

Key Challenges and Opportunities for Budget Transparency in Tunisia

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Executive Summary

This paper provides a detailed overview of different aspects of the Tunisian budget system and process in order to assess prospects for improving transparency and participation of citizens. While the overall framework of public finance management is generally sound, the budget process is nevertheless quite opaque with few possibilities for civil society insight and influence. However, there are encouraging signs of a willingness on the part of some in the executive and in the administration to open up and provide for a more transparent and consultative budget process.

The review of budget allocations for the past five years reveals a significant level of inertia of spending. Own resources have been shrinking lately, and borrowing has become a more important source of budget financing, which also means that debt service is likely to increase. The budget deficit has indeed increased dramatically in the post-revolution era, and as a result, the outstanding public debt has increased by nearly 18 percent since 2010.¹ This unfavorable evolution of the budget balance over the recent past significantly reduces the government's

¹ Ministry of Finance website: http://www.finances.gov.tn/index.php?option=com_content&view=article&id=134&Itemid=304&lang=fr.

margin of maneuver at a time of growing social demands and a desperate need for interventions aiming to reduce high and increasing unemployment.

The government has taken some steps to become more transparent and participatory. Such initiatives include a decree law from 2011 on access to information that provides an unprecedented legally established right of access to public information for all Tunisians. Government commitments to join important transparency-related initiatives such as the Extractive Industries Transparency Initiative (EITI) and the Open Government Partnership (OGP) are positive steps, but remain to be fully realized by the government formally joining as a member of these two initiatives. The creation, in early 2013, of a joint government-civil society committee on public finance transparency — chaired by the Minister of Finance — is an important sign of official commitment to greater transparency, participation, and consultation in the budget process.

Steps have also been taken to introduce consultation in the budget process. Regional Consultative Development Commissions were set up in early 2012 to draft participatory proposals for public investment projects according to local priorities. These proposals should then be considered in the budget formulation process. While it did allow for the regions to express their development needs, the subsequent process of review and prioritization was nevertheless done at the central level.

While the strong measure of centralization of public finance management has helped to facilitate control and oversight, which has enabled sound financial discipline, it has not been conducive to the development of a culture of efficiency and responsibility. The results-based budgeting (RBB) reform currently under way aims to change this and instill a culture of budget management focusing on results rather than inputs and on performance rather than the mere use of budget credits. Aiming to install a new system of public financial governance, the RBB reform is viewed by many as the most significant means of promoting budget transparency, and transparency in the public administration in general.

In the current context of ongoing constitutional debate, there is a window of opportunity for reforms in the direction of a more participatory and citizen-centered budget. To take advantage

of this opportunity, it is necessary to address both the demand- and the supply-side of transparency and accountability. The Tunisian government must be encouraged to proactively share information and provide channels for citizen participation, and a weak and incipient civil society must be strengthened in order to enable it to hold government to account.

This paper has identified several problem areas which could be addressed with concrete action in order to strengthen prospects for enhanced budget transparency, including: 1) weak legislative capacity for budget analysis and oversight; 2) insufficient communication and citizen consultation on the budget prior to parliamentary approval; 3) weak budget execution capacity; 4) inadequate linkage between citizen needs and preferences on the one hand, and budget allocation and execution on the other; 5) incipient civil society unable to fully demand social accountability; and 6) weak role of the media and insufficient media vigilance.

1 Introduction

This paper provides an overview of the budget system and process in Tunisia. It offers a detailed look at the budget system, looking at the legal and institutional framework of budgeting as well as revenue and expenditure allocation. It furthermore reviews the existing literature on the subject of public budgeting. It also provides a preliminary assessment of the reforms and adjustments required to ensure a budget system that will correspond with future needs and expectations as Tunisia undergoes a process of political transition and profound institutional reform.

Generally speaking, public finance management in Tunisia operates fairly well. The public sector is mostly characterized by competence and professionalism, which has been reflected in solid and well-managed public finances. As Tunisia moves forward, it is hoped that these positive characteristics of its public administration will be preserved, and that sound financial management will be further strengthened through greater public participation and oversight.

The budget process is generally quite opaque with few possibilities for civil society insight and influence. Under the prevailing legal framework² the budget process gives considerably more power to the executive and provides very little scope for legislative amendments of the Executive Budget Proposal. This did change to some extent with the 2012 and 2013 budgets, which were subject to wider debate as a nascent political opposition is exercising its voice. Furthermore, regional consultative committees were set up in early 2012 as a mechanism for allowing participation and influence over regional investment projects. In the current context of ongoing debate around the future Constitution, there is a window of opportunity for strengthening transparency. Furthermore, there does appear to be a genuine will on the part of some in the executive and the administration to open up and provide space for a more consultative budget process. This would include a bottom-up approach to budget formulation, rather than a non-transparent top-down approach as has been the practice in the past. The creation of a joint government-civil society committee on public financial transparency is a positive sign of this. The results-based budgeting reform underway is likely to help improve transparency as it will provide for a more user-friendly budget presentation and stronger links between budgeted funds and specific public policy objectives.

This paper is structured into five main chapters. Following the introduction, chapter two provides an overview of the Tunisian budget system. It offers a detailed look at the budget process as well as revenue and expenditure allocation and assesses the current functioning of the budget system. The third chapter reviews the literature found on public budgeting in Tunisia. The fourth chapter provides an analysis of the critical issues in the context of the current constitutional/ institutional discussions on budget reform in Tunisia. The fifth and final chapter presents the main conclusions of the paper as well as some recommendations for reforms and further research that could prove useful.

² The Constitution of 1959, which is currently being revised, and the Organic Budget Law of 2004, which should eventually be subject to revision under the new constitutional framework.

2 Tunisia's Budget at a Glance

The first section of this chapter takes a brief look at the institutional framework of government and budgeting, and also describes the legal framework for public budgeting. This chapter also takes a deeper look at the budgets of the last five years in order to show key trends in the sources of revenue and budget allocation and if and how allocations have shifted over the years, particularly in response to the profound changes experienced since January 2011. This section identifies the main inertias in budget allocation in order to assess the margin of maneuver the government currently has in adjusting budget priorities in line with shifting policy priorities. Finally, it also provides a closer look at the current framework for transparency and the potential for strengthening budget transparency.

Overview of government structures and budget responsibilities

Central-level government structures. Under the system in place until 14 January 2011, the Tunisian government system and structures were largely inspired by its former colonial ruler, France. Tunisia had a presidential system of government, with a President elected for a five-year mandate. The legislature was composed of two chambers: the Chamber of Deputies and the Chamber of Councilors.³ The President and the Chamber of Deputies had the right to initiate laws with those introduced by the President having priority.

In February 2011, following the fall of the previous regime, the Chamber of Deputies and the Chamber of Councilors handed the acting President the power to govern by decree, in accordance with the Constitution.⁴ Subsequently, Decree law 2011-14 of 23 March 2011 dissolved the Chamber of Deputies and the Chamber of Councilors, as well as the Constitutional Council⁵ and the Economic and Social Council.⁶ It also provided for the temporary organization of public authorities in anticipation of the elections of October 2011.

³ The members of the Chamber of Deputies were elected through universal suffrage. Some of the Councilors were selected regionally (among the members of the local authorities or collectivités locales), one third were selected at the national level, from among professional categories: employers, farmers, and employees, from lists proposed by their respective organizations. The rest of the members of the Chamber of Councilors were appointed directly by the President. Source: Tunisian Constitution of 1959.

⁴ Inter-Parliamentary Union, IPU online accessed on 10 June 2012 http://www.ipu.org/parline-f/reports/CtrlParlementaire/1322_F.htm.

⁵ The Constitutional Council examined the constitutionality of proposed laws before their submission to the legislature.

⁶ This was an important consultative body under the Prime Minister's office; see brief description in a later section.

The Decree law of 23 March 2011 was replaced by a provisional law on the organization of Public Authorities on 10 December 2011,⁷ following the elections of October 2011 and the establishment of the National Constituent Assembly. The new provisional law, which will remain in place until the adoption of the new Constitution, strengthened the powers of the Prime Minister vis-à-vis the President. For example, the Prime Minister now presides over the Council of Ministers, a role which used to belong to the President. The Prime Minister can also create, modify, or dissolve ministries and secretariats of state and determine their powers and responsibilities after deliberation by the Council of Ministers and after informing the President of such decisions. The Prime Minister can also dissolve regional, municipal, and local councils after consulting with the President. Previously, the President had the power to appoint to senior civilian jobs, a power which now lies with the Prime Minister. While the President represents the state abroad, the President and the Prime Minister together set foreign policy.⁸

Similarly, under the old regime, the President could authorize in-year budget reallocations between ministries. Now the provisional law provides that such budget reallocations are initiated by the Prime Minister. Furthermore, although some formal legal changes have taken place, it appears that the implementation of the current legal framework has further strengthened the budget powers of the Prime Minister vis-à-vis the President. The balance of power between the two chief executives is currently very influenced by the prevailing context and the personalities involved.⁹

Sub-national government structures. At the subnational level, Tunisia has four different administrative structures: governorates, municipalities, delegations, and sectors (*imadat*).¹⁰ Since 1989, various competences were given to the governors. The Ministry of Interior is in charge of supervising local authorities, through its General Directorate of Local Authorities. The Ministry of Finance contributes to financial and budget supervision of local authorities, while

7 "Loi constituante n° 2011-6 du 16 décembre 2011, relative à l'organisation provisoire des pouvoirs publics."

8 Source : "Loi constituante n° 2011-6 du 16 décembre 2011, relative à l'organisation provisoire des pouvoirs publics."

9 The draft Constitution chapter on executive powers proposes a division of powers largely similar to that in the provisional law of December 2011. Source accessed on September 20 2012 www.marsad.tn.

10 There are 24 Governorates, 262 Delegations, 262 Municipalities, and 2,066 Sectors. UNDP 2003.

de-concentrated services of national public bodies implement regional development policies, which until the revolution were developed in the five-year plans (Nancy and Mercadié 2012).¹¹

- *The Governorate.* There are 24 governorates, which are under the administrative supervision of the Ministry of Interior and Local Development. The governor is appointed by the President and is the representative of the national government at the regional level. The governor also represents the governorate, which is a de-concentrated unit of the Ministry of the Interior. Regional administrative power rests with the governor and covers areas such as public works (roads, public lighting), health, and public security. The Regional Council is a regional consultative body. Two thirds of its members are appointed by the governor and one third are elected (United Nations Development Program (UNDP) 2003). The Regional Councils examine matters related to economic, social, and cultural development in the governorate and give their opinion on programs and projects which the national government plans for their respective governorates. They also adopt the budget of the governorate (Nancy and Mercadié 2012).
- *The Municipality.* Governorates are subdivided into 264 municipalities. The municipality is headed by a mayor who is elected from among town councilors for a mandate of five years.¹² The mayor chairs the municipal council, which is the municipal legislative body.¹³ The councilors are elected locally and the number of councilors is proportionate to the population.¹⁴ The mayor has responsibility for municipal planning, public security, traffic, and environmental management, as well as the issuing of permissions to build and occupy public territory. The municipal council drafts the municipal development

11 For municipalities, financial oversight by both the Ministry of Interior and the Ministry of Finance concerns the municipalities whose budget exceeds 4 Million DT. According to the PEFA (2010) this concerned 21 municipalities, representing 68 percent of total municipal budgets (PEFA 2010).

12 The Mayor of Tunis is appointed by decree from among the members of the local municipal council.

13 Current municipal councils and mayors were appointed by the government in a move to oust previous administrations loyal to the previous ruling party, the RCD.

14 In order to break with the past, all municipal councils were dissolved after January 2011, and in anticipation of new elections under the new constitutional order, temporary municipal councils were appointed by the governors. Source : Leaders.com 10 March 2011, accessed 1 November 2012. "Dissolution des Conseils municipaux: les raisons et les modalités de désignation des délégations spéciales." <http://www.leaders.com.tn/article/dissolution-des-conseils-municipaux-les-raisons-et-les-modalites-de-designation-des-delegations-speciales?id=4426>.

plan, levies municipal taxes, and votes on the budget. The council also gives advice on economic, social, and cultural matters and must be consulted on all public investment projects to be implemented within its territory. The council's advice is nevertheless not binding for the central government (UNDP 2003).

- *The Delegation*, which is under the authority of the governor, is headed by a delegate. There are 264 delegations in Tunisia. The delegates represent the central government. They act on behalf of and under the supervision of the governor. The governor can delegate specific responsibilities, but this is subject to the approval of the Minister of Interior and such delegation of responsibilities is only temporary. The delegates are in charge of the coordination and oversight of local services of the public administration (UNDP 2003). The delegate also chairs the local development committee.
- *The Imada*, or Sector, is headed by the Omda, who is appointed by the governor. There are currently 2,073 imadas in Tunisia. The Omda collaborates with the administration under the authority of the delegate.

Between 1989 and 1994, three consultative entities were created as support to governors, delegates, and heads of sectors (Omdas), local development councils, rural councils, and district committees.

- *Local Development Councils* (LDCs) are consultative bodies which exist in every delegation. They are chaired by the delegate and composed of the local mayors and heads of rural councils, heads of sectors, and representatives of public entities in the delegation. The LDCs give advice on local development programs and projects, propose priorities, elaborate and execute property programs and environment protection programs, participate in the elaboration of regional development plans, present periodical reports, propositions, and recommendations to the Governor.
- *Rural Councils* (RCs) exist in rural areas and provide advice on economic, social, cultural, and educational issues.

- *District Committees* (DCs) are independent structures which assist district authorities in the field of health care, public property, and environmental protection. They also organize cultural, sports, entertainment, and volunteering activities (UNDP 2003).

Subnational finances and budget preparation. The budgets of local authorities are financed by local taxes (property taxes, taxes on industrial and commercial activities, taxes on markets, hotel tax, tax on public performances¹⁵) non-fiscal revenue (rents, services, etc.), and transfers and borrowing (Public Expenditure and Financial Accountability [PEFA] 2010). Transfers to local authorities are carried out through the Common Fund for Local Authorities (*Fonds Commun des Collectivités Locales, FCCL*¹⁶). According to the FCCL law¹⁷ 82 percent of its resources¹⁸ are transferred to municipalities (who get 86 percent of the funds transferred) and regional councils (who get 14 percent). The remaining 18 percent is kept as fund reserves¹⁹ (PEFA 2010).²⁰

Local authority budgets are structured much the same way as the national budget (see the next section), and the budget of each local authority is prepared by its president (i.e. governors, mayors) before the end of May each year. The local budget is then examined by a committee and voted by the local council during its third mandatory yearly session. The budget is subsequently submitted to the supervisory authority²¹ no later than 31 October for approval. In case the budget is not submitted to the supervisory authority, and following one notification, the supervisory authority itself establishes the budget. The supervisory authority can refuse or

15 Law on local taxation. Loi n° 97-11 du 3 février 1997, portant promulgation du code de la fiscalité locale.

16 The FCCL was created in 1975 as part of administrative reform designed to increase the revenue and capabilities of municipalities (Vengroff and Ben Salem 1992).

17 Loi 75-36 du 14 mai 1975.

18 The FCCL was initially funded through levies on various national taxes, but since 1988 it is funded through the national budget (Vengroff and Ben Salem 1992).

19 The distribution of the reserve is done through decree each year and benefits: the Local Authority Loans and Support Fund; the Municipality of Tunis; the Regional Council of Tunis and municipalities where governorates are seated (PEFA 2010).

20 Tunisia's 264 municipalities are divided into three categories according to their level of financial autonomy. Category 1 covers 144 municipalities that have the means to cover the full share of self-financing of investment projects (i.e. 1/3, the rest being covered by the State and by the Caisse des Prêts et de Soutien des Collectivités Locales (CPSCL), Tunisia's municipal development fund). Category 2 municipalities are the ones able to cover 10 percent of self-financing of investment projects (about 49 municipalities), while Category 3 includes those municipalities whose investment projects are covered entirely by the state. Municipal resources come from direct taxes, indirect taxes, revenues from services rendered, income from the municipal domain, and transfers from the national government (Nancy and Mercadié 2012).

