarantees (see Section 3.2.3);
- *Risks associated with the numerous concession arrangements*, for which there is no consolidated overview. The future PPP system will also represent a long-term risk for public finances (see Section 3.2.4); and
- *Medium-term risks such as risks associated with the sustainability of the social security system*. The sustainability of the system appears to be threatened by the accumulation of debts to the CNRPS owed by certain financially distressed public agencies (see Section 3.1.3).

Table 16. Tunisia: Specific Financial Risks

Risks	Source	Impact	Percent of GDP
Impact of a decline in tourism on public finances	IMF Article IV, Tunisia, October 2015	TND 3 billion (10 percent of goods and services exports)	7
External debt guaranteed by the government	MoF	TND 8.3 billion ¹	10.3
Arrears on onlent loans	MoF	TND 249.7 million ²	0.3
CNRPS arrears to the CNAM	CNRPS	TND 1.0 billion	1.2
The government's exposure to the financial sector	MoF, BCT	TND 16.5 billion ³	20
Social contributions of certain public corporations covered by the government (example: TRANSTU)	CNRPS	TND 300 million	Insignificant

Source: Mission estimates

1/ Amount guaranteed as at December 31, 2014.

2/ Total arrears on on-lend as at December 31, 2015; the outstanding principal totals TND 1369.7 million.

3/ Government direct holding in financial sector based on 2014 GDP.

3.1.3. Long Term Fiscal Sustainability Analysis (Not Met)

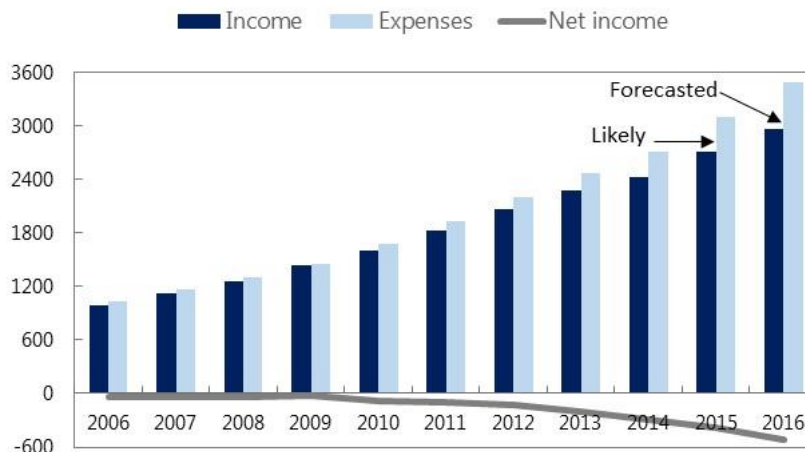
91. The Tunisian authorities do not disclose information on medium- and long-term fiscal sustainability. Despite a stock of external debt that has been steadily increasing since 2011 and stood at 54 percent of GDP in 2014,²⁹ the budget documentation does not provide any fiscal sustainability analysis considering, for example, external vulnerability, macroeconomic shocks, or a deterioration in the security situation. For internal purposes, the DGD conducted a debt sustainability analysis over a five-year horizon. The analysis, which was not made public, focuses primarily on the impact exchange and interest rates have on the cost of debt principal

²⁹ As at December 31, 2015, Tunisia's external debt stood at 54 percent of GDP. See IMF Report no. 15/285. "Tunisia: Article IV Consultations and Sixth Review under the Stand-By Arrangement."

and service repayments. To improve the analysis, such a study should take account of different parameters that can influence the debt level, i.e., the impact of the fiscal policy measured by the annual financing requirement; the effect of the growth and inflation rates; and trends in the country's exports and imports. The analysis period should also be extended to cover a minimum of 20 years, in order to better assess the long-term fiscal sustainability.

92. The need for regular fiscal sustainability analysis is accentuated by the significant fiscal exposure to the social security system. The disproportionate increase of revenues, consisting primarily of social contributions, and of expenditures, consisting of pensions and other benefits administered by the CNRPS, reflects the system's vulnerability over the medium term. In 2014, the CNRPS recorded a deficit of TND 288 million. The deterioration of the CNRPS financial position is confirmed in 2015 and 2016, with an estimated deficit of TND 386 million and TND 521 million, respectively (Figure 15). This permanent and unsustainable structural deficit also exerts significant pressure on public finances through government support provided to certain public agencies to help them meet their obligations to the CNRPS.³⁰ This situation would need further analysis. The information provided by the authorities based on a recent actuarial study shows that the financial imbalance, estimated to grow to TND 15.9 billion by 2040 (i.e., more than 50 percent of the 2015 budget), will threaten the long-term sustainability of the social protection system unless measures are taken to restore the system's financial balance in the medium term by adjusting actuarial parameters.