21 The supervisory authority in the case of governorates is the Ministry of the Interior, and for municipalities it is the governorate.

reduce expenditures in the budgets of local authorities, but it cannot increase or introduce new ones.²²

The Budget System, Institutions, and Processes

The Legal framework

The Constitution lays out the general legal framework of the budget and provides a broad description of the process and the roles of various actors and decision making points in the budget process.²³ The Tunisian budget system is inspired by the French system, and the different stages of the budget process are described in detail in the Organic Budget Law (OBL) of 2004, which modernized budget management and introduced the idea of budget management based on objectives and results.

The 2004 organic budget law provides a detailed description of the rules and procedures governing the budget cycle. It describes, under Title I, the various resources and expenditures of the state and their organization in different categories. The law also describes how allocations are made and assigned. The budget law furthermore outlines the rules regulating the finances of public enterprises and describes the modalities of the special treasury funds. Title II and III of the organic budget law describe the budget formulation process, legislative review and approval of the proposed budget, the execution of the budget, and budget reporting and government discharge.

With the 2004 Organic Budget Law, the government launched a reform to introduce results-based budgeting. Intended to replace the focus on inputs with a focus on objectives and results, the reform seeks to enhance efficiency of public policy in terms of socio-economic impact.

Under this new system, the budget will include indicators to track results and hold heads of

22 In case the local authority has omitted fully covering a mandatory expense in its budget, the supervisory authority will include it in the local authority's budget before approval. Organic law n° 2007-65 of 18 December 2007, which modifies and completes modifiant et complétant law n° 75-35 of 14 May 1975 concerning the organic budget law of public local authorities. Art. 19.

23 The Constitution of 1959 refers to the budget in terms of the respective roles of the legislature and the Executive in the budget process. It specifies that the draft budget law has to be submitted to the legislature for debate and adoption of the new budget law. If the budget law has not been adopted by the legislature by 31 December, the draft budget law can be activated by decree and funds released in quarterly tranches. The Constitution also specifies that members of the legislature cannot propose laws which aim to reduce public resources or increase charges or create new expenditures.

program accountable, not only for the use of public funds but also for the results obtained through their activities. Parliamentary oversight and audit control would look at performance as well as financial compliance (World Bank 2007). This reform was also intended to enhance transparency by making an explicit link between budgeted funds and objectives of public policy, making it easier for citizens to understand the use of public funds.

The Institutional framework

Prime Minister's Office

The Prime Minister's office is involved in the process of internal control of public finances.

- **The General Directorate for Public Expenditure.** Decree 89-1999 of 1989 (modified in 1994 and 1998) organized the public expenditure control function and instituted the requirement of prior approval of all spending from the national budget, the budgets of public enterprises, the special treasury funds, and the budgets of subnational authorities. In order to approve any spending item, the control service examines the objective of the spending, availability of credits, the application of relevant laws, and the compliance of the spending item with the budget. The internal control function linked to the Prime Minister's office also has de-concentrated offices in each governorate.²⁴

Ministry of Finance

The Ministry of Finance plays a key role throughout the budget cycle, as the coordinator and driver of the process.

The main relevant directorates of the Ministry of Finance can be divided into six categories:

- Studies and projections: Studies and fiscal legislation (DGELF), economic conditions, studies, and monitoring of financial reforms (CCEESRF);
- Budget and resources: Resources and equilibrium (DGRE), the General Committee for Budget Administration (CGABE), General Directorate of Synthesis and Analysis of Expenditures and Public Remuneration (DGSADRP) and Results-based budgeting (GBO);

²⁴ Source website of the Prime Minister's Office: <http://www.pm.gov.tn/pm/article/article.php?id=8&lang=fr>.

- Fiscal affairs: Taxes (DGI), tax, and financial benefits (DGAFF);
- Public debt: Management of the public debt and financial cooperation (DGGDPCF);
- Credit and financing: Financing (DGF); and
- Audit, accounting, and control: General Financial Control (CGF), Audit and monitoring of big projects (DGASGP), Public accounting and collection (DGCPR).

There are four Ministry Directorates with specific responsibilities linked with the budget:

- The General Committee for the Administration of the Budget (CGABE) is in charge of preparing the national budget and the budgets of public entities, and contributing to the budget law and the budget discharge law as well as elaborating reports on budget execution. Administrators within the CGABE hold discussions and negotiate with sector ministry staff throughout the process of developing their budgets.
- The General Directorate for DGRE contributes to the elaboration of the government's economic and financial policy. It produces budget revenue projections and monitors the evolution of revenues and expenditures with an eye to ensuring the overall balance of public finances, and also drafts budget execution monitoring reports.
- The General Directorate for DGSADRP monitors and analyzes the evolution of budget spending overall and according to sector and region. It also prepares expenditure projections and contributes to the elaboration of projections for development plans.
- The Directorate for GBO is in charge of promoting and coordinating the advancement of the reform within the ministry and in the pilot ministries.

The professionalism and technical competence of ministry staff is widely recognized (PEFA 2010), and the system of centralized oversight over public spending and public finances in general help ensure competent and responsible management of public funds. Nevertheless, according to several accounts, the system of controls is also quite constraining and not always

effective. Moreover, the merits of this system do not resolve another important question related to the lack of public means and ways for oversight and participation during the process.

Sector ministries

Executing units within each sector ministry establish yearly budget estimates for their respective services. These are aggregated within General Directorates in each ministry, which then submit them to the Ministry of Finance. These General Directorates then remain in close contact with corresponding administrators in the directorate in the Ministry of Finance (the CGABE) and negotiate with them directly on overall spending limits and specific line item limits. Each sector ministry also has a central unit which monitors and controls the execution of the sector budget. However, the role of these units is now secondary, as operational control of expenditure is done at the regional level by a financial controller, which is administratively attached to the Prime Minister's office.

Parliamentary Finance Committee

According to the Organic Budget Law, parliamentary amendments to the proposed budget law can only originate from this committee, not the full Assembly. The Finance Committee considers the government's budget proposal and makes propositions for amendments to the plenary. According to Article 30 of the Organic Budget Law, no additional article or amendment can be presented which would eliminate or reduce expenditures or create or increase revenue. Any proposal for new expenditures must be accompanied by a proposal for raising the corresponding revenue or saving the same amount through savings on the overall amount of expenditures.

Previously, the Chamber of Deputies had a Research and Documentation Bureau for technical support and advice on specific issues, such as the budget. The bureau was dissolved along with the previous legislature. While the members of the Finance Committee do have access to advisors, they also call on outside experts for advice and assistance on technical matters.

Court of Accounts (Cour des Comptes)

The Court of Accounts is a judiciary body attached to the Prime Minister's office. It examines and emits an opinion on the accounts and management of the central government, local

authorities, and public enterprises. The court performs legal compliance auditing and looks at the public management of the agencies under its supervision, and the extent to which they comply with the principles of economy, efficiency and effectiveness of public acts and interventions. The Court of Accounts and the Court of Financial Discipline, which is part of the Court of Accounts, perform the external control of public finances, although the court's independence is questionable at best. The Court of Financial Discipline also serves as a judicial body, judging any infringements of the budget code. The regional chambers of the Court of Accounts are created by decree and exercise the same functions as the Court vis-à-vis the regional and local administrative authorities and public enterprises.

The mandate of the Court of Accounts was strengthened by a 2008 law²⁵ which extends its mandate to cover control of all agencies in which the state has a financial stake, as well as of control and assessment of public subsidies and tax exonerations. The law also introduces the possibility for the Court of Accounts to assess the results of such public assistance, and to consider the soundness of economic and sustainable management, thus opening the way for the court to undertake performance audits necessary in the context of results-based budgeting (PEFA 2010).²⁶

While the Court of Accounts is recognized as a technically competent body and as performing high quality auditing (IMF 2001), under the previous regime it was rather toothless and its audit reports were never made public. Furthermore, in terms of the court's broadened mandate to audit any projects or programs, it has for instance never audited the all-important National Solidarity Fund 2626,²⁷ a fund created in 1992 to fight poverty.²⁸ One magistrate of the court

²⁵ Loi n° 68-8 du 8 mars 1968, portant organisation de la Cour des Comptes telle qu'elle a été modifiée et complétée par la loi n° 70-17 du 20 avril 1970, la loi organique n° 90-82 du 29 octobre 1990, la loi organique n° 2001-75 du 17 juillet 2001 et par la loi organique n° 2008-3 du 29 janvier 2008.

²⁶ A reform aimed at introducing results-based budgeting was started in 2004, with the adoption of the new organic budget law.

²⁷ Source : Webmanagercenter.com 12 January 2012. "Tunisie : Fayçal Derbal, «Dans ce contexte particulier, on s'attendait à une loi des finances particulière»"

<http://www.webmanagercenter.com/magazine/idees-et-debats/2012/01/12/114766/tunisie-faycal-derbal-dans-ce-contexte-particulier-on-s-attendait-a-une-loi-des-finances-particuliere>.

²⁸ The FSN, a national fund created in 1992 aimed for public investments in projects and programs to reduce poverty. This fund was financed by contributions from ordinary citizens and companies. The funds were paid directly to the presidency and the activities financed by the fund were decided directly by the President. Source: Budget law for the year 1993: loi 92-122 of 29 December 1992. Despite the poverty-reducing official objective of the fund, many have questioned its true intentions and effects. The "voluntary" contributions funding it were first of all not entirely voluntary and the fund was characterized by significant opacity and lack of accountability as it largely escaped any control and evaluation.

expressed the great frustration felt due to the fact that their reports were produced but never rendered public during the previous regime and thus had no real impact.²⁹ Furthermore, its political independence is questionable. While the court organizes itself autonomously, it is not institutionally independent from the executive branch (IMF 2001). Its members are appointed by presidential decree and it is administratively attached to the Prime Minister's office. Nevertheless, the Court of Accounts is seen by some as having been 'liberated' by the revolution and as having greater potential for an enhanced oversight role in the current context. One positive result of the current context of reform and renewal is that the court's reports are now publicly available on its website.³⁰

Economic and Social Council

Created in 1961, this consultative council was a constitutional body administratively attached to the Prime Minister's office. According to its Organic Law of 1988, the council membership was increased to 117 members, representing civil society and the regions.³¹ The council had to be consulted before the approval of any law concerning economic and social issues and the government and legislature could also consult it on other proposed laws. It would thus emit its opinion on draft laws presented to it by the government. The council itself could also independently examine economic and social issues and submit its opinion and recommendations for reform to the President.³² The council contributed to the modification of many laws before their adoption and was the only consultative body with any impact on the law-making process. It was dissolved by the aforementioned decree law of 23 March 2011, which provided for the temporary reorganization of public authorities following the fall of the previous regime. While there are differing opinions as to the merits of the council as previously structured, it may have been a mistake to dismiss it completely, as such a broad-based

Source: Béatrice Hibou, *La force de l'obéissance. Économie politique de la répression en Tunisie*, éd. La Découverte, Paris, 2006. After 2011, this fund was transferred from the presidency to the Ministry of Social Affairs.

29 "Contrôle budgétaire dans un contexte de budgétisation axée sur les résultats." Presentation by Mr. Houcine Benhadj Messaoud, Court judge, during a civil society initiated conference on budget transparency in Tunis on 9 June 2012.

30 <http://www.courdescomptes.nat.tn/>.

31 Twenty-six members from professional organizations, 19 members from national organizations, associations, and independent professionals; 24 members representing each of the regions, 18 members representing public enterprises, and 30 "qualified persons.":

32 Source: webpage of the Prime Minister's office accessed on 10 June 2012. <http://www.pm.gov.tn/pm/article/article.php?id=82&lang=fr>.

consultative, expert body, if improved, could provide important advisory support to the legislature.

The draft of the new Constitution (art. 126) provides for the establishment of a new body: the Body for Sustainable Development and the Rights of Future Generations. This body must be consulted on all draft laws concerning economic, social, and environmental issues, as well as on development plans. This could potentially be a replacement of the Economic and Social Council, but it is unclear exactly who will be on this body, how they will be appointed, and the extent of their mandate.

Haut Comité du Contrôle Administratif et Financier

The High Committee for Administrative and Financial Control was created in 1993 and is administratively attached to the presidency. It coordinates the interventions of the various control entities, summarizes the results of controls, and follows up on the implementation of the recommendations of the control exercises. The heads of the various control agencies attend the monthly meetings of the executive board of the High Committee. The committee board was strengthened from 2007 by the addition of a representative from the Court of Accounts.

The budget process

Budget formulation

The Organic Budget Law of 2004, which is still in effect, outlines the procedures and process for preparing the annual budget law. The fiscal year starts on 1 January and ends on 31 December every year. The public budget is divided into three categories: Title I expenditures, which include recurrent spending of the state and public debt interest payments,³³ Title II expenditures, which include capital spending and reimbursement of the public debt,³⁴ and spending of treasury funds. The state's resources include ordinary fiscal and non-fiscal revenue

³³ Title I expenditures are further subdivided into public salaries (1st part), service resources (*moyens des services*) (2nd part), public interventions (3rd part), unforeseen running costs (4th part), and public debt interest payments (5th part).

³⁴ Title II expenditures include the following categories: direct investments (6th part); public funding (7th part), unforeseen capital expenditures (8th part); capital expenditures on external borrowing (*sur ressources extérieures affectées*) (9th part); and reimbursement of public debt principal (10th part).

under Title I,³⁵ extraordinary revenue and borrowing under Title II,³⁶ and resources under the Treasury fund.

Each budget cycle starts with a framing letter (*lettre de cadrage*) sent from the Prime Minister's office to heads of units within the sector ministries and all other public entities instructing them to establish annual estimates for the expenditures of their respective units.³⁷ The letter is generally a three to four - page document summarizing the government's development plan, within the context of which the sector budget is to be developed. The estimates developed by ministry spending units are aggregated at subministry level, at general directorates, and then submitted to the Ministry of Finance before the end of May of the year prior to the budget year in question. These general directorates are then in close contact with corresponding structures at the Ministry of Finance (the CGABE), and negotiate specific programs and spending proposals directly with them.

The Ministry of Finance studies the expenditure estimates and adds the revenue estimates in order to elaborate the budget law. The proposed budget law is then discussed by the Council of Ministers, which elaborates a draft version of the budget proposal. The draft budget proposal is then approved by the President before being submitted to the legislature.³⁸ According to the draft version of the new Constitution (Art. 61),³⁹ which has yet to be voted on, this role will be given to the Prime Minister who, in accordance with the 2011 law organizing the provisional government, also presides over the Council of Ministers.

In the past, this process was entirely closed off to the public, with little opportunity to influence the budget proposal. Starting with the 2012 supplementary budget, the process appears to have become somewhat more open. Regional Development Consultative Committees were set

35 Title I resources include: direct ordinary taxes (1st category); ordinary indirect taxes and levies (2nd category); ordinary financial revenue (3rd category); and ordinary revenue from the State's resources (4th category).

36 Title II resources include: recovery of reimbursement of loan principal (5th category); other exceptional revenue (6th category); resources from domestic borrowing (7th category); and resources from external borrowing (8th category).

37 In the context of the RBB reform, as of 2012, the executive has developed a performance circular providing instructions for the preparation of the budget for 2013. This circular has been sent out to all ministries but is mandatory only for the pilot ministries, whereas the others may use the framework letter (*lettre de cadrage*) for budget preparation. For the non-RBB ministries, the performance circular thus serves to inform and introduce them to RBB practices.

38 According to the Organic Budget law of 2004.

39 Draft Constitution of 1 June 2013.

up in early 2012 with the objective of proposing development projects and programs according to local priorities.⁴⁰ The Ministry of Regional Development consults with all regions through these mechanisms. Nevertheless, the final selection and prioritization of development projects is still done at the central level, and the modalities and criteria for prioritization and final selection of development projects is not entirely clear. Furthermore, there is yet an insufficient element of citizen participation and knowledge of the draft budget law before its parliamentary approval.

The existence of access-to-information legislation along with some recent moves toward greater budget transparency (which will be discussed further on in this text) does nevertheless provide an incipient framework for civil society to get involved and to demand information and greater accountability.

Budget approval

The draft budget law is then submitted to the legislature (previously the Chamber of Deputies and the Chamber of Councilors). According to the Organic Budget law, this should be done no later than 25 October⁴¹ of the year prior to the budget year in question.⁴² Previously, the Chamber of Deputies had a maximum of six weeks to examine the draft budget law. Following the adoption of the draft budget law by the Chamber of Deputies, its president informed the President of the Republic and the President of the Chamber of Councilors that the draft budget law had been adopted. The Chamber of Councilors then had a maximum of 10 days to examine the draft budget law. If the Chamber of Councilors did not adopt the proposed law after its examination, the President of the Chamber of Deputies would then submit the proposed law to the President of the Republic for enactment of the law, no later than 31 December.

The Organic Budget law of 2004 does not address the issue of amendments to the draft budget law by the Chamber of Deputies, but only introduces the issue in the context of the Chamber of

40 These committees were created by Ministry of Interior circular No. 1 of January 2012.

41 According to the draft Constitution (version of 1 June 2013), the budget should in future be submitted no later than 31 October and should be adopted by 20 December, thus somewhat shortening the time for legislative scrutiny.

42 Supporting documents submitted to the legislature along with the budget include: a report on the budget in the context of the overall economic and financial situation, including an analysis of the evolution of the different revenues and expenditures; explanatory notes accompanying each chapter of expenditures; and any other document which could assist the legislature in analyzing the budget law.

Councilors. If the Chamber of Councilors introduced amendments to the draft budget law, its president would immediately submit the revised draft budget law to the President and inform the president of the Chamber of Deputies. In this case, a bicameral commission would be set up. Its composition would be proposed by the executive to discuss the proposed amendments for a maximum of three days in order to draft a text which could be agreed on by both chambers and approved by the executive to resolve the points on which the two chambers were previously in disagreement. The resulting text would subsequently be subject to a definitive vote by the Chamber of Deputies. The president of the Chamber of Deputies would then submit the proposed budget law to the President, either in the previous version adopted by the Chamber of Deputies, without subsequent amendments, or in the amended version if that version was adopted by the Chamber of Deputies. If the bicameral commission could not agree on a common text in the time frame provided, the president of the Chamber of Deputies would submit to the President the original draft budget law voted by the Chamber of Deputies for enactment no later than 31 December (OBL Art. 28).

According to the 2011 law⁴³ organizing the provisional government, if the budget law is not adopted by 31 December, the President can release the draft budget for execution in three-month tranches. According to the draft Constitution of 1 June 2013, this responsibility will fall on the Prime Minister.

Furthermore, concerning possible amendments to the budget, Article 30 of the Organic Budget Law states that no additional article or amendment can be presented which would eliminate or reduce expenditures or create or increase revenue. Any proposal for new expenditures must be accompanied by a proposal for raising the corresponding revenue or to reduce spending by the same amount. These rules also applied to any modifications of proposed laws under consideration by the legislature.

The legislature's powers of amendment were therefore very limited under the old system. The law only refers to the rules for amendments introduced by the Chamber of Councilors and

⁴³ Loi constitutive n° 2011-6 du 16 décembre 2011.

clearly states the limits of these powers and the prerogative of the executive to approve proposals for amendments as well as the ultimate powers of the President to enact the original executive draft budget law in case the legislature could not agree on a text approved by the government. While the same rules are still in effect, they should eventually be subject to revision and amendment once a new organic budget law can be developed.

In practice, the application of legislative amendment rules has now shifted to some extent, as the legislature as well as the executive are adapting to a new reality. Legislative powers to amend the draft budget are exercised by the legislative Finance Committee. In case of a proposed amendment, the commission decides — after close consultation with the Ministry of Finance — how to take such a proposal into account.

The budget law is voted as an ordinary law, with a few qualifications: expenditures are subject to a vote by chapter and by section for the state budget; revenue projections are voted by title; resources in the special treasury funds are voted by each line item within the treasury fund; and for public enterprises, all revenues and expenditures are voted by chapter. The budget law in its entirety is then voted in a final overall vote.⁴⁴

Budget execution

The allocation of expenditures within Title I and II of the budget (recurrent and capital spending respectively) are operated by decree. Such decrees cannot alter budget appropriations. In terms of recurrent spending, the allocation of funds is set by the Minister of Finance. The allocation of funds by subparagraphs is set by the head of unit. In terms of capital spending, budget appropriations by paragraph and subparagraph are determined by the Minister of Finance, while the allocation of budget commitments by paragraph and subparagraph is determined by the head of unit.⁴⁵

The allocation of funds for recurrent spending within public enterprises by article or by article and paragraph is generally determined by the supervising authority. This depends on the share

⁴⁴ Organic budget law of 2004 Art. 29.

⁴⁵ Organic budget law of 2004 Art 31 and 32.

of recurrent expenditures covered by the own revenues of the public enterprise itself. In terms of capital spending by public enterprises, allocation of funds by paragraph and subparagraph is determined by the Minister of Finance. Public enterprise revenues are allocated by article by the supervising authority.⁴⁶

According to the organic budget law, funds may be reallocated during execution of the budget from one ministry to another by decree when made necessary by government or administrative reform; as long as this does not modify the nature of the expenditure and the overall appropriations of funds by article (OBL Art. 35).

Funds may be transferred from one part to another inside section 1 (recurrent spending) and 3 (capital spending) of each ministry, up to a maximum of 2 percent of the funds allocated to each part. However, no re-allocation may be made to the part destined for public sector remuneration. Funds may be transferred between articles inside the same part of the same ministry. All the above-mentioned reallocations are authorized by decree (OBL Art. 36), making sizable transfers possible without legislative oversight. Interviews have confirmed the perception that transfers of budgeted funds within and between ministries is quite easy, allowing for substantial flexibility for the executive in reallocating funds without legislative oversight. Nevertheless, at the agency level, interviews have revealed significant difficulties in transferring funds between programs in order to respond to specific needs or unforeseen events at the subnational and agency level. This often produces negative effects such as improvised and wasteful spending at the end of the budget year in order to use up budget credits, while other, important spending needs go unmet.

Internal control. On paper, a well-developed system of internal and external control of public finances has been put into place. The reports produced by the numerous bodies performing internal control and auditing functions are overseen and coordinated by the High Committee for Administrative and Financial Control. This committee, created in 1993, is a dependency of the presidency and it coordinates the interventions of the various control entities, summarizes

⁴⁶ Organic budget law Art. 33.

the results of controls, and follows up on the implementation of the recommendations of the control exercises (PEFA 2010; Ministry of Finance portail.finances.gov.tn). The General Financial Control Directorate (CGF) within the Ministry of Finance carries out internal control within all public entities, including ministries, public enterprises, and local authorities. The CGF is also under the oversight of the High Committee. Furthermore, the General Directorate for Public Expenditure under the Prime Minister's office carries out decentralized operational control and monitoring of expenditure execution of all the administrations at the regional level. Interviews with several public servants have indicated that the internal control system as currently set up provides extensive and sometimes overlapping controls which are constraining, but not sufficiently effective.

External control. The Court of Accounts exercises administrative and financial control over public accounts and management, examining government accounts and the financial management of public entities. The public sector authorizing officers transmit — at dates determined by decree — the situation of the public accounts to the court for its review. Based on these regular account submissions, the court prepares its annual report on the public accounts, which gives an overview of results and observations as well as any recommendations for reform the court may consider necessary. The annual reports on budget execution elaborated by the Audit Court are submitted to the President and the legislature, and a summary of the reports are previously published in the official journal. Previously, the President could order that such reports be made publicly available in full. Since 2011 they are publicly available on the website of the Court of Accounts.⁴⁷ The Court of Accounts also prepares a report on the proposed budget discharge law. This report is submitted along with the proposed discharge law to the parliament for its review and approval.

The annual budget discharge law lays out the final details of budget execution and cancels unused appropriations. The law is prepared by the Ministry of Finance, based on the accounts provided by sector ministries and other public agencies, as well as on the accounts prepared by public accountants, after their review by the Court of Accounts. The law provides expenditure

⁴⁷ <http://www.courdescomptes.nat.tn/>.

tables showing the initial budget appropriations, and new authorizations and payment orders. This information is categorized by chapter, part and article. Tables showing budget revenues with initial estimates as well as modifications and collection figures are broken down by chapter and by article. Lastly, a comparison of the overall revenue and expenditure estimates and in-year modifications with the actual budget implementation for all public entities and special treasury funds is included. The Budget discharge law is voted on by the legislature under the same rules as the budget law.⁴⁸ So far the annual discharge law has not had much effect as it has generally been approved with a two-year delay. So, for instance the discharge law pertaining to the budget of 2009 was finally approved in 2011, practically rendering it meaningless in terms of the opportunity to provide lessons about the prior budget cycle to feed into the next.

According to instructions released by the Ministry of Finance in 2012 regarding the requirement to publish all budget-related documents, the draft budget discharge law for the previous budget exercise (N-1) should in the future be presented along with the draft budget law for the following year (N+1). This, according to the ministry instructions, should start in 2013 so that the draft budget discharge law for the year 2012 should be presented to the legislature along with the draft budget law for 2014. However, as mentioned above, the draft budget discharge law has to be presented along with a report on the draft law by the Court of Accounts. It is unclear if these instructions have been discussed with the Court of Accounts and whether it is also working according to the same agenda. Discussions with one ministry official seemed to indicate these details have not yet been entirely clarified.

A move towards results-based budgeting

Tunisia began experimenting with results-based management in the 1990s. In 2003, a Results-Based Budgeting Unit was created within the Ministry of Finance and in 2004, the new Organic Budget Law introduced the possibility of allocating funds by program and mission. RBB units were established in five pilot ministries from 2007: the Ministries of Agriculture, Health, Higher Education, Education, and Employment, and RBB experiments were launched within those

⁴⁸ Organic budget law Art. 45 – 48.

ministries. A ministerial monitoring committee, composed of 15 sector ministers, was also created to follow up on the pilot experiences and the overall progress of the reform. As of January 2013, the pilot ministries were expected to start to execute the budget according to the RBB management model. Full generalization of the RBB reform is eventually expected for the whole public sector.

The pilot ministries have undertaken very significant reform efforts, having reclassified their activities into programs with specific goals and performance indicators and developed ministry results-based budgets. These RBB budgets are now presented to the legislature along with the budget in its classical version. According to interviews with key staff in pilot ministries,⁴⁹ the presentation of RBB budgets to the legislature has been met with positive reactions, as members of the legislature have reportedly found the RBB budget significantly easier to read, making for easier linkage between spending and policy objectives.

The RBB reform is a key long-term reform of the fundamental modalities of public finance management. The reform is advancing well and more and more ministries are starting to adapt to the reform. As of 2012, nine more ministries entered the pilot phase. As of 2012, the executive has developed a performance circular providing instructions for the preparation of the budget for 2013. This circular has been sent out to all ministries but is mandatory only for the pilot ministries, whereas the others may use the framework letter (*lettre de cadrage*) for budget preparation. For the non-RBB ministries, the performance circular thus serves to inform and introduce them to RBB practices. According to ministry staff interviewed, as of 2012 they will also start presenting the performance report on the previous closed budget exercise along with their RBB budget proposal. This way the 2011 performance report would be presented along with the RBB budget proposal in 2012.

In order to move entirely into the RBB management mode, it will be necessary to reform and adapt further in certain areas such the budget nomenclature, information systems, public accounting, and the system of internal and external controls, among others. Plans for reform in

⁴⁹ Interviews at the Ministry of Agriculture and the Ministry of Higher Education.

these areas are underway. The adaptation to the reform has been gradual, accompanied by concerted efforts to inform and train staff at all levels, at the center as well as in the regions, to develop their skills in managing a results-based budget and also to ensure buy-in at all levels and minimize resistance. At the moment, in the absence of changes to the legislation, a framework of exceptions to specific rules, and simplification of administrative procedures has been established for the pilot ministries who were to embark on budget execution according to RBB rules as of 2013.

Once the reform takes effect, this should contribute substantially to improving clarity and consistency of budget documents, which should help facilitate holding the government to account. Most of those interviewed identified the RBB reform as the most significant means of promoting budget transparency, and transparency in the public administration in general. In fact, the main objectives of this reform concern the establishment of a better system of governance. This system is based on the responsibility of all stakeholders and transparency of public accounts as well as a solid anchoring of the budget process in a democratic framework. The ultimate goal is thus to arrive at a new system of public financial governance (Bouvier and Esclassan 2011). Therefore, facilitating the reforms and adaptations that will sustain the RBB reform and help institutionalize a new culture of objectives and performance is also critical to overall public administration transparency.

The budget in numbers

Tunisian public finances have generally been characterized by a great measure of stability and overall sound management. As Table 1 reveals, tax revenue increased steadily between 2008 and 2013, while the budget deficit was kept low, at or under 3 percent of GDP until 2010. However, the prevailing climate of instability and uncertainty since January 2011 has changed the outlook for Tunisia's public finances. In 2011, the budget deficit increased dramatically to 3.6 percent and to 5 percent in 2012. The projected figure for 2013 was 5.9 percent. This is also having an effect on outstanding public debt which increased from just over 40 percent of GDP in 2010 to almost 45 percent in 2011. It dropped slightly to just under 44 percent in 2012 with an increase to nearly 47 percent projected for 2013.⁵⁰

⁵⁰ Ministry of Finance: "Résultats provisoires de l'Exécution du Budget de l'Etat à fin Octobre 2012."

This unfavorable evolution of the budget balance over the recent past significantly reduces the government's margin of maneuver at a time of growing social demands and a desperate need for interventions aiming to reduce high and increasing unemployment. Subsidies continue to weigh heavily on public finances, having increased by over 140 percent between 2010 and 2012, and by a further 16 percent in the 2013 budget.

Table 1: Budget balance 2008 – 2013* in million Tunisian Dinars (TD)								
	2008	2009	2010	2011	2012	2013 Budget	Percentage change	
							2012/ 2011	2013/ 2012
Own resources and grants	13,714.2	13,762.0	14,822.5	16,620.0	18,562.5	19,975.0	11.7	7.8
Tax revenue	11,330.9	11,685.2	12,698.7	13,667.8	15,037.8	16,650.0	10.0	10.7
Non-tax revenue	2,383.3	2,076.8	2,123.8	2,952.2	3,524.7	3,325.0	19.4	-5.7
Borrowing and treasury deposits	2,354.2	3,653.8	3,085.2	4,130.3	4,724.7	6,817.0	14.4	44.3
Total resources	16,068.4	17,416.7	17,907.7	20,750.3	23,287.2	26,792.0	12.2	15.1
Expenditures and net lending	13,934.4	15,354.4	15,443.6	18,333.4	20,436.0	23,932.0	11.5	17.1
Operating budget (excl subsidies)	7,228.3	7,935.0	8,501.2	9,601.6	11,020.2	12,772.0	20.6	10.3
Subsidies	2,036.0	1,430.0	1,500.0	2,869.2	3,624.1	4,200.0	26.3	15.9
Interest payments	1,142.5	1,180.0	1,152.0	1,190.1	1,267.6	1,360.0	6.5	7.3
Capital spending	3,315.0	4,013.6	4,326.1	4,729.4	4,768.4	5,500.0	0.8	15.3
Net lending	212.5	795.8	-35.7	-88.7	-244.3	100.0		
Payment of loan principal	2,134.1	2,062.3	2,464.1	2,416.9	2,851.2	2,860.0	18.0	0.3
Total expenditures	16,068.4	17,416.7	17,907.7	20,750.3	23,287.2	26,792.0	12.2	15.1
Budget deficit (excl privatization and grants)	-558.5	-1,770.0	-675.2	-2,303.9	-3,611.8	-4,657.0		
Deficit as share of GDP	-1.0%	-3.0%	-1.1%	-3.6%	-5.0%	-5.9		
Financing								
Privatization and grants	338.4	177.6	54.1	590.5	1,738.3	700.0		
Net domestic financing	89.2	1,618.2	851.0	1,313.4	553.2	495.0		
Net external financing	130.9	-25.8	-230.1	400.0	1,320.3	2,462.0		

Source : Ministry of Finance : "Résultats de l'exécution du Budget de l'Etat pour l'année 2010."