Figure 15. Tunisia: Evolution of CNRPS Revenue and Expenditure (TND million)



Source: Tunisian authorities

93. Such a sustainability analysis is particularly important in light of the government's commitments to public institutions. The government has substantial commitments to public institutions, including both explicit (Sections 3.2.5 and 3.3.2) and implicit commitments

³⁰ The government provides financial support to certain entities to clear their debt and honor their commitments in respect of employer contributions.

(Section 3.2.3). These commitments must be taken into consideration to understand what is at stake for fiscal sustainability and to frame legislative discussions on the issue.

C. Risk Management

3.2.1. Budgetary Contingencies (Basic)

94. The government budget includes a budgetary reserve. The reserve, which comes to roughly TND 500 million per year (or 2 percent of central government budget expenditures in 2013), is provided in the MoF budget and includes two components: one to cover contingencies, and the other to cover unallocated expenditures ("*non réparties*").³¹ This reserve is used during the year, by decision of the minister of finance, to augment the line ministries' appropriations.

95. There is no specific text governing the funding or use of the reserve. In particular, the conditions and allocation criteria are not formally defined. However, the new organic budget law includes a specific provision on the reserve (Article 23) that confirms the twofold purpose, the procedure to use the funds, and sets a reserve ceiling of 3 percent of total expenditures. However, it does not provide for any criteria or conditions to allocate the funds. In addition, Article 58 of the new organic law provides that supplementary appropriations not exceeding one percent of the budget may be established by decree in case of disaster or extreme urgency, and subject to immediate notice to the ARP. Unlike the provisions of Article 23 as regards to the budgetary reserve, the possibility allowed for in Article 58 would increase overall expenditures and thereby causing a corresponding increase in the fiscal deficit.

3.2.2. Asset and Liability Management (Not Met)

96. There is no balance sheet published that would present all assets and liabilities of the Tunisian government, or even some of them. The estimates calculated in preparing this report indicate liabilities representing 69.3 percent of GDP as at December 31, 2013 for the general government, and assets representing 15.0 percent of GDP. This lack of disclosure prohibits the monitoring and evaluation of government assets. Moreover, certain risks, such as the risks associated with the numerous direct and indirect public holdings, particularly in the financial sector, may be unknown to the authorities. Finally, the development of the PPP framework and the numerous existing concessions arrangements call for the development of such a tool to monitor government assets and liabilities and develop an asset-based approach to managing government resources.

97. Regarding commitments and liabilities, while central government loans to subnational governments are authorized by law, they are not governed by an explicit debt management strategy for the entire public sector. The government and subnational

³¹ Expenditures that are certain and known at the time of budget preparation but for which the specific allocation is decided at the time of execution.

governments debt is published annually and monthly with respect to the central government. Explicit commitments include on-lent loans. These loans are not itemized in stocks or flows. Yet they are used as an alternative to guarantee public corporations facing financial difficulties. As at December 31, 2014, the outstanding capital payable on on-lent loans amounted to TND 1.4 billion for arrears close to TND 250 million. There are also other commitments and liabilities, such as guarantees. Some government assets, including payables subnational governments and public corporations', may require close attention as these loans might never be repaid. Similarly, the government's exposure to public corporations may create implicit liabilities if the corporations face equity shortfalls requiring recapitalization.

98. The information on Tunisian government financial assets is fragmented and there is no analysis on the associated risks. The development of such an analysis should promote more transparent and asset-focused management of government assets. For example, the institution of PPPs will constitute a commitment on the government balance sheet, particularly if compensation mechanisms are established. Conversely, this analysis mechanism should come within a framework for development of the public domain and for which a strategy should be developed. Finally, the government also provides assistance to financially distressed public corporations by providing, for instance, short-term loans (Treasury loans) and arrears repayments. While the amounts involved are limited,³² these mechanisms should also be reported in detail.

99. The commitments assumed by the CPSC in connection with financing subnational governments and those assumed by the social security funds should also be monitored. In borrowing, subnational governments are assisted by an organization that monitors financing costs according to a mechanism detailed in Section 3.3.1. Similarly, the government may provide implicit guarantees to certain public banks for public corporations' liabilities, which may result in a lack of provisioning and, accordingly, to an understatement of the risks associated with those loans. Finally, social security mechanisms can create long-term commitments on the government's balance sheet. Thus, the Tunisian civil service pension system is expected to register a deficit close to TND 15.9 billion by 2040 (18 percent of GDP in 2015).