Ministry of Finance: "Résultats provisoires de l'Exécution du Budget de l'Etat à fin 2011 et Janvier 2012."

Ministry of Finance: "Résultats provisoires de l'Exécution du Budget de l'Etat à fin Octobre 2012."

Ministry of Finance: "Résultats provisoires de l'Exécution du Budget de l'Etat à fin 2012 et Avril 2013."

*Figures for 2013 reflect the 2013 budget

Budget expenditure allocation and evolution over the recent past

In terms of sector appropriations, budget expenditure allocations have remained largely stable since 2011 (see Table 2). One notable exception is the significant increase in allocations to the Ministry of Employment, from less than 0.5 percent of total allocations in 2010, to over 3 percent in the 2012 and 2013 budgets. This is in response to a growing recognition of the unemployment problem particularly as it touches youth, and increasingly, the educated youth. The unemployment problem was at the forefront of policy concerns even before the revolution, but since January 2011, it has become a national emergency which the current government is struggling to deal with. In terms of other changes, allocations to education, higher education, and health all decreased between 2010 and 2012 by 21 percent, 20 percent and 11 percent respectively.

The 2013 budget has been criticized by some based on certain spending choices. Some observers are concerned that spending on religious affairs is steadily increasing (by almost 28 percent from 2011 to 2012 and by another 13 percent in 2013), while items such as culture and scientific research are reduced. The budget of the Ministry of Culture decreased by more than five percent in 2012, and by nearly another five percent in 2013, while spending on scientific research also dropped slightly by 2.3 percent in 2013.⁵¹

Table 2: Budget allocation by sector as share of total budget spending 2010-2013				
Sector appropriations	2010	2011	2012	2013
Ministry of the Interior	6.1%	6.5%	7.5%	8%
Ministry of Human rights and transitional justice*			0.03%	0.02%
Ministry of Defense	4.2%	4.3%	4.1%	4.6%
Ministry of Regional development and planning*			2.8%	1.7%
Ministry of Agriculture	4.5%	4.5%	4.7%	4.3%
Ministry of Industry	4.9%	5.1%	8.4%	11.1%
Ministry of Commerce and Crafts	4.5%	4.1%	5.3%	5.4%
Ministry of Public works	4.1%	5.2%	5.1%	5.1%
Ministry of Transport	3.1%	2.3%	2.2%	1.6%
Ministry of Women and family affairs	0.3%	0.3%	0.3%	0.3%
Ministry of youth and sports	1.5%	1.6%	1.6%	1.7%
Ministry of Health	5.6%	5.8%	5.0%	5.4%

51 Individual ministry budgets published on www.marsad.tn.

Ministry of Social affairs	2.1%	1.9%	2.5%	2.9%
Ministry of Education	16.4%	15.7%	13.0%	13.1%
Ministry of Higher education and scientific research	6.1%	6.1%	4.9%	5%
Ministry of Employment and vocational training	0.3%	1.3%	3.2%	3.2%
Public debt	20.0%	18.4%	16.2%	15.8%
Other	16.4%	16.6%	13.2%	10.8%
Total	100.0%	100.0%	100.0%	100.0%

* New since 2011.

Source: Budget laws of 2010, 2011, 2012 (supplementary budget for 2012) and 2013. Full version of the 2013 budget was accessed on the site of the Official Journal of Tunisia: http://www.iort.gov.tn/WD120AWP/WD120Awp.exe/CTX_94816-46-ppiCXgzhwH/RechercheTexte/SYNC_1240854562.

An economic classification of the budget shows again a relative stability among spending categories, with nearly 40 percent of expenditures dedicated to public wages and salaries, another 15 percent spent on subsidies, and around 16 percent spent on debt service. Those three categories alone account for 70 percent of total expenditures, a level which has also remained fairly constant over the period examined.

Table 3: Budget expenditures by economic classification as share of total expenditures 2008-2012						
	2008	2009	2010	2011	2012	2013
Wages and Salaries	35.9%	36.2%	37.9%	37.0%	37.2%	36.5%
Goods and services	4.5%	4.8%	4.7%	4.1%	4.3%	3.7%
Public interventions (excl subsidies)	4.6%	4.6%	4.9%	5.1%	5.9%	5.6%
Subsidies	12.7%	8.2%	8.4%	13.8%	15.6%	15.7%
Capital expenditures	20.6%	23.0%	24.2%	22.8%	20.5%	20.5%
Net lending	1.3%	4.6%	-0.9%	-1.2%	-1.5%	0.0%
Debt service	20.4%	18.6%	20.2%	17.4%	17.7%	15.8%
Total	100%	100%	100%	100%	99.7%*	97.7%**

*69.9 MTD of unallocated expenses are not accounted for in any of the above categories for 2012.

**616.2 MTD of unallocated expenses are not accounted for in any of the above categories for 2013.

Source: Ministry of Finance "Résultats provisoires de l'Exécution du Budget de l'Etat à fin 2011 et Janvier 2012."

Ministry of Finance "Résultats de l'Exécution du Budget de l'Etat pour l'année 2010."

Ministry of Finance: "Résultats provisoires de l'Exécution du Budget de l'Etat à fin 2012 et Avril 2013."

Source: Budget laws of 2010, 2011, 2012 (supplementary budget for 2012) and 2013. Full version of the 2013 budget was accessed on the site of the Official Journal of Tunisia: http://www.iort.gov.tn/WD120AWP/WD120Awp.exe/CTX_94816-46-ppiCXgzhwH/RechercheTexte/SYNC_1240854562.

Public subsidies, which cover basic consumption goods (cereal, cooking oil) and fuel and transportation, take up an important share of total expenditures and spending on this category has been rising (see Table 4). For the basic consumption goods, a decrease in the international market price of cereals and cooking oil led to a decrease in the corresponding subsidy cost

between 2008 and 2009. However, the increase in the price of oil produced a notable increase in the cost of fuel subsidies, which went from 550 million TD in 2010, to over 1,500 million TD in 2011. In 2012, fuel subsidy expenditures increased further, to over 2,000 million TD, with another increase to 2,500 million TD planned in the 2013 budget. This represents an increase of over 350 percent in fuel subsidies between 2010 and 2013. Subsidies overall constitute an important weight in the public budget, amounting to almost 14 percent of total spending in 2011 and nearly 16 percent in the 2013 budget.

Table 4: Expenditures on public subsidies in million TD						
	2008	2009	2010	2011	2012	2013
Basic consumption goods	1,048	800	730	1,100	1,235.6	1,350
Fuel	806	430	550	1,536	2,111.0	2,520
Transportation	182	200	220	233.2	277.5	330
Total subsidies	2,036	1,430	1,500	2,869.2	3,624.1	4,200
Share of total expenditures	12.7%	8.2%	8.4%	13.8%	15.6%	15.7%

Source: Ministry of Finance "Résultats provisoires de l'Exécution du Budget de l'Etat à fin 2011 et Janvier 2012."

Ministry of Finance "Résultats de l'Exécution du Budget de l'Etat pour l'année 2010."

Ministry of Finance "Résultats provisoires de l'Exécution du Budget de l'Etat à fin Octobre 2012."

Ministry of Finance: "Résultats provisoires de l'Exécution du Budget de l'Etat à fin 2012 et Avril 2013."

Sources of revenue

Table 5 below shows central government revenue, based on budget execution figures for 2008 to 2012, as well as projected figures from the 2013 budget. While tax revenue has decreased as a share of total revenue, the share of non-tax revenue increased somewhat. Non-tax revenue was boosted in the 2012 supplementary budget by projected revenues from sales of confiscated assets amounting to 1.2 billion dinars but then dropped again in 2013. Overall, own revenues have decreased in importance, to less than 75 percent of total revenue, while borrowing has become more important, indicating growing future liabilities for the government.

Table 5: Revenues in million TD and as share of total revenues 2008-2013						
	2008	2009	2010	2011	2012	2013 budget
Tax revenue	11,330.9	11,685.2	12,698.7	13,667.8	15,037.8	16,650.0
	70.5%	67.1%	70.9%	65.9%	64.6%	62.1%
Non-tax revenue	2,383.3	2,076.8	2,123.8	2,952.2	3,524.7	3,325.0
	14.8%	11.9%	11.9%	14.2%	19.3%	12.4%

Total own revenue	13,714.2	13,762	14,822.5	16,620	18,562.5	19,975.0
	85.3%	79.0%	82.8%	79.7%	73.4%	74.6%
Borrowing and treasury deposits	2,354.2	3,654.9	3,085.0	4,130.3	4,724.7	6,817.0
	14.7%	21%	17.2%	20.3%	26.6%	25.4%
Total revenue	16,068.4	17,416.8	17,907.7	20,750.3	23,287.2	26,792.0

Source : Ministry of Finance : "Résultats de l'exécution du Budget de l'Etat pour l'année 2010."

Ministry of Finance: "Résultats provisoires de l'Exécution du Budget de l'Etat à fin 2011 et Janvier 2012."

Ministry of Finance: "Résultats provisoires de l'Exécution du Budget de l'Etat à fin 2012 et Avril 2013."

Subnational finances

The financial state of numerous municipalities is quite preoccupying, with high levels of outstanding debt in many cases. In 2010, despite the rescheduling of the debts of some subnational governments, outstanding debt had increased overall by 118 percent (240 million TD by the end of 2010, against 110.1 million TD at the end of 2009). While donor funds were used to clear the debts of subnational governments, the situation still remains worrying, particularly for some municipalities with especially high levels of debt.

While this situation has existed for some time, the events of 2011 also had some significantly negative impacts on municipal finances.⁵² This situation is made more critical by salary increases in the public sector (4 percent in 2011). Such pressures on the budget combined with poor organization of tax collection in many municipalities have led to seriously reduced margins of maneuver for subnational governments (Nancy and Mercadié 2012).

Budget inertia, margin of maneuver, and resource reallocation perspectives

As shown in the previous section analyzing budget figures from the last five years, the Tunisian government faces a great deal of inertia. It has a high share of recurrent expenditure on public sector wages and subsidies, amounting to about 50 percent of total expenditures, which is difficult to reduce in the short term. In addition to this, debt service has hovered around 20 percent over the past five years, adding to the share of the budget which cannot easily be

⁵² Tax collection officers did not work during 2011 (following the revolution they demanded to be given permanent positions rather than being employed on a contract basis, which was eventually done); security problems heavily reduced the collection of taxes on local markets; and many municipalities sustained significant losses in terms of material and buildings damaged or destroyed during the revolution (Nancy and Mercadié 2012).

reallocated. Moreover, the fact that own revenue sources have been shrinking, with borrowing financing a greater share of the budget also means that the debt service is likely to increase in the future.

The budget deficit has increased dramatically by 435 percent between 2010 and 2012, or from 1.1 percent of GDP to 5 percent of GDP. There is a projected increase in 2013 to 5.9 percent of GDP.⁵³ This unfavorable evolution of the budget balance over the recent past significantly reduces the government's margin of maneuver at a time of continuously growing social demands and a desperate need for interventions aiming to reduce high and growing unemployment. The recent downgrade of Tunisia's credit rating to junk status through a downgrade by two notches will further complicate and increase the cost of mobilizing funds necessary to reactivate the economy, enhance living standards, and fight unemployment. It may also further discourage potential investors.⁵⁴

Significant controversy has surrounded the 2013 budget, which saw an increase of just under 6 percent in overall budget commitments as compared with the 2012 supplementary budget.⁵⁵ Some experts have criticized the new budget based on the absence of serious reforms aimed at promoting investment and reforming the tax system. According to the national trade union UGTT, this undermines the country's potential and its capacity to revive the economy.⁵⁶

One expert is particularly harsh in his judgment of the 2013 budget law, calling it inappropriate and misguided. "Few draft budget laws have been quite so marked by the political, economic and social deadlock which currently affects the country. The political deadlock pushes the

53 Ministry of Finance, "Résultats provisoires de l'Exécution du Budget de l'Etat à fin 2011 et Janvier 2012", and "Résultats provisoires de l'Exécution du Budget de l'Etat à fin 2012 et Avril 2013."

54 Between January and March 2011, several ratings firms reduced the credit rating from BBB stable outlook, to BBB negative outlook and then to BBB stable outlook (Ministry of Finance 2012). In May 2012, Standard and Poor's finally further lowered its assessment of Tunisia's credit rating to junk status through a downgrade by two notches to BBB stable outlook, citing "weaker-than-expected economic, fiscal and external debt indicators despite overall political stability." Source: Reuters Africa "S&P cuts Tunisia to junk with two-notch downgrade." <http://af.reuters.com/article/topNews/idAFJ0E84M0AP20120523>.

Kapitalis "Le Gouvernement tunisien n'est pas en mesure de redresser l'économie estime S&P." Accessed on 5 June 2012, <http://www.kapitalis.com/kapital/34-economie/10033-lle-gouvernement-tunisien-nest-pas-en-mesure-de-redresser-leconomier-estime-sap.html>.

55 Xinhua News Agency, French News, 21 December 2012. "Tunisie-Budget 2013: un programme prioritaire de relance ou un prolongement d'un héritage passé." (Synthèse), http://french.news.cn/afrique/2012-12/21/c_132054364.htm.

56 Actualités, 8 December 2012. "Budget-Loi de Finances 2013: l'UGTT déplore l'absence de réformes sérieuses" <http://actualites.123.fr/2012/12/08/budget-loi-de-finances-2013-lugtt-deploire-labsence-de-reformes-serieuses/119394/>.

transition government to sacrifice the future for the present, to favor consumption rather than investment and to disregard economic realities. ... By basing its budget forecasts on very optimistic growth and tax revenue hypotheses, the draft budget law for 2013 is generally irrelevant, lagging with regards to the real issues, lacking in credibility and in many areas inopportune.”⁵⁷

One important new aspect of the 2013 budget is that for the first time in Tunisia, it provides for the emission of Islamic bonds, *sukuk*, in the amount of 1 billion dinars. According to the Ministry of Finance, this is explained by the increasing levels of debt and by a need for new funding. The government is thus using this as a new means to diversify its revenue sources. In order to go through with this, there is still a need to modify the legal framework to consider Islamic finance.⁵⁸

3 PERSPECTIVES ON PUBLIC BUDGETING IN TUNISIA

This chapter provides a review of the existing literature on public budgeting in Tunisia. It should be mentioned that it has proven quite challenging to identify studies on this subject, especially recent ones. Most of the pieces reviewed were produced by foreign experts in the context of assessments as part of technical assistance projects. Various experts and donor representatives have also been consulted and have confirmed the shortage of material dealing directly or indirectly with the Tunisian budget. Most of the studies concern the ongoing reforms to introduce results-based budgeting. Interestingly, and probably as a result of the political context, more critical assessments of the institutional framework of the politics of the budget are rare, if not nonexistent.

This chapter is structured around key issues and junctures in the budget process. More specifically, it looks at the current context of public finance management and ongoing reform efforts. It also examines the issue of lingering regional inequality, and provides a further look at

57 Webmanagercenter.com Meryem Omar. 18 December 2012. “Tunisie - Loi de finances 2013: Dr Hachemi Alaya accuse!” <http://www.webmanagercenter.com/actualite/economie/2012/12/18/128864/tunisie-loi-de-finances-2013-dr-hachemi-alaya-accuse>.

58 Euro-Méditerranée, 16 November 2012. “Le budget tunisien s’ouvre à la finance islamique.” <http://euro-mediterranee.blogspot.com/2012/11/le-budget-tunisien-souvre-la-finance.html>.

social spending and prospects for strengthening the social pact in the new social and governance context.

Public finance management and public sector modernization

The Tunisian public finance management system is largely inspired by the French system and has built on that since independence. The culture of public management in general, including the public finance management system, has traditionally been, and still remains, oriented toward a model of strong central control with the overarching objective of maintaining budget discipline (Kharrat 2010). Indeed, fiscal discipline, rather than fiscal transparency has been the core principle of Tunisian public financial management, and establishing and maintaining good fiscal discipline was a major achievement of the previous regime. The budget itself is quite comprehensive and there are virtually no extra-budgetary funds.⁵⁹ The system of debt management and regular analyses of the viability of the public debt constitute positive elements for responsible and transparent debt management (PEFA 2010). Nevertheless, according to the PEFA, the budget nomenclature is not entirely in line with international standards, and the absence of multiyear budgeting as well as the weak link between sector strategies and budgets limit the strategic nature of resource allocation. These issues are central concerns of the reform processes currently under way. Moreover, it seems fiscal discipline may regrettably now be under threat as government actors increasingly focus on the next electoral cycle.⁶⁰

While the strong measure of centralization has helped to facilitate control and oversight, which has enabled establishing sound financial discipline, it has not been conducive to the development of a culture of efficiency and responsibility. In the current climate of public management, this makes adaptation and innovation at the program level very difficult, due to the built-in rigidities. As discussed in the next section, promoting innovation and enhancing efficiency requires a change in the public management culture and an adaptation of the rules of

⁵⁹ The revenues and expenditures of many funds/agencies that are in fact off budget are shown as information in the budget documents (World Bank 2010).

⁶⁰ This issue was also presented as one of the motivations of the resignation of former Minister of Finance Hassine Dimassi in July 2012. Leaders, "Hassine Dimassi, ministre des Finances: pourquoi j'ai démissionné." Source accessed on 28 July 2012 <http://www.leaders.com.tn/article/hassine-dimassi-ministre-des-finances-pourquoi-j-ai-demissionne?id=8976>.

the game in order to increase flexibility and choice while encouraging responsibility and accountability on the part of program managers (World Bank 2009).

Several reforms have been undertaken in the past to strengthen the budget framework and process. In 2004, reforms increased the scope of public expenditures included in the annual budget law approved by the Parliament, thus strengthening the budget in terms of comprehensiveness (Kharrat 2010).

While strict adherence to the rules and budget discipline remain important goals, and while budget comprehensiveness has been strengthened, one area in particular remains nontransparent and a potential threat to fiscal discipline. According to the 2010 PEFA assessment, there are too many tax rebates, exemptions, and benefits given to certain tax payers in certain sectors aimed at encouraging private investment. These tax expenditures amounted to 6 percent of fiscal resources (excluding VAT exonerations). There is currently a lack of a real assessment of the actual impact and benefits of these tax expenditures and they are not properly considered in the budget.

Undertaking a full review of tax expenditures would be an important step toward improving transparency of public spending. The Court of Accounts, under its strengthened role as of 2008,⁶¹ now has the mandate to audit the accounts of all agencies in which the state has a financial stake, including public subsidies and tax exemptions. The law thus introduced the possibility for the Court of Accounts to analyze and assess the results of tax exemptions to private enterprises. Furthermore, within the framework of the incipient existence of public access to information legislation, information on tax expenditures should be accessible to the public. This will make it possible for civil society organizations to undertake such analyses and study the resources spent on tax exemptions and advantages in the context of growing demands on social spending.

61 The mandate of the Court of Accounts was strengthened by a 2008 law, Loi n° 68-8 du 8 mars 1968, portant organisation de la Cour des Comptes telle qu'elle a été modifiée et complétée par la loi n° 70-17 du 20 avril 1970, la loi organique n° 90-82 du 29 octobre 1990, la loi organique n° 2001-75 du 17 juillet 2001 et par la loi organique n° 2008-3 du 29 janvier 2008.

Results-based budgeting reform and public sector modernization

Tunisia started on the path to reforming its public finance system in 1996 with a view to the eventual implementation of an RBB system. In 2003, an RBB unit was established at the Ministry of Finance and in 2004 a new organic budget law was introduced, which modernized budget management and launched the idea of budget management based on objectives and results. In 2007, the reform of the organic budget law of local authorities also extended the RBB reform to the subnational authorities. In the same year, the reform was further boosted by the creation of decision making bodies within the central government, such as an Inter-Ministerial Committee on the RBB reform and a Monitoring and Evaluation Committee within the Ministry of Finance (Bouvier and Esclassan 2011).

Program pilots were also launched in five sector ministries⁶² and RBB units were created along with the designation of a head of program in each pilot sector ministry. Working groups were created on the main horizontal components of the reform: budget nomenclature; public accounting; global and sectoral medium term expenditure frameworks (MTEFs); information and IT systems; modernization of budget control; and reform of the legal and regulatory framework. In 2010, a second wave of ministries launched RBB pilots, including the Ministries of Finance, Public domain, Industry and technology, Public works, housing and territorial planning, and Transportation (Bouvier and Esclassan 2011).

While the reform was inspired by a similar process of modernization in France leading to its new Loi Organique de la Loi des Finances (LOLF) in 2001, the RBB reform in Tunisia is largely a home grown one, based on domestic concerns with inefficiencies and an internal realization of the need for reform. The reform concerns all elements of public finance management and will necessitate a revision of the budget nomenclature, reform of public accounting systems, the system of public finance control, and a reform of IT procedures.

The pilot ministries have undertaken significant work in order to carry the pilot work forward in terms of developing results-based sector budgets. The pilot ministries have carried out an

⁶² These are the Ministries of Public Health; of Agriculture and water resources; of Higher Education and scientific research; of Education, and of Employment and vocational training.

extensive task of dividing sector budgets by programs and defining program objectives and performance indicators. The Ministry of Finance as well as the pilot sector ministries have prepared MTEFs broken down by program or even subprogram (PEFA 2010). However, until 2013 nothing had been done in terms of bringing the RBB reform into the realm of budget execution. This is partly due to the lack of reform of the legal and regulatory framework, which remains focused primarily on the regularity and legality of procedures, and thus is largely in contradiction with the performance and results logic of the RBB reform. This lack of reform particularly concerns the expenditure controls systems and the budget nomenclature. Bouvier and Esclassan (2001) therefore stress the need to extend the pilot work to the field of budget execution, in order to actually implement the RBB management system. A framework of exceptions and simplification is now in place to allow for the start of budget execution in the RBB mode during 2013.

According to one public finance management specialist and former budget supervisor at the Ministry of Finance, the results-based budgeting reform is not just a technical reform limited to the sphere of public finance, but is a catalyst for modernization of the public administration in general (Fakhfakh 2009). In this sense, the RBB reform allows for the testing of instruments and notions which are new to the Tunisian public sector, such as revelation of preferences, freedom and responsibility, incentives and sanctions, performance, monitoring and evaluation, and organizational management.

As such, it is the cornerstone of a new public management system driven by performance and should help to establish a true social dialog to improve budget transparency and put in place a culture of performance. Bouvier and Esclassan (2011) discuss Tunisia's path towards a new public financial governance model through the RBB reform. They similarly highlight the RBB reform's social development role, arguing that it will contribute to improving the redistributive efficiency of the state and to reducing poverty by improving the performance of budget management.

Rationalizing internal control structures

Tunisia has a diversified, extensive, and centralized system of expenditure authorization and control. On paper, a well-developed system of internal and external control of public finances has been put into place. It is however a system which is particularly centralized, and even excessively so, with many financial control functions attached to the Prime Minister's office, or even to the presidency. This makes the Tunisia case quite unique. The Ministry of Finance does not have full authority over the monitoring of budget execution. Two control bodies are in fact dependencies of the Prime Minister's office.⁶³ Bouvier and Esclassan (2011) argue that having the expenditure control function dependent on the Prime Minister's office is inconsistent with the logic of budget coherence and that, as a budget management tool, it should instead be a responsibility of the Ministry of Finance, as the authority in charge of the budget. Hence, and paradoxically, while it provides a tool for fiscal oversight, the expenditure control system also provided a tool for political discretion over the budget and its execution.

Furthermore, within each ministry there are two mechanisms for ex-ante expenditure control: ex-ante control of expenditure commitment and ex-ante accounting control of payment orders. These fall under two different authorities, the Prime Minister's Office and the Ministry of Finance. This constitutes another point of weakness, which the authors say should be resolved by merging these two types of control.

The High Committee for Administrative and Financial Control, created in 1993, is in charge of overall coordination and monitoring of the activities of all control instances. The attachment of this body to the presidency is not compatible with the principle of separation of powers. In view of its role, this body should, according to the authors, be made independent or at least attached to the Ministry of Finance.

Regional inequalities and fiscal decentralization

The white paper on regional development drafted by the previous transitional government (Ministère du Développement Régional 2011) discusses the significant regional inequalities in

⁶³ The General Directorate for Control of Public Spending and the General Control of Public Services.

terms of social, economic, and cultural development that exist between the different regions of Tunisia, particularly between the interior regions and those along the coast. While cumulative public investment per capita over the past two decades has been quite similar in the poorest governorates as in those of the coastline, the total amounts invested in the poorer governorates are significantly more limited in view of the low population density, and also in terms of relatively greater needs and a weaker resource base. Furthermore, when comparing private investment in the coastal regions with that in the interior, stark differences are revealed, with cumulative per capita investment levels over the past two decades three times higher in many of the coastal governorates as compared with the interior.

According to the white paper, several factors have favored the coastline to the detriment of the interior regions, including the strong concentration of revenues, wealth, and investment in coastal regions, the highly centralized nature of policy making, and the very weak resources and capacities of regional administrations. The government's regional development policy has evolved over the years, but the political choices that have been made have placed the interior of the country on the sidelines of the country's development dynamic, relegating it to a role mainly as provider of cheap manual labor for low-paying jobs.

In order to revert the centralizing and inequitable development patterns of the past, the white paper presents numerous recommendations for reform. The basic premise of the proposed reforms is a decentralized system of governance. The white paper proposes a new local governance system based on elected regional and local councils and with strong participation of citizens, organized civil society, and the private sector in public affairs. It also underlines the importance of revising modalities for regional and local budget preparation and allocation in order to strengthen decision-making power at the subnational level and include citizen oversight in this process.

The Tunisian budget system has made important progress in terms of budget deconcentration, albeit less progress at genuine fiscal decentralization, reflecting a centralized political structure and budget system. Looking at progress in decentralization in the early 1990s, Vengroff and Ben Salem (1992:9) argue that while "there are no local governments in Tunisia," significant

advancements have been made in terms of deconcentration of powers and that this trend has to be pursued in order to arrive at a fully institutionalized decentralized system of government. They also discuss the financing of municipal budgets through the Common Fund for Local Communities (*Fonds Commun des Collectivités Locales*, FCCL). The FCCL was created as part of an administrative reform drive in 1975 to increase revenues and capabilities of municipalities. Until 1988 it was funded through various national level taxes and since then it has been funded through the national budget. Due to the way the FCCL was funded and distributed, it tended to favor large, urban communities to the detriment of poorer ones.

Overall, Vengroff and Ben Salem (1992) conclude that the level of funding of municipalities is inadequate in view of the services they are required to provide. At the same time, however, budget execution has generally been less than 100 percent (85 percent in 1989 and 87.4 percent in 1990), largely due to complex accounting and approval processes, especially for development expenditures. Moreover, municipal budgets are reviewed and approved at the central level.⁶⁴ All in all, the funding rules and approval procedures leave little autonomy and margin of maneuver to municipal authorities, particularly in the context of central authorities unwilling to relinquish additional powers to the local governments.

The situation in the regions was quite different, as some serious deconcentration of power was taking place already in the early 1990s, with regional councils managing centrally funded development projects (including the budgets). Moreover, the central ministerial representatives at the regional level became directly answerable to the governor, which significantly improved their level of cooperation with the region.

The World Bank (2010) reports that while an increasing amount of public expenditures are undertaken through the governorates, the decentralization program is thus far cosmetic to some extent, with no major changes in expenditure assignments, and municipalities still tightly controlled by the governorates. The governors moreover report to the Ministry of the Interior and are appointed by the President. Devolution of public services has gone further, though the

⁶⁴ The budgets of larger municipalities (category I and II) are reviewed at the central level while those for smaller municipalities (category III and V) are reviewed at the regional level. In reality however, many of the budgets of smaller municipalities are also reviewed at the central level, due to lack of capacity at the regional level.

level of advancement varies among sectors. In sectors such as education, health, and agriculture, a growing share of the budget is implemented at the regional level by legally autonomous entities (*Établissements Publics Administratifs*), though their operational autonomy is as yet very low.

Social spending, budgets, and the social pact

Its many flaws notwithstanding, the previous regime dedicated important resources to social development. Aside from goals of social development, social programs were also an important component of a strategy to prevent social dissent, as part of a broader “authoritarian pact.” According to Chemingui and Sánchez (2011), the dedication of significant budget resources to key social sectors has helped secure considerable progress in terms of Tunisia’s achievement of the Millennium Development Goals (MDGs). Nevertheless, public spending would still need to increase by about 6-7 percent of GDP per year to meet the MDGs in primary education, child and maternal mortality, and water and sanitation by 2015. Furthermore, Chemingui and Sánchez contend that domestic resource mobilization through borrowing or taxation would be costly and infeasible in the current context. Rather, the government needs to boost economic growth, and also undertake fiscal reform. This latter strategy would help replace dependency on foreign resources and also contribute to reducing inequality.

In the area of social spending, the biggest spending post is dedicated to education, on which Tunisia has long spent a relatively high share of its budget resources. As reported by the World Bank report on education in the Middle East and North Africa (World Bank 2008), between 1985 and 1994, public investment in education was an average of 5.9 percent of GDP and this increased to an average of 6.8 percent per year between 1995 and 2003, signalling a strong commitment to ensuring broad access to education. In the North Africa region, Tunisia had the highest level of public investment in education in the 1995-2003 period and this was significantly above the average for a sample of Asian and Latin American countries, where education spending levels amounted to less than 4 percent of GDP. Though the share of education in the budget has declined in the recent past due to competing demands, from 22.5

percent in 2010 to 18 percent⁶⁵ of budgeted resources in 2012, the commitment to providing education to all remains strong.

Expenditure figures reported by the African Development Bank (AfDB 2005) reveal a dominance of salaries in the education budget, amounting to 90 percent of budgeted resources in 2004. This was due to an emphasis on recruitment in order to improve the pupil/teacher ratio and enhance the quality of teaching. The AfDB also cites a UNICEF study⁶⁶ which points to new trends in household spending on education, with increasing consumption of special and remedial courses. According to the national survey on budgets, consumption and living standards in 2000, households spent about TD 38.75 per year and per capita on education and training, representing about 3 percent of household budgets.

Outcomes of the education system nevertheless remain disappointing, and lack of quality is a serious issue for Tunisia's education system. Despite high levels of public investment, literacy rates are still relatively low and international education tests reveal very poor results. Françoise Benhamou (2011) studies this paradox of education spending in Tunisia, which although high, has not managed significantly to reduce the level of illiteracy, which experienced only a marginal decrease from 22.4 percent to 22.1 percent between 2003 and 2007. A World Bank study of 2011 analyzes higher education spending and outcomes in the MENA region. The report is part of the World Bank and Agence Française de Développement (AFD) partnership around higher education financing in the region. According to this study Tunisia spends 1.6 percent of GDP on higher education, which places it above all countries in the region except Algeria (2.6 percent) and Libya (>3 percent) (World Bank 2011a).

The education system tends to rely on outmoded and passive teaching methods, focusing on the accumulation of formal credentials and diplomas, rather than practical skills for the job market. This has resulted in a mismatch between the type of skills provided through the education system and the skills in demand in an increasingly competitive labour market (World Bank 2008; Cunha Duarte and Linder 2012). While education quality is poor in general, quality

⁶⁵ These figures include the budget allocations to the Ministries of Education and Higher Education. Source: Budget laws of 2010 and 2012.

⁶⁶ This study is not well referenced in the AfDB study, and was therefore not found for the purpose of this review.

of inputs as well as outputs tends to be worse in rural and disfavoured areas, a phenomenon created and compounded by decades of inequitable public spending among regions (Ministère du Développement Régional 2011). As a result, university graduates have not acquired the necessary skills to successfully enter the job market. The unemployment rate among university graduates has increased steadily from 8 percent in 1999, to 13 percent in 2005, and to 20 percent in 2009, surpassing the unemployment rate for individuals with lower levels of education (World Bank 2011). Furthermore, the unemployment rate for this group has worsened in the recent past.