3.2.3. Guarantees (Not Met)

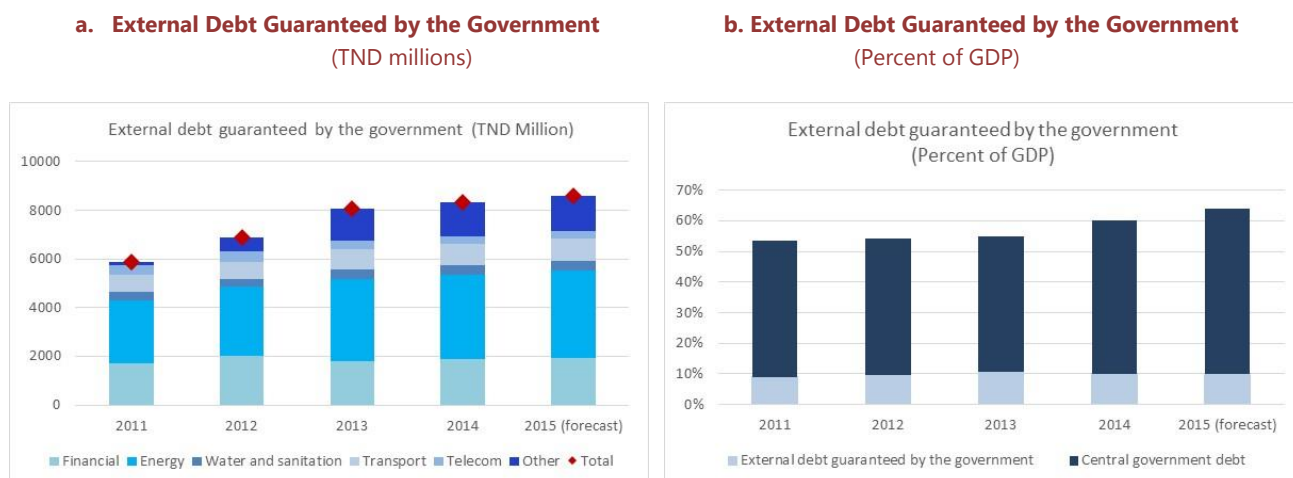
100. The annual stocks and flows of government guarantees are disclosed in the context of debt monitoring but are not distributed by beneficiary. The annual ceiling on government guarantees is approved in the budget law. New guarantees are granted by: (i) the Chamber of Deputies for guarantees of external loans; or (ii) a decision of the Minister of Finance for domestic loans. All guarantees provided by the government are included in the booklet on public debt. Guarantees provided to public or financial institutions for loans from donors are treated in

³² Treasury loans authorized by the 2015 supplementary budget law total TND 125 million.

the same manner as external debt: they must be authorized by the Council of Ministers and approved by the Parliament. These mechanisms serve to control the increase in government guarantees, but would benefit from more detailed information concerning the beneficiaries, particularly in light of the concentration of guarantees in the energy and financial sectors. Disclosures on the stock of guarantees do not identify the beneficiaries or the average term of the guarantees.

101. The total debt guaranteed by the Tunisian government has increased since 2011 (see Figure 16). The annual guarantees ceiling was set at TND 3 billion in the initial 2015 budget law. As at December 1, 2015, the flows of new borrowings guaranteed in 2015 stood at TND 2.5 billion (2.9 percent of GDP), TND 1.6 billion of which (1.8 percent of GDP) in being external loans³³ first-demand guarantees and TND 941.9 million (1.1 percent of GDP) being ordinary domestic loan guarantees.³⁴ The energy sector represented close to 42 percent of the government-guaranteed external debt in 2014.³⁵ In the same year, the Tunisian financial sector represented 22.5 percent of government-guaranteed external debt, and its balance sheet included by definition all domestic loans guaranteed by the government.

Figure 16. Tunisia: Outstanding Amount Guaranteed by the Government



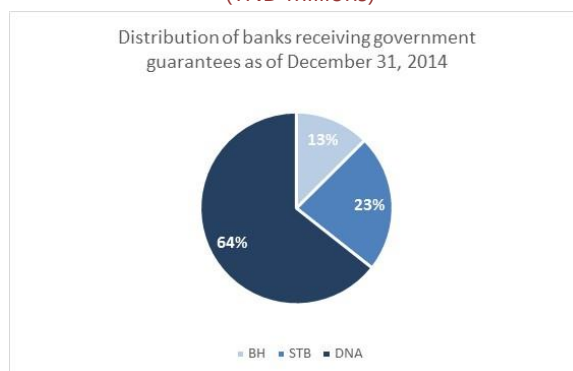
³³ Loans from donors, in particular.