Health spending. A World Bank health report from 2006 (World Bank 2006) reveals that due to socioeconomic, demographic, and epidemiological transitions, health spending has increased rapidly. According to another World Bank study, total health spending increased from 3.2 percent to 7 percent of GDP between 1980 and 2010 (Arfa and Elgazzar 2013). However, much of this spending has been private spending. While *public* health spending was reduced from 2.7 percent of GDP to 2.3 percent between 1995 and 2011, *private* health spending had an annual average growth rate of 19 percent. Furthermore, the state's share of public health spending has also decreased, from 38 percent in 1990 to about 24 percent in 2003 and is being replaced by an increase in the share contributed by social security (World Bank 2006). In 2010, 50 percent of health expenditures were made up of private health spending, 80 percent of this were direct payments at the point of use, while the remaining 20 percent were health insurance premiums. According to Arfa and Elgazzar (2013:2) the main financing agents include the central government (general governmental expenditure, 23.8 ;percent), social health insurance, known as the *Caisse Nationale de l'Assurance Maladie* (CNAM) (27.7 percent), private insurance (7.0 percent), and out-of-pocket payments (41.2 percent).

The increasing inequity resulting from reduced public spending coupled with an expansion of funding and quality of services in the private sector led the government to embark on reforms aimed at improving the efficiency of services in the public sector and to regulate services in the private sector.

Social protection policies. Social protection policies in general, and subsidies on basic foods and fuel specifically, have long been a central component of the social pact, aiming to maintain social peace and stability. Muller (2007) discusses the challenge of meeting social and economic development goals while maintaining a balanced budget. He analyzes public subsidies and the potential to move from subsidies to targeted transfers, setting this discussion in the context of a previous example of subsidy cuts in 1983 and 1984, which led to serious riots in Tunisia and the subsequent elimination of subsidy cuts.

A second attempt at subsidy reform in 1991 was carried out more delicately by focusing on self-targeting (by subsidizing very basic foodstuffs). This was meant to discourage consumption by higher income groups, while also communicating to the public the need for reform and what effects to expect. The reform was successful and whereas only 8 percent of food subsidies reached the poor in 1985, that percentage had risen to 21 percent in 1993, following the reform (Alderman and Lindert 1998). In terms of costs, the subsidies, which represented 4 percent of GDP in the mid-1980s, consumed just 2 percent of GDP and 6 percent of government spending after the reform.

Despite reforms which reduced the overall cost of subsidies and improved their targeting, food and fuel subsidies still consume a significant share of budget resources, amounting to over 15 percent of budget spending in 2012 and 2013, and have significant levels of leakage to the non-poor. At the time of writing, Muller (2007) argues that more resources had to be found to placate growing demands of the population and prevent unrest. Subsidies are expensive and there is still today a clear need to improve the efficiency and effectiveness of anti-poverty programs. As then, politicians today still face a trade-off of reducing budgetary costs, while responding to strong and growing social demands in order to promote social stability.

Bibi and Muller (2006) argue that direct cash transfers could be an alternative to subsidies and that if they are well designed and implemented, could alleviate poverty at a lower budgetary cost than transfers. The existence of a system of cash transfers suggests that this could be scaled up to provide a more serious alternative to subsidies.

The reform of social protection policies and in particular food subsidies are a critical pending reform to improve targeting to the poorest, improve economic efficiency, and mitigate the fiscal costs of subsidies. While these reforms were not feasible under the previous regime due to their intrinsic political costs and because they were a core element of the “authoritarian pact,” there might now, in a somewhat more open and transparent setting, be a window of opportunity to rethink social protection spending.

A World Bank 2012 study on social safety nets (SSN) in MENA (Silva et al. 2012) concludes that SSN systems across the MENA region are ripe for reform. Currently, a large share of SSN spending — 6 percent of GDP on average — finances regressive public subsidies on fuel, tobacco and food. Additionally, non-subsidy SSN spending is characterized by significant leakage. In terms of spending on SSN, Tunisia ranks fairly low in a regional comparison of 11 countries,⁶⁷ with total SSN spending at about 5 percent of GDP, ahead of Lebanon and Djibouti only. The regional average spending is about 6 percent of GDP, and the highest spenders are Yemen and Saudi Arabia at around 14 percent and 10 percent respectively. Tunisia also ranks among the lowest spenders on nonsubsidy SSN, with less than 1 percent of GDP spent on SSN other than subsidies.

4 KEY CONSIDERATIONS FOR REFORMING THE BUDGET

This chapter provides an analysis of critical issues in the context of the current constitutional/institutional discussions on budget reform in Tunisia. It presents an overview of transparency-oriented measures in place or under way and seeks to identify and describe what needs to change in the budget process. It also focuses on the institutions that need to be reformed in order to improve access to budget information, transparency, control, accountability, and public engagement.

Current political and institutional reform context

The years 2012 and 2013 represent a crucial phase of constitutional reform and subsequent elections under the new constitutional framework. Enhancing and anchoring transparency and

⁶⁷ Lebanon, Djibouti, Bahrain, Tunisia, Jordan, Morocco, Kuwait, Egypt, Iraq, Saudi Arabia, Yemen.

accountability under the new model of governance will necessitate a firm commitment to public access to information and government openness to citizen engagement and oversight. These commitments need to be enshrined in the new constitutional and legal framework currently being drafted in order to institutionalize a new social contract between citizens and the state. The draft constitution of 1 June 2013 does indeed include an article (31) which guarantees the right to access information and it also establishes an Information Body which is tasked, among other things, with guaranteeing the right to information.

Improving the budget process and outcomes, and strengthening the transparency of the overall budget framework will require reforming key institutions at the heart of the budget process. The two transitional governments since January 2011 have instituted significant measures and shown at least an incipient willingness to open up and engage with citizens and break away from the opaque practices of the past. Specific measures were put in place to consult with citizens at the regional level on the issue of the regional investment budget for the drafting of the 2012 supplementary budget. Initial public service user surveys have been implemented to record citizens' complaints. The Ministry of Finance is also in the process of developing a Citizens Budget in order to make budget information more accessible and understandable to the lay person. Furthermore, the results-based budgeting reform, which was started under the previous regime, is continuing, and despite initial resistance it is seen in an increasingly positive light by public administrators as an instrument of greater government transparency. This reform represents an important and far-reaching step towards a more open, transparent, and accountable government.

Improving transparency overall also requires efforts on the demand side. Citizen, and especially organized civil society, demand for and use of public information must be encouraged and facilitated. Civil society needs to be further developed in order to play a greater role in this, and the media should also be encouraged to fully exploit their potentially very important role.

The current political climate is quite tense, with significant mistrust between the government and civil society and also between the different political parties, including the three parties constituting the governing Troika (the name given to the ruling coalition). Existing mistrust and

friction within the Troika was strikingly exposed during the Congress for the Republic (CPR) party conference in August 2012, led by President Marzouki. A speech read by one of the President's advisors at the opening of the conference accused his Nahdha allies of wanting to monopolize power and compared their tactics to those of the previous regime. The Nahdha representatives present subsequently walked out of the conference. Marzouki's comments came just two months after a significant crisis almost brought the coalition government down at the beginning of the summer, following the extradition of former Libyan Prime Minister al-Mahmoudi. The President was staunchly opposed to the extradition, but his views were entirely ignored by Prime Minister Jebali of the Nahdha party, who organized the extradition.⁶⁸

Friction between Nahdha and the newly created party, Nidaa Tounes ("Call from Tunisia") and outright verbal and physical attacks on its members and against the organization of Nidaa electoral meetings continued to grow during the second half of 2012. In October, a local leader of Nidaa Tounes in Tataouine was murdered during violent confrontations with youth groups close to Nahdha.⁶⁹ This climate inhibits the democratic debate and undermines trust, communication, and coordination, thus making reforms more difficult to put in place.

Overall public confidence in the government was further dented by reports of financial improprieties by the Minister of Foreign Affairs, who was accused of using public funds to pay for personal hotel accommodations.⁷⁰ The Tunisian Association for Financial Transparency (ATTF)⁷¹ has called for an investigation into the hotel bills of the minister, who also receives a housing allowance, in order to clarify to the public how the money is used.⁷² The journalist-blogger who initially revealed the story exposed another potential scandal involving the same ministry just days later. It was indicated that there was a bank account in the name of the

68 Gulfnews.com "Jebali: Decision to send back Al Mahmoudi 'irrevocable'" 9 June 2012. <http://gulfnews.com/news/region/libya/jebali-decision-to-send-back-al-mahmoudi-irrevocable-1.1033641>.

69 BusinessNews.com.tn 23 October 2012. <http://www.businessnews.com.tn/Tunisie---Assassinat-du-membre-de-Nidaa-Tounes--l%E2%80%99URT-de-Tataouine-accuse%E2%80%A6,520,34160,3>.

70 Economist.com 8 January 2013 "Sheratongate" <http://www.economist.com/blogs/pomegranate/2013/01/tunisian-politics>

Tunisie Numérique 28 December 2012. "Tunisie : 'Sheraton Gate' Rafik Abdessalem dans l'oeil du cyclone." <http://www.tunisienumerique.com/tunisie-sheraton-gate-rafik-abdessalem-dans-l'oeil-du-cyclone/159016>.

71 ATTF carries out investigation and promotion of the recovery of assets stolen by the former regime. <http://affinitiz.net/space/attf.tn>.

72 The Ministry of Foreign Affairs has confirmed the authenticity of the hotel bills and that they were paid for by the government, but said in a statement that this was in keeping with the Ministry's rules for budget management. Kapitalis.com Accessed on 3 January 2013. "Tunisie : L'«affaire Sheraton» continue de faire des vagues." <http://www.kapitalis.com/63-fokus/13703-tunisie-l-affaire-sheraton-continue-de-faire-des-vagues.html>.

Ministry of Foreign Affairs, which allegedly received a secret million dollar transfer from an official Chinese government source.⁷³ While hotly contested by the government, these stories have led to increased calls for enhanced transparency in the use of public funds, and for an official investigation into the alleged facts.

In addition to political turmoil within the Ministry of Finance, there was also a political leadership void for over six months, following the resignation of Minister Dimassi in July 2012. He was replaced in December 2012 by Tourism Minister Elyès Fakhfakh, who was expected to continue to assume his responsibilities at the Ministry of Tourism as well while awaiting a cabinet reshuffle which was said to be imminent.⁷⁴ The resignation of the former Minister of Finance was motivated in part by his allegations that the government was engaging in irresponsible management of public funds for electoral purposes and thus undermining fiscal discipline.⁷⁵

In addition, the ATTF has launched serious accusations of mismanagement of public funds by the government. In a statement published in August 2012, the ATTF lists specific instances of questionable procurement practices. Included on the list were deals being made in secret which blatantly circumvented laws regarding tendering procedures and basic rules of market competition. The statement also points to the steep increases in salaries of the members of the Constituent Assembly and the secretive manner in which this issue has been managed, in clear contrast with official commitments to transparency.⁷⁶

The murder of opposition politician Chokri Belaid in February 2013 launched a wave of heated protests against the dominant party Ennahdha, and brought a political crisis which eventually

73 Business News.com 31 December 2012. "Tunisie – Olfa Riahi lance une deuxième bombe contre Rafik Abdesslem."

74 Businessnews 19 December 2012, "Tunisie – Officiel : Elyès Fakhfakh nommé ministre des Finances"

<http://www.businessnews.com.tn/Tunisie-%C3%82%E2%80%93-Officiel--Ely%C3%83%C2%A8s-Fakhfakh-nomm%C3%83%C2%A9-ministre-des-Finances-,520,35230,3>.

75 Leaders.com.tn Accessed on 28 July 2012. "Hassine Dimassi, ministre des Finances: pourquoi j'ai démissionné."

<http://www.leaders.com.tn/article/hassine-dimassi-ministre-des-finances-pourquoi-j-ai-demissionne?id=8976>.

76 BusinessNews.com.tn 15 August 2012, accessed on 6 January 2013. "Tunisie: Sami Remadi dénonce une gestion douteuse de l'argent public." <http://www.businessnews.com.tn/Tunisie---Sami-Remadi-d%C3%A9nonce-une-gestion-douteuse-de-l%E2%80%99argent-public,520,32863,3>.

led to a government reshuffle and the appointment of a new Prime Minister, Ali Laarayedh, former Minister of Interior.

The constitutional debates and drafting are advancing, though slowly. Officially, the constitution was to be finalized by 23 October 2012, but this date passed without a new constitution having been finished and without any firm official date for its presentation. As of this writing (September 2013), the constitution-writing process is still ongoing and new parliamentary elections have still not been held.

Draft versions of the Constitution have been in circulation since the early fall. Previous drafts have been subject to much scrutiny and criticism and the latest version of 1 June 2013 is no exception. It is nevertheless hoped that the current compromise draft Constitution will be adopted in order to pave the way for elections before the end of 2013.

Levers of budget reform

Budget institutions

Institutional coordination. At a meeting in July 2012 organized by the Association of Tunisian Economists (ASECTU) that focused on the 2013 budget, one concern was highlighted by those in attendance. This concern was the perceived “lack of transparency and clarity with regards to revenues and expenditures, which has delayed the start of the 2013 budget process.”⁷⁷

According to Abdelmalek Saadaoui, Director General of the Directorate for Resources and Equilibrium at the Ministry of Finance, this delay is due to the lack of coordination between the Ministry of Finance and the Ministry of Regional Development and Planning. Such lack of coordination has repercussions in terms of the budget preparation and medium term planning.

In order to improve coordination between the various functions central to budget preparation, Mr. Saadaoui recommends the merging of the three ministries, Finance, Regional Development and Planning, and International Cooperation and Investment, into one.⁷⁸ This would help to

77 TAP “Budget 2013: des économistes inquiets au sujet du retard des préparatifs.” Accessed on 20 August 2012 at: <http://www.tap.info.tn/fr/fr/economie/developpement-et-finances/30279-budget-2013-des-economistes-inquiets-au-sujet-du-retard-des-preparatifs-.html>.

78 TAP “Budget 2013: des économistes inquiets au sujet du retard des préparatifs.” Accessed on 20 August 2012 at: <http://www.tap.info.tn/fr/fr/economie/developpement-et-finances/30279-budget-2013-des-economistes-inquiets-au-sujet-du-retard-des-preparatifs-.html>.

facilitate their work and ensure a more coherent and reliable budget process. Furthermore, according to Mr. Saadaoui, the planning and international cooperation functions used to be under the responsibility of the Ministry of Finance, but this changed with the creation of separate ministries in 1992.⁷⁹

Institutional capacity. The Finance Committee of the Constituent Assembly plays a critical role during the budget process and as such needs significant strengthening and support. The committee is headed by a President who is from the dominant Nahdha party.⁸⁰ While it is tasked with such important responsibilities as reviewing and proposing amendments to the budget, the committee membership has a glaring lack of experience and capacity in the area of the budget. According to the committee *rapporteur*, while some of the members of the Finance Committee had certain prior experience of and exposure to budget issues, most of the members do not have a background in public finance or economics and instead have more of a political economy background. Though their background has allowed them to carry out their mission within the committee, there is clearly a need to ensure a strong and independent advisory support system and to strengthen the capacity of the parliament, and the finance committee in particular, to analyze the budget and monitor budget execution.⁸¹

In terms of external advice to the committee members, the *rapporteur* stated that the Finance Committee, unlike most other committees, does have access to good independent advisors from within the public administration. She nevertheless added that each member also finds their own way of accessing expert advice on specific issues. She relies on public finance experts within her own party to analyze texts and provide her with advice and recommendations. Civil society could conceivably play a role here, with specialized think tanks as well as university experts and NGOs providing expert independent advice.

79 Interview with Mr. Abdelmalek Saadaoui and Mrs. Ibtissem Ben Algia, Ministry of Finance 30 August 2012.

80 The Vice President is from the opposition, the *rapporteur* is from Ettakattol (member of the Troika) and the two deputy *rapporteurs* are from Nahdha and from the opposition. The rest of the Committee members are assigned in proportion to the different parties' representation in the Assembly. Source: marsad.tn/commissions and interview with Lobna Jeribi, Finance Committee *rapporteur*, 27 August 2012.