³⁴ The audit conducted in the context of recapitalizing the public banks led to an increase of the amount of domestic debt guarantees in order to strengthen the quality of the banking' assets. In 2014, the claim of the government guarantee on domestic debt alone represented TND 197.9 million (TND 175.3 million in principal and TND 22.6 million in interest). The 2015 supplementary budget provides for TND 221 million (TND 196 million for principal and TND 25 million for interest) for the government guarantees claim in 2015.

³⁵ One public corporation was the main beneficiary of the guarantee.

c. Distribution of Banks Receiving Government Guarantees

(TND millions)



Source: Tunisian authorities

3.2.4. Public-Private Partnerships (Not Met)

102. There is no consolidated monitoring of government assets and liabilities in connection with PPPs, concessions arrangements to the private sector, or other multiyear³⁶ contractual arrangements with the private sector. The law governing the overall PPP framework in Tunisia was adopted in November 2015, and the implementing regulations have yet to be promulgated. The current regulations governing most long-term contracts between the public and private sectors relate primarily to concession arrangements, which often are delegations of public service.

103. Tunisia currently has no specific mechanism to quantify the total value of government obligations and assets (including the cost of tax expenditures) relating to investment projects such as the current concessions arrangements or the future PPPs and any associated guarantees or liabilities. Only some of the largest projects are addressed in detailed—but not consolidated—communications by the Tunisian government. For example, at the close of the first half of 2015, nine investment projects were being financed in connection with concession arrangements.³⁷

³⁶ For example, permits to temporarily occupy the public domain (*autorisations d'occupation temporaire du domaine public*), inherited from the past, seem particularly numerous. The conditions under which they were issued (i.e., a fixed rent fee without a variable component based on the financial results of the activity) point out a significant loss of revenue for the Tunisian government and the absence of objectives regarding commercial development of Tunisia's public domain. The Tunisian authorities have undertaken a review of the terms and conditions of these temporary occupancy permits to better leverage the public domain and rebalance the financial terms to recover the loss in terms of revenue.

³⁷ These include an airport project (US\$840 million), two projects in the electricity sector (totaling US\$291 million), two natural gas projects (for US\$657 million), three projects in the telecommunications sector (for US\$5.2 million), and one project in the water treatment sector (for US\$95 million), according to World Bank data.

3.2.5. Financial Sector Exposure (Not Met)

104. The Tunisian government is highly exposed to the financial sector in light of:

- Direct holding of equity interests in numerous financial-sector entities (Table 17).**
 This direct exposure is accompanied by an indirect exposure in the form of investments by public corporations, subnational governments, or social security funds in various financial institutions. For example, apart from the Tunisian government, shareholders in Banque Nationale Agricole (BNA), CNSS, CNAM include different public corporations (Office des Céréales, Office de commerce de Tunisie, Entreprise tunisienne des activités pétrolières) and the Banque de Tunisie et des Emirats, in which the government holds a 39 percent stake. Similarly, the shares of Société Tunisienne de Banque (STB) is composed, *inter alia*, of the government (71.5 percent), but also of the CNSS (57 percent) of Entreprise Tunisienne des Activités Pétrolières (2.2 percent) and of CNAM (2.4 percent).

Table 17. Direct Government Holdings in the Financial Sector

(As a percentage of GDP)

	Liabilities
Banque Nationale Agricole (BNA)	9.8 %
Société Tunisienne de banque (STB)	8.9 %
Banque de l'Habitat (BH)	7.6 %
Banque Tunisienne de solidarité	1.1 %
Banque de financement des petites et moyennes entreprises	0.3 %
Société tunisienne de l'air	2.1 %
Société des ciments de Bizerte	0.4 %
Société des industries pharmaceutiques de Tunisie	0.1 %
Société de transport des hydrocarbures par pipeline	0.0 %
Société tunisienne des marchés de gros	0.0 %

Source: Tunisian authorities and mission estimates

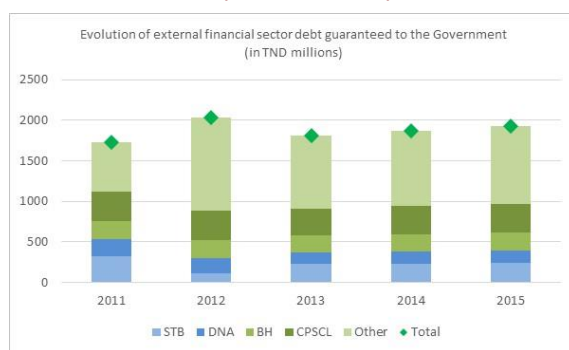
- The systematic importance of the public banks.** Five banks are public, of which three are systemically important. A public bank is a bank in which the collective shares held by the government, the subnational governments, public entities, and public corporations represent more than 50 percent of the equity. The five public banks are BNA, Banque de l'Habitat (BH), STB, Banque de financement des petites et moyennes entreprises, and Banque tunisienne de solidarité (Table 17). BNA, BH, and STB are systemically important and represent 37 percent of the banking sector assets and 28 percent of the banking sector deposits.³⁸ The nature of the public banks raise important explicit and implicit fiscal risks,

³⁸ IMF Report no. 15/285. *Tunisia: Article IV Consultations and Sixth Review under the Stand-By Arrangement.*

particularly in terms of recapitalization. For example, two banks (STB and BH) were recapitalized in 2015 for an estimated total of TND 647 million (0.7 percent of GDP).

- **The government's contingent commitments to the financial sector.** The government provide guarantees to banks (Figure 17). They provide guarantees for the banks' assets but also for their liabilities, particularly as regards to external debt. The government also intervenes in other segments of the financial sector such as guarantees to Tunisian exportations financing,³⁹ or settlement of claims between publicly held corporations. By way of illustration, STB's June 30, 2015 financial statement show receivables of TND 10.076 million from the Tunisian reinsurance company (Tunis Ré) and labelled as "exchange rate difference payable by the government."

Figure 17. Tunisia: Evolution of External Debt Guaranteed by the Government (TND millions)



Sources: Tunisian authorities and mission estimates.

105. Contingent liabilities (e.g., guarantees) and explicit financial commitments provided by the general government to the financial sector are not analyzed and disclosed on a consolidated basis. The BCT annual report on bank supervision provides only a partial view of these commitments. The most recent published version (2013) reports that the Tunisian government directly held 26 percent of all domestic banks' equity. In 2013, analysis was performed on the concentration of the banking industry by type of shareholders. It showed that public banks continue to make the largest contribution to the banking industry with market share of 38.2 percent in terms of assets, 39.8 percent in terms of loans, and 34.3 percent in terms of deposits.

³⁹ The government offers a mechanism to cover the cost of obtaining insurance from COTUNACE, the Tunisian foreign trade insurance company.

3.2.6. Natural Resources (Not Met)

106. In view of the modest scale of Tunisia's natural resources, the general government have not disclosed detailed information on the proceeds from natural resource development. Tunisia's natural resources consist primarily of oil reserves (estimated by the Directorate General of Energy in 2014 at close to 450 million barrels) and phosphate, which is mined primarily by Compagnie des Phosphates de Gafsa—which extracts the mineral—and Groupe Chimique Tunisien, which processes it, *inter alia*, to produce mineral fertilizers. These two firms are public corporations. Despite its resources, Tunisia is a net importer of oil and gas.⁴⁰

107. Tax revenue derived from the petroleum industries is substantial. The 2016 budget provides for TND 1.6 billion, or 7.1 percent of tax and non-tax revenue. However, the scope of petroleum industries is not defined, and could encompass the processing industries in addition to the extraction industries (see discussion of macroeconomic forecasts (Section 3.1.1)).

108. There is no annual reporting on the volume and value of Tunisia's principal exhaustible natural resources. Numerous public corporations are exposed to events that could affect the price of natural resources: Compagnie des phosphates de Gafsa, Groupe chimique tunisien, Entreprise tunisienne des activités pétrolières, Société nationale de distribution de pétrole, and Société tunisienne des industries du raffinage. These companies are exposed, *inter alia*, to fluctuations in natural resource prices and the effective valuation of natural resources.

3.2.7. Environmental Risks (Not applicable)

109. The low environmental risks to which Tunisia is currently exposed do not warrant the development of a monitoring and analysis framework. The financial risks that could arise from natural disasters or other major environmental hazards are not analyzed at this time.

D. Fiscal Coordination

3.3.1. Subnational Governments (Basic)

110. The mechanism established to finance subnational governments creates fiscal risk for the government.

⁴⁰ Energy exports represented US\$2.2 billion in 2014 and imports, US\$4.3 million (or TND 3.8 billion and TND 7.3 billion, respectively). See IMF Report no. 15/285. *Tunisia: Article IV Consultations and Sixth Review under the Stand-By Arrangement*.