81 Interview with Lobna Jeribi, Finance Committee *rapporteur*, 27 August 2012.

Subnational government finances and governance

Planning capacity and autonomy considerations. Municipalities have very little influence and decision-making power concerning the identification and execution of development projects in their jurisdictions. For the most part, procedures and decisions are highly centralized and decided in the context of national sectoral development strategies. In the past, municipal investment programs were standardized and rarely took into consideration the real needs at the local level (Nancy and Mercadié 2012). This has led to significant waste of public funds in addition to a waste of opportunities to improve conditions and promote real development.

In order to improve the process of selecting regional public investment projects and facing growing demands for greater citizen participation in the formulation of public policy, the Ministry for Regional Development and Planning (MRDP) announced in February 2012 the creation of Regional Consultative Development Commissions. These commissions were intended to propose public investment projects and programs according to local priorities and developed through participatory processes. These proposals were considered for the 2012 supplementary budget.

According to some persons interviewed, this process of consultation was an entirely new experience for the government. While it did allow for the regions to express their development needs, the subsequent process of review and prioritization was nevertheless done at the central level. Furthermore, the modalities for participation and the criteria for prioritization and final selection of proposals to include in the budget were not entirely clear which produced unrealistic expectations and some confusion. Significant strikes and threats of general strikes in three regions during 2012 were closely linked with their marginalization under the previous regime and the lack of real consultation during the budget formulation process. In the end, it was felt in these regions that the government continued to ignore and marginalize them as in the past, and that the 2012 supplementary budget still lacked a strong response to their development needs.⁸²

82 Leaders "Grève générale : suspendue au Kef, maintenue à Jendouba" 3 June 2012. <http://www.leaders.com.tn/article/greve-generale-suspendue-au-kef-maintenue-a-jendouba?id=8593>.

This initiative highlighted the importance of local participation in the selection of public investment projects and in the definition of national policies, and also reinforced the notion that regional and local authorities as well as civil society should be key actors in the development of their regions. It also emphasized the need to establish clear modalities for local participation and to manage expectations so as not to create unrealistic expectations.

Equity considerations and public monitoring capacity. In addition to being highly centralized, allocation of funds between the regions was also very inequitable under the previous regime. The coastal areas were largely favored at the expense of the interior (the interior regions of Tunisia received only 35 percent of public investment under the previous regime (Brisson and Krontiris 2012; AFDB 2011). The allocation criteria of the Local Authorities Common Fund (*Fonds Commun des Collectivités Locales, FCCL*) tend to favor the richer, more densely populated areas. Two of the four allocation criteria, concerning 86 percent of the funds to be allocated, focus on the number of inhabitants, favoring municipalities with larger populations and on municipalities with a stronger local fiscal effort.

As mentioned above, the strong concentration of revenues, wealth, and investment in and around the capital and along the coastline, the highly centralized nature of policy making, the very weak resources and capacities of regional administrations, and the political choices made at the central level have favored the coastline to the detriment of the interior regions.

While there appears to be some commitment to reversing regional inequality and to consulting with the populations concerned regarding their development needs, these changes need to be accompanied by and implemented through transparent processes. Civil society must be informed and consulted and the criteria for who is consulted and how must be transparently decided on and communicated to the public. New criteria for distributing regional development funds must be made transparent and communities must be informed of the constraints. The need to prioritize must also be communicated in order to avoid creating unrealistic expectations and to avoid the sort of unrest seen during the first half of 2012, which was

Babnet Tunisie: "Grève générale à Makthar" <http://www.babnet.net/cadredetail-48180.asp> 12 April 2012

directly linked to the regional investment budget.⁸³ Finally, there should be an element of civil society oversight of these processes and also of big regional investment projects to improve implementation and to ensure that investments truly respond to local needs. Ensuring civil society representation in regional and local councils would be an important first step.

During a conference on budget transparency held in Tunis in November 2012,⁸⁴ this point was amply stressed; channels for civil society participation and oversight over budget execution need to be established. Civil society must be actively encouraged to participate and officially allowed a role in the oversight of public policy implementation.

Budget expenditures and execution

Budget execution and public investment management capacity. According to Mr. Saadaoui of the Ministry of Finance, there are very serious delays in the execution of public investment projects and while the supplementary budget added 1, 200 million TD to the original budget, it was highly unlikely that they would be able to execute these funds and that at best they might end up at the level of the original budget.

In 2012, the main reasons cited for poor budget execution were the late approval of the supplementary budget law, lack of coordination among ministries, and a delay in the approval of the legal framework to facilitate and simplify procurement. The execution capacity problem was not new in 2012 and Mr. Saadaoui also admitted to a general problem of lack of capacity in public administration, especially at the local level.⁸⁵

In terms of public investment management, the government is not yet sufficiently proficient in evaluating the costs and benefits of potential projects ex-ante and ex-post. They generally do not do ex-ante evaluations of investment plans nor do they do ex-post monitoring and

83 Leaders “Grève générale : suspendue au Kef, maintenue à Jendouba,” 3 June 2012. <http://www.leaders.com.tn/article/greve-generale-suspendue-au-kef-maintenue-a-jendouba?id=8593>.

Babnet Tunisie: “Grève générale à Makthar” <http://www.babnet.net/cadredetail-48180.asp> 12 April 2012.

84 The conference was organized by a joint initiative of the African Center for Journalist Training (CAPJC), Transparency First, and OpenGov, in partnership with the International Budget Partnership (IBP).

85 Poor execution and planning capacity may also partly be the reasons behind generally lower than expected budget deficits. In the past, the government has often budgeted a deficit of around 3 percent and usually ended up with a deficit of about 1.5 percent. While some have praised this as good performance, according to Antonio Nucifora, the World Bank Lead Country Economist it rather points to poor planning and likely to an overestimation of budget execution.

evaluation of implemented projects.⁸⁶ This leads to significant waste of resources. Again, this is an area where civil society could play an important monitoring role and keep a critical eye on government public investment choices and execution.

Budget costs and targeting of social transfers. The large and growing share of the budget dedicated to subsidies is becoming an increasingly unsustainable burden. According to Mrs. Faouzia Saied, the President of the General Committee on the Budget at the Ministry of Finance, basic foodstuffs such as cereals and vegetable oils cost the state 1.2 billion dinars per year, while fuel subsidies amount to 3.5 billion dinars. As an alternative to costly subsidies which also permit significant leakage of resources to the non-poor, both Mr. Saadaoui and Mrs. Saied propose instead to create a program of targeted transfers to the poor and needy.⁸⁷ This important reform would require the creation of a modern, up-to-date, and well-managed database to permit accurate targeting.

Various social transfer programs exist to benefit the poor and needy. However, many of them were instituted by the former regime and had political, populist objectives rather than aiming to reduce poverty in an equitable manner. They represent a significant cost and could be rationalized and improved in terms of targeting and efficiency. Another transfer program which represents a significant burden on public finances is the program of transfers to unemployed graduates. The unemployment support program *Amal* created in 2011 as temporary support to unemployed graduates in the aftermath of the revolution provides a transfer of 200 TD every month. This program represents a huge cost to the state, and has been accused of having a serious problem of leakage to groups who were not intended as beneficiaries. It also provides little incentive for youth to seek training or employment and though it was intended as a short-term measure post-revolution, some claim that it has developed dependency among beneficiaries who feel they are entitled to this transfer.⁸⁸

86 Interview with Mr. Antonio Nucifora, Lead Country Economist World Bank, Tunisia, 29 August 2012.

87 TAP "Budget 2013: des économistes inquiets au sujet du retard des préparatifs." Accessed on 20 August 2012 at: <http://www.tap.info.tn/fr/fr/economie/developpement-et-finances/30279-budget-2013-des-economistes-inquiets-au-sujet-du-retard-des-preparatifs-.html>.

88 Wemanager Center 15 June 2012. Mustapha Mezghani: "Tunisie : La bourse Amal, un gâchis malgré l'existence d'autres solutions plus pérennes." <http://www.webmanagercenter.com/actualite/economie/2012/06/15/121032/tunisie-la-bourse-amal-un-gachis-malgre-l-existence-d-autres-solutions-plus-perennes>.

These programs could all be part of a process of rationalization and modernization of social transfers to ensure they serve their purpose of alleviating poverty. In view of the magnitude and social importance of subsidies, any attempt to reform or eliminate them must necessarily include a process of consultation with citizens in order to build support and anchor the reform. Furthermore, the government should confer with civil society in the design of the reform and in the oversight of its implementation. In terms of civil society oversight of social transfer programs, or indeed of local service delivery in general, local participatory monitoring councils could be set up specifically for this purpose. For example, something along the lines of the social control councils set up to monitor implementation of the *Bolsa Familia* conditional cash transfer program in Brazil could work in Tunisia (Lindert et al. 2007).

Tax simplification and transparency. The tax system is highly complex and should be simplified in order to improve equity. The system offers numerous tax exemptions and incentives, leading to significant amounts of tax expenditures. The benefits of these tax expenditures to the Tunisian state and society are unclear as no real evaluations have been done to identify their true costs and benefits. In fact, it seems no true evaluations have been done of the corresponding investment projects, neither ex-ante, nor ex-post. According to the PEFA (2010), tax expenditures are estimated at around 6 percent of fiscal resources (excluding VAT exonerations). A precise assessment of these tax expenditures as well as their integration into the budget documentation would help enhance transparency of public funds and also provide a better understanding of their overall impact on public finances.

Systems of internal and external control

Internal control system. There are several internal control bodies within the Prime Minister's Office and the Ministry of Finance. The numerous expenditure controls make for a very rigid system, but also for one that is not very effective. This system could be simplified and the number and complexity of ex-ante controls reduced, while giving public servants greater responsibility to act. Reducing and simplifying ex-ante controls would necessarily entail

Kapitalis.com 24 March 2012. "Tunisie. Pourquoi le programme Amal doit-il être révisé?"
<http://www.kapitalis.com/fokus/62-national/8987-tunisie-pourquoi-le-programme-amal-doit-il-etre-reviser.html>.

instituting effective ex-post control measures, holding public servants accountable. These considerations are part of the ongoing results-based budgeting reform, and in order to enable RBB pilot execution, a framework of simplified control measures has been developed for the pilot ministries. This pilot experience will also inform the process of reforming and improving the system of internal control.

External control. The Court of Accounts needs enhanced independence in order to provide a true check on government. Currently, the President appoints the president of the Court of Accounts and also has the power to remove him or her. Furthermore, the court currently does not have sufficient resources to perform its work. According to one court judge, the number of staff employed by the court would need to significantly increase in order to ensure the capacity of the court to do its work.⁸⁹ Court staff also need training on external control in the context of the results-based budget reform. Additionally they will need to know how to audit budgets based on programs with objectives and indicators, focusing on results rather than inputs, and on performance rather than the mere use of budget credits.

The overall working environment of the court has improved since January 2011, and its reports are now being made publicly available. The current environment provides ample opportunities for the court to strengthen its visibility and influence. Unfortunately, thus far the court has not actively seized on the opportunity for significant reform. This is an unfortunate waste of an opportunity for the Court of Accounts to become a more prominent player in the budget process.

While relations between the Court of Accounts and the Parliament do not seem to be very well developed at the moment, the court's mandate could conceivably be extended in this sense. The Court of Accounts could be given a legally established mandate to serve as an advisor to the Parliament on public finance matters, as is the case in Morocco for instance. According to the Moroccan Constitution, the Court of Accounts assists the Parliament in the control of public finances, and responds to questions concerning the Parliament's functions related to

⁸⁹ Interview with Mr. Haj Houcine Messaoud, Judge at the Court of Accounts, 29 August 2012.

legislation, control, and evaluation of public finances.⁹⁰ The Tunisian draft Constitution of 1 June 2013 (art. 114) refers to the role of the Court of Accounts in “helping the executive and legislative powers to control the implementation of the budget law and the closing and discharge of the budget.” It does not however specify any role for the court in terms of specifically advising the legislature on budget oversight issues.

Strengthening supply and demand for transparency and accountability

Enhancing supply of transparency and accountability

Access to information. Important measures have been taken in the direction of boosting transparency and openness. Decree law 41 of 2011 represents an important break with the opaque practices of the past by providing an unprecedented legally established right of access to public information for all Tunisians. The law established far-reaching rights and though it does contain a regime of exceptions which is judged too broad and which may weaken the decree, on paper it is mostly a comprehensive and well-written law. In May 2012, Circular 25 was published to outline the modalities of implementation of the Access to Information Law, as part of the government’s priority reforms for 2012.⁹¹ Moreover, in the chapter on rights and freedoms, Article 31 of the latest draft version of the new Constitution states among other things that “the right to access information is guaranteed on condition that it does not compromise national security or the rights guaranteed by the Constitution.”⁹² This at the very least establishes a constitutional recognition of the importance of ensuring the right to access information.

In the past, the law actually penalized the unauthorized release of information, and stipulated that public servants were bound by professional secrecy and a duty of discretion (*obligation de réserve*). Strict administrative and even penal sanctions in cases of violation of the law led public servants to be very cautious, guarding information very closely and always erring on the side of secrecy and opacity.⁹³ Changing these habits will require a change in culture that will

90 Constitution of Morocco, 2011, Article 148. http://www.sgg.gov.ma/constitution_2011_Fr.pdf.

91 OpenData.tn Accessed on 10 October 2012. <http://www.opendata.tn/document/circulaire-n%C2%B025-en-date-du-05-mai-2012-relative-%C3%A0-l%E2%80%99acc%C3%A8s-aux-documents-administratifs-des>.

92 Draft Constitution of 1 June 2013. Source: marsad.tn

93 Interview with Kheireddine Ben Soltane, one of the authors of the Access to information decree law, 29 August 2012.

necessitate providing training to public servants and also reassuring them concerning their new role and the framework of openness and transparency. Furthermore, while there is resistance to releasing information due to established habits, there is also a certain resistance to opening up and freely sharing information stemming from the use of information as a source of power.

There is a need to revise the current legal framework in order to change those existing laws which might be in contradiction with the new access to information law. According to an access to information (ATI) expert interviewed, the biggest obstacle to generalizing the application of ATI within public administration is the lack of will to apply it within certain administrations. At the moment, relatively few administrations at the national and subnational levels have appointed a person in charge of ATI and numerous ministries are not aware of the implementing circular relative to the ATI law.⁹⁴ The draft Constitution of June 2013 (Art. 124) establishes a new Information Body, in charge of guaranteeing the right to access to information.

One major flaw of the current access to information decree is the time provided for its implementation. Decree 41-11 is to be implemented over two years, which is too long, especially in the current context of transition to a democratic government, which would benefit greatly from the existence of a law on transparency and access to information. In its absence, the culture of secrecy is likely to continue to flourish.⁹⁵ Expert observers also stress the importance for the Constituent Assembly to adopt a dedicated Access to Information Law, rather than a decree, as this would be a more effective legislative instrument for the protection of the right to information. It is hoped that this will be achieved under the new constitutional framework.

At the municipal level, the legal framework for municipalities establishes the right of every citizen to ask for and receive copies of the municipal budget, transcripts of municipal council meetings, copies of the municipal accounts, and municipal decisions (Art. 26). Furthermore, it states that municipal council meetings are open to the public, that they must be announced

94 Interview with Kheireddine Ben Soltane, one of the authors of the Access to information decree law, 29 August 2012.

95 Article 19, July 2011.

publicly in advance, and that a summary of the meeting transcript must be posted publicly at the municipality (Art. 22 and 25).⁹⁶

Moreover, in June 2012, it was announced that Tunisia would join the EITI initiative and thus implement its transparency standards concerning payments for its natural resources. This means that citizens will be able to access information on how much money the government receives from oil, gas, and mining operations. This initiative was initially largely driven by civil society organizations and notably the Tunisian Association for Transparency in Energy and Mining (ATTEM).⁹⁷ Nevertheless, Tunisia has yet to formally join the EITI and therefore is not yet applying the standards of transparency in the area of its natural resources.