- The CPSCCL, a public corporation, provides financing for a substantial portion of the subnational governments' needs.⁴¹ As a public corporation with financial autonomy, the CPSCCL receives support, potentially implicit, from the government. The CPSCCL may also receive lines of credit from international donors, which may lead to onlending from the Tunisian government;
- There is no limit on the amount of the subnational governments' borrowing or of the increase in their liabilities; and
- As at December 31, 2014, the CPSCCL balance sheet stood at TND 664.1 million (0.8 percent of GDP) for a 2014 net income of TND 23.4 million (Figure 15). The stock of provisions for nonperforming loans as at end-2014 amounted to TND 69.8 million, i.e., an increase of almost TND 3.5 million over the year.

111. Subnational governments' finances are published annually. This facilitates the control of the subnational governments' borrowing, which appears to be moderate. As at December 31, 2013, the municipalities' debt stood at TND 129.4 million (0.2 percent of GDP).

112. The level of Tunisian subnational governments is estimated on average at 5 percent (Figure 18). In other words, Tunisia's budget structure is highly centralized, with 95 percent of budget execution controlled by the central government. In addition, subnational governments' assets represent less than 1 percent of those of the general government as a whole. A reform on decentralization reform, initiated by the new 2014 Constitution, aims at increasing the subnational governments' autonomy. In order to preserve fiscal sustainability, the reform should be properly implemented. In addition, the extent responsibilities transferred should be proportional to the subnational governments' capacities.

⁴¹ Created by decree in December 15, 1902, the CPSCCL was converted to a public corporation by Decree no. 97-564 in March 31, 1997. Its missions consist in: (i) collecting the necessary funding to help finance subnational governments' investment programs; (ii) providing technical assistance to subnational governments for the identification, study, execution, and monitoring of their investment projects; and (iii) supporting subnational governments to effectively manage their resources.

Figure 18. Tunisia: Subnational Governments Finances as at December 31, 2013



Source: Tunisian authorities and mission estimates.

3.3.2. Public Corporations (Basic)

113. There are 104 public corporations,⁴² but the number of direct government holdings, for which there is no comprehensive list is much larger. The characteristics of public corporations are established by Law 89-9 of February 1989. Under the law, the corporation must meet one of the following criteria in order to be considered a public corporation: (i) its equity is held exclusively by the government; (ii) the cumulative or individual shares of the government, subnational governments, public institutions and corporations account for more than 50 percent of the total equity; or (iii) the public corporation is an EPNA which has been classified as such by decree. Out of the 104 public corporations, eight are listed companies. In addition, the Tunisian government holds direct investments in other companies but which are not considered public corporations.⁴³ Monitoring these holdings is limited or nonexistent and there is accompanying information disclosure. Finally, many public corporations fall behind for the production of their accounting documents, which prevents regular monitoring and adequate estimation of the associated risks.

114. While transfers between general government and public corporations are provided in the government budget, there is no public reporting on the overall public corporations' financial outturns or of sectorial risks analysis. While the budget presents consolidated information on government transfers and public investment by ministry, there is no annual consolidated documentation to support the analysis of the size, composition, and fiscal risks associated with the public corporations. In this regard, public corporations of the financial sector require close monitoring in light of the size of their balance sheets (Figure 16), the systematic importance of some of them, their important role in financing the Tunisian economy, and the tightened banking regulations. The recapitalizations performed in 2015 (0.7 percent of GDP) and

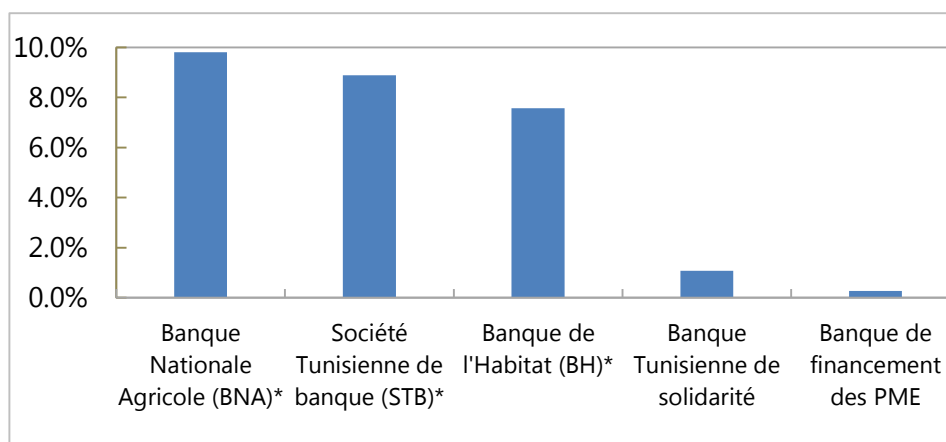
⁴² The 104 public corporations employ close to 3 percent of the work force. The number of positions with some public corporations has increased by over 50 percent since 2011.

⁴³ In particular, the public sector collectively holds less than 50 percent of the equity.

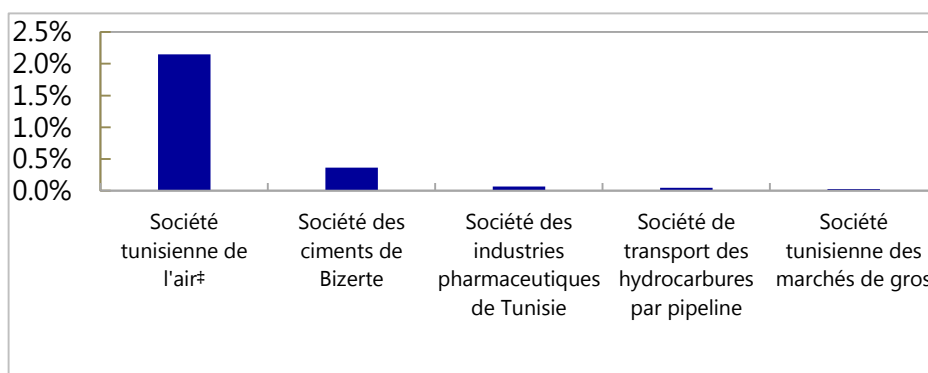
the asset guarantees provided (2.9 percent of GDP) are revealing in this regard.⁴⁴ Likewise, financial performance and the various forms of government support are not disclosed. Finally, there is no doctrine governing the monitoring of public corporations. A report analyzing the financial outturns for 28 public corporations over the period 2010–12 was produced in 2013. No such reporting was formally instituted, although certain trends might have already raised concerns.⁴⁵

Figure 19. Tunisia: Liabilities of Public Banks and Public Corporations
(As a percentage of GDP)

1. Liabilities of Listed and non-listed Public Banks



2. Liabilities of Listed Public Corporations (Excluding Banks) as of December 31, 2014



Source: Estimates based on corporate annual reports.
* Listed corporation ‡ Figures as at December 31, 2013.

⁴⁴ Two recapitalizations were realized in 2015 (TND 80 million for BH and TND 652.6 million for the STB) and a third is being analyzed (for the BNA).

⁴⁵ For example, subsidies to the 28 corporations increased from TND 2.7 billion in 2010 to TND 6.5 billion in 2012, or an increase of almost 140 percent in two years. Of the TND 6.5 billion, balancing and operating subsidies represented TND 6.2 billion, while investment subsidies were extremely limited (TND 265 million).

E. Conclusions and Recommendations

115. Significant deficiencies in the disclosure, analysis, and management of macroeconomic and financial risks in Tunisia should be addressed. Nonetheless, some practices meet the basic criteria as regards to macro-fiscal risks analysis and management. As to better understand and manage the fiscal risks, significant improvements are needed as regards to their disclosure of analysis. Based on the evaluations presented above, the key results of which are summarized in the following table, the priorities essentially concern the following areas:

- i. Developing an integrated macroeconomic framework, with alternative forecast scenarios to use in conducting sensitivity analysis;
- ii. Identifying all government financial commitments, and disclosing and analyzing the major risks associated;
- iii. Performing a medium and long-term fiscal sustainability analysis in light of the external debt's trends and increasing pressure on public finances (social security, decentralization, subnational governments, etc.); and
- iv. Developing a monitoring/oversight framework for public corporations, particularly in light of the number of public corporations and their significance in certain sectors of the economy, particularly the financial sector.

1. Presentation of a comprehensive sensitivity analysis

116. Observation: One of the key limitations of the existing projection model lies in the absence of a comprehensive macroeconomic framework incorporating the interactions among different macroeconomic variables used for budgeting and fiscal forecasting. The impact analysis of oil price fluctuation and exchange rates variation could be improved by incorporating the sensitivity of domestic demand to external shocks.

117. Recommendation 3.1: Prepare an alternative projection scenario and expand the sensitivity analysis to include interactions among different macroeconomic variables, in order to improve forecasts of the economic activity and, consequently the government budget preparation.

2. Conduct a long-term fiscal sustainability analysis

118. Observation: No official medium- and long-term fiscal sustainability is made public.

119. Recommendation 3.2: Conduct a medium- and long-term fiscal sustainability analysis, taking the following factors into account:

- i. The evolution of external debt;
- ii. The civil service social security system; and
- iii. Other pressures (demographic, security, etc.).