In addition to the EITI, the government has also undertaken other important commitments to furthering transparency. Tunisia has promised to join the Open Government Partnership (OGP) initiative and in April 2012, it participated in OGP's annual meeting in Brazil. A Tunisian government representative spoke at the meeting and formally expressed the commitment of the government "to be transparent, participatory and a model for post-revolutionary democracies in the Arab world."⁹⁸ The transparency promoting network OpenGov, which has been in existence in Tunisia since early 2011, is actively demanding and publishing budget-related information and also pushing government agencies to become more transparent with this information themselves. Nevertheless, despite the promise, the government has yet to go through with its promise as Tunisia still has not formally become a member of the OGP initiative.

In this context, the Ministry of Women's and Family Affairs recently established an OpenGov transparency working group within the ministry and has published a detailed version of the

96 Source: loi n°75-33 du 14 mai 1975 portant loi organique des communes modifiée à plusieurs reprises et notamment par la loi organique n° 95-68 du 24 juillet 1995 et la loi organique n°2006-48 du 17 juillet 2006.

97 EITI "Tunisia commits to natural resource transparency through EITI." <http://eiti.org/news-events/tunisia-commits-implement-eiti>. Accessed on 8 June 2012.

98 "Openness, Transparency & Participative Democracy: Commitments of the Tunisian Government." Speech written by Mrs. Mabrouka M'Barek, Constituent Assembly member, and Mr. Hedi Ben Abbas, Secretary of State Foreign Affairs for the Americas and Asia. It was delivered on 18 April 2012 during the annual meeting of the Open Government Partnership in Brasilia, Brazil. Accessed on 10 October 2012 <http://mabrouka.org/174>.

ministry's 2012 budget on its website.⁹⁹ At the subnational level, the city of Sayada became the first city to publish its budgets, expenditure reports, and investment projects on its website.¹⁰⁰

Access to budget information. In the spirit of strengthening government transparency and access to information, the Ministry of Finance recently decided to proactively publish all budget-related documentation on the Ministry's website¹⁰¹ and on the site dedicated to the results-based budget reform.¹⁰² This information concerns the process of preparing the draft budget law; the process of budget approval by the legislature; and the monitoring of budget execution. The document specifically refers to the publication of a Citizens Budget, which should be published both in the classical version and in the RBB version. The ministry document instructing staff of the obligation to publish the relevant documents also establishes a timetable for when the various documents are expected to be publicly available. In addition to this, the ministry will launch, by the end of 2013, an Internet platform on open budgets, called BOOST. This platform will allow users to access and analyze data on budget execution.¹⁰³ These commitments to enhanced transparency were part of the government's priority list of reforms for 2012.¹⁰⁴

In 2012, Tunisia was for the first time included in the Open Budget Survey, an international initiative which provides a comprehensive analysis and survey that evaluates whether governments give the public access to budget information and opportunities to participate in the budget process at the national level. This represents an important commitment on the part of the Tunisian government not only to be compared to other countries in terms of its budget transparency performance, but also to undertake reforms to improve its openness and transparency record. The first Open Budget analysis for Tunisia was undertaken by an

99 [http://www.femme.gov.tn/index.php?id=148&tx_ttnews\[tt_news\]=374&cHash=09807df87d527bfdc56a88ad895e856c](http://www.femme.gov.tn/index.php?id=148&tx_ttnews[tt_news]=374&cHash=09807df87d527bfdc56a88ad895e856c)
http://www.femme.gov.tn/fileadmin/_temp_/budget_2012.pdf.

100 www.villedesayada.tn.

101 www.portail.finances.gov.tn.

102 www.gbo.tn.

103 Ministry of Finance "Publication des données et informations relatives aux Finances Publiques." <http://www.portail.finances.gov.tn/publications/Publication-des-donnees-finances.pdf>.

104 Tunisian Government web portal. Accessed on 10 October 2012.

http://www.tunisie.gov.tn/index.php?option=com_content&task=view&id=1883&Itemid=518&lang=french.

independent expert and the report was released in January 2013.¹⁰⁵ This first survey thus established a baseline of budget transparency and provided the government with a clear path for improving its survey score in the future.

Enhancing transparency through a move towards results-based budgeting. The RBB reform is a key long-term reform of the fundamental modalities of public finance management. The reform is advancing well and more ministries are starting to adapt to the reform. Overall, the reform seems to be viewed in a very positive light (Bouvier and Esclassan 2011). Furthermore, within the sectoral ministries, there appears to be a strong commitment to advancing and generalizing the reform. The adaptation to the reform has been gradual, accompanied by concerted efforts to inform and train staff at all levels, at the center as well as in the regions, to develop their skills in managing a results-based budget, and also to ensure buy-in at all levels and minimize resistance. In 2013, four pilot ministries began producing and publishing their budgets according to RBB, and another five will start doing so in 2014. These nine ministries account for approximately 66 percent of Tunisia's off-debt budget.

In view of the importance and the objectives of the RBB reform, most of those interviewed identified it as the most important means of promoting budget transparency and transparency in the public administration in general. In fact, the main objectives of this reform concern the establishment of a better system of governance based on the responsibility of all stakeholders and the transparency of public accounts. A solid anchoring of the budget process in a democratic framework is also an objective of the RBB reform. The ultimate goal is thus to arrive at a new system of public financial governance (Bouvier and Esclassan 2011). Therefore, facilitating the reforms and adaptations that will sustain the RBB reform and help institutionalize a new culture of objectives and performance is also critical to overall public administration transparency. Furthermore, several interviewees indicated that the current context of profound change and reform appears to have given a new boost to this reform

105 More information on the OBI can be found at <http://internationalbudget.org/what-we-do/major-ibp-initiatives/open-budget-initiative/>

process, and within the sector ministries there appears to be a strong commitment to advancing and generalizing the reform.

Initiatives in social accountability. During 2012, the Prime Minister's Office, through its General Directorate for strategy and administrative reforms, launched an online survey which serves as a barometer of citizen satisfaction with public services.¹⁰⁶ Open between March and May, the objective of this survey was to identify the most important public service problems and citizens' priorities for administrative reform. Feedback was received from 9,000 citizens. Following the online national scorecard/barometer, the Prime Minister's Office is now working on (i) a regional barometer (scorecard) for municipal education and health services and (ii) a scorecard for health insurance bureaus (an area they chose due to poor ratings).¹⁰⁷ In the first online survey, access to information was clearly identified by citizens as a frequent obstacle to quality public service delivery.

Together with the World Bank, the government also carried out a household survey, comprising a representative sample of 800 households. These participants answered questions on the perceived quality of services in areas such as health, education, social assistance, employment, and the administration in general. The survey also asked whether the respondents had ever lodged complaints about problems in a specific service area and, if so, what the outcomes were of such complaints. It is to be hoped that such exercises will become more frequent and used as a tool in the public policy making process in order to help improve public service delivery.

Strengthening the demand for transparency and accountability

Enabling enhanced public access to information. Budget transparency is a demand-side as well as a supply-side issue. While the government should make information available (both proactively and on demand), citizens must also be willing and able to access that information in order to hold government accountable for its actions. In order for that to happen, citizens must be informed of their new right to access information and how to exercise that right. They must

106 <http://www.consultations-publiques.tn>

107 République Tunisienne Premier Ministère (2012) and Interview with Antonio Nucifora, Lead Country Economist, World Bank Tunisia, 29 August 2012.

also be able to trust the accuracy of the information provided by government agencies. Aside from citizens in general, journalists should use public information as a basis for informed analysis and entrepreneurs need to request and use public sector information to reduce their transaction costs and risks and to generate new products and services.¹⁰⁸

In order to engage and demand transparency and improved governance by the government, civil society needs to have access to information. Spreading knowledge of the existence and modalities of the ATI law is therefore a crucial component. According to one of the drafters of the law, the media has a key role to play in this regard, and more should have been done to inform the media about the law and to equip them to discuss it and inform citizens about it.¹⁰⁹

Supporting civil society initiatives for transparency. Several CSOs have a specific mandate to monitor public authorities and to promote transparency in public administration. Such organizations and networks include OpenGov, Al Bawsala (compass), Nawat, and the Tunisian Association for Numeric Liberty (*Association Tunisienne des Libertés Numériques*, or ATLN). Bawsala also launched a specific initiative called Marsad (observatory) which monitors the National Constituent Assembly (NCA) and publishes information on the work of the Assembly and its various commissions, as well as parliamentary voting records on specific issues.

In August 2012, OpenGov, Bawsala, Nawat, and a group of citizens filed a legal case against the Constituent Assembly for “abuse of power and failure to respect the law.” This legal case, which targets the leadership of the NCA and its presidency in particular, was motivated by the failure of the Assembly to abide by its own transparency rules. The case was also motivated specifically by the Assembly’s failure to publish the minutes of NCA commission work and of Assembly plenary meetings, as well as the failure to release information on the presence of NCA members and details of the votes. As an interesting comparison, one expert mentioned that all debates of the 1956 Constituent Assembly were made publicly available at the time.¹¹⁰ The lack of transparency on the part of the current Constituent Assembly, the groups said, contradicts

108 World Bank Tunisia: <http://www.worldbank.org/en/news/2012/04/17/tunisia-next-revolution-open-government>.

109 Interview with Kheireddine Ben Soltane, one of the authors of the Access to information decree law, 29 August 2012.

110 Interview with Kheireddine Ben Soltane, one of the authors of the Access to information decree law, 29 August 2012.

the stipulations of the freedom of information decree.¹¹¹ Such initiatives show the potential power of organized civil society efforts to monitor public authorities and push them to follow existing transparency rules and also encourage them to move further.

Such initiatives notwithstanding, Tunisian civil society is still in an embryonic state and many CSOs struggle to survive. Compared with 2011 when the post-revolution excitement pulled many people into civil society activism, there is now a clear fatigue and disenchantment with what is happening and with a perceived lack of impact of activism. Many CSOs have lost members to political parties and many other activists have simply left the CSO sector.

Creating and strengthening channels for participation and influence. The CSO sector needs considerable support and resources in order to grow into a sustainable social partner ready to engage with the government and hold it to account. Civil society actors can work to alert the media to specific issues and bring them in as a supporting actor and additional check on government action. However, in order for a strong civil society to truly have the means to influence public policy and act as a check on government, channels for participation and influence need to be created. One way of ensuring this could be to institutionalize the participation of civil society representatives on the regional and local councils and provide them with a clear role in the process of selecting public investment projects and of overseeing their execution.

The establishment of a joint government-civil society committee on public finance transparency in February 2013 represents a very positive development in terms of facilitating civil society participation in the public policy process. The committee will meet every two months and its main objectives concern the monitoring of the activities of the Ministry of Finance in the area of access to information and monitoring the publication of detailed sector ministry budgets as well as the budgets of local authorities and public enterprises. It will also follow up on the dissemination of detailed and updated information on budget execution (revenues and expenditures). According to the Minister of Finance, Elyes Fakhfakh, the creation of this

111 Source: Agence Tunis Afrique Presse, TAP, "Trois associations déposent plainte auprès du tribunal administratif contre l'ANC." Friday 31 August, 2012. <http://www.tap.info.tn/fr/fr/politique/300-politique/31918-trois-associations-deposent-une-plainte-aupres-du-tribunal-administratif-contre-lanc.html>.

committee will help to strengthen trust between citizens and the administration and will also contribute to including citizens as actors and partners in the decision-making process.¹¹²

5 CONCLUSIONS AND RECOMMENDATIONS

This paper has provided a critical look at key budget transparency-related issues in the current debate on constitutional and institutional reform. Its main objective is to identify entry points for change in the budget process in order to enhance access to information, transparency, control, and accountability. The findings highlight the importance of addressing both the demand- and the supply-side of transparency and accountability as well as the linkages between the two.

There is a general lack of solid, up-to-date research on the budget in Tunisia. Therefore, in order to better assess the trajectory and the dynamics of change, including drivers of budget reform and windows of opportunity for transparency and greater citizen involvement in public budgeting, additional research is required in several areas. Those areas include political economy of budgets and budget institutions; budget reforms and the budget as a social contract; tax expenditures; and Islamic finance. Suggestions for further research include:

- A political economy analysis of the politics of budgeting and the influence of transitional political dynamics on public budgeting is necessary to better understand the gap between formal institutions and informal power structures. In particular the budgetary powers, de jure and de facto, of the president, the prime minister, and the finance minister, as well as between the legislature and the executive;
- Analysis of the current and potential role of budget oversight institutions such as Parliament and the Court of Accounts and adjustments required in the legal framework, as well as the capacities and resources necessary in order to optimize their contribution to budget monitoring and oversight;

112 Babnet Tunisie: "Ministère des finances et société civile: une commission commune pour plus de transparence financière." Thursday 28 February 2013. <http://www.babnet.net/cadredetail-61132.asp>

- The implications and impact of performance budgeting on transparency and accountability, and how to ensure full implementation of and adaptation to the new performance-based framework;
- Tax expenditures are quite important as they have been used, and continue to be used, to incentivize private investment. Undertaking a full review of tax expenditures and reflecting information on them in the budget document would help to improve budget transparency by revealing their full magnitude. Their overall benefits and costs in terms of investment attraction versus public revenue foregone should also be analyzed in detail;
- The (budget) implications of adopting Islamic finance provisions in Tunisia and what reforms are necessary to adopt to such a change of the PFM framework and the likely impact of this on public finances.

Furthermore, the review also points to some additional areas which have achieved salience in the current context:

- Considering the likelihood and budget implications of the recovery of stolen assets;
- Assessing the debt incurred by the previous regime, whether or not Tunisia's current government will accept responsibility for it, and the implications for public finances.

The findings highlight the central importance of both the demand- and the supply-side of transparency and accountability as well as the linkages between the two. This paper has identified key challenges and potential entry points for citizen-centered reforms in public budgeting. The current context of constitutional and legal reform provides a crucial window of opportunity for reforms. Tentative conclusions and recommendations include:

Weak legislative capacity in budget analysis and oversight. The legislature has in the past had a rather passive role, mostly rubber stamping the policies of the Ben Ali regime. There is therefore today only a weak tradition of viewing the legislature as a true oversight institution and a real and responsible check on government. Today the legislature does not have robust

technical advisory and support structures in any area, including on budget issues. Strengthening the role of the legislature in budget analysis and oversight will therefore necessitate providing independent, expert advisory services on budget issues for the legislature in general and for the Finance Committee in particular. The Court of Accounts could also play a crucial role in supporting and reinforcing legislative capacity by advising the legislature on budget issues.

Actions:

- Promote a discussion to consider establishing a legislative budget office;
- Consider introducing mandatory ex-ante fiscal impact assessments of new laws. These could possibly be undertaken by civil society;
- Outline how the Court of Accounts could change its mandate and its work in order to incorporate a role as advisor to the legislature on budget matters.

Insufficient communication and consultation on the budget prior to parliamentary approval.

While formal commitments to transparency have been made, there is still a lack of openness with regards to the budget documents. There is still little real consultation with relevant actors at the subnational level concerning the development projects which will affect their communities. This creates a climate of contestation and mistrust, which has led to social unrest over the recent past.

Actions:

- Complying with existing commitments in terms of publishing all relevant budget documents in a timely manner;
- Establishing clear guidelines concerning the modalities for participation in budget consultations. It needs to be clear who is to be consulted, on what and when and this information should be communicated to the public in order to manage expectations. The role of the Regional Consultative Committees should be clarified and the process for considering proposals emanating from these committees should be clarified.

Weak budget execution capacity. Poor performance in this area is due in part to capacity constraints in terms of performing proper ex-ante evaluations of investment projects, which leads to poor investment decisions. It is also due in part to onerous procedures and controls for executing budget credits. Civil society organizations and citizens' groups do not currently have sufficient means for participating in these processes.

Actions

- Strengthen evaluation capacity within the ministries of Finance and of Regional Development and Planning and consider the potential role of civil society;
- Revise modalities and requirements for spending budget credits and streamline control procedures. The framework of exceptions and simplification of administrative procedures adopted for the RBB pilot ministries could be a very helpful guide allowing