3. Improve the monitoring of commitments that could impact the government's balance sheet

120. Observation: There is no consolidated or synthesized framework to monitor and analyze commitments that could impact the government's balance sheet. Furthermore, there is no consolidated overview of government assets and liabilities while the fiscal risks appear to be significant. For example, the cumulative balance sheet of the five public banks represents 20 percent of GDP, and the total debt guaranteed by the government exceeds 10 percent of GDP.

121. Recommendation 3.3: Implement a consolidated framework to monitor and analyze fiscal risks to the government balance sheet. The framework should be based, *inter alia*, on:

- *Closer monitoring of risks associated with government guarantees.* In light of existing data, this will involve, *inter alia*, disclosing the guarantees beneficiaries;
- *Closer monitoring of public corporations, particularly public banks.* In this regard, the annual reports provided in the draft new organic budget law constitutes notable progress;⁴⁶ and
- *Monitoring of the financial sector exposure.* Through its holding of five public banks, three of which are systemically important, the Tunisian government is highly exposed to the financial sector.

⁴⁶ Article 44 of the draft new organic budget law requires attachments to the draft budget law including a report on transfers between the government and public corporations and EPNAs, with an analysis of guarantees provided to them, and a report on public corporations. However, the production of public corporations' financial statements also calls for closer monitoring.

**Table 18 Tunisia: Mapping of Main Issues — Dimension III
(Fiscal Analysis and Risk Management)**

Principle		Evaluation	Importance	Rec.
3.1.1	Macroeconomic risks	Not Met: The budget documentation does not provide overall forecasts sensitivity analysis of forecasts to the main macroeconomic framework assumptions	High: The deviations of the macro-fiscal aggregates with respect to the projections can be considerable.	3.1
3.1.2	Specific financial risks	Not Met: The main specific risks and risks for fiscal forecasts are not presented in a summary note.	High: The combination of these risks represents, at the very least, close to 20 percent of GDP	3.3
3.1.3	Long-term sustainability analysis	Not Met: There is no publication analyzing the medium- and long-term fiscal sustainability.	High: The public debt has increased steadily since 2011. Furthermore, the government has considerable financial commitments vis-à-vis the public institutions and the CNRPS that should be taken into consideration.	3.2
3.2.1	Budgetary contingencies	Basic: The government budget includes a budgetary reserve.	Low: Clear provisions governing the use of these reserves are recommended	
3.2.2	Asset and liability management	Not Met: Only loans are authorized by law, but there is no communication concerning the risks associated with the bonds (debt) held by the government	Medium: The mission estimates liabilities for the central government at 69.3 percent of GDP, far exceeding assets (15.0 percent of GDP).	
3.2.3	Guarantees	Not Met: Publication on guarantees do not identify their beneficiaries.	High: Debts guaranteed by the Tunisian government represent over 10 percent of GDP, and are particularly focused on the Tunisian financial sector.	3.3
3.2.4	PPP	Not Met: There is no consolidated monitoring of the government obligations under concessions arrangements granted to the private sector or under other multiyear contractual arrangements. No information is published on the total rights of the general government under these arrangements	Medium: Concessions arrangements previously granted by the Tunisian government may entail significant long-term commitments for public finances that are currently unknown. The development of PPPs pursuant to the law of November 13, 2015 should take place in an appropriate budgetary and risk monitoring framework.	
3.2.5	Financial sector exposure	Not Met: Only some of the explicit commitments assumed by general government vis-à-vis the financial sector are quantified or published.	High: The cumulative balance sheet of the five public banks represents 20 percent of GDP, and guarantees provided for financial sector external debts exceed 2 percent of GDP.	3.3
3.2.6	Natural resources	Not Met: The estimated volume and value of the main natural resources are not published	Medium: The petroleum industries represent 7 percent of tax and nontax revenue, but Tunisia's estimated natural resource reserves are relatively small.	
3.2.7	Environmental risks	Not applicable	Not applicable	
3.3.1	Subnational Governments	Basic: The financial position and results of subnational governments are published annually, but no limits are established for their liabilities or borrowings.	Low: The subnational governments' debt is not excessive.	
3.3.2	Public corporations	Basic: Transfers between general government and public corporations are reported annually (albeit on a nonconsolidated basis). There is no consolidated overview of the government's holdings in public corporations or any investment policy. While the new organic budget law provides for the publication of annual reports on the overall financial outturns of public corporations, such a publication does not currently exist.	High: There are a large number of public corporations, including systemically important entities in some sectors, notably the financial and energy sectors.	3.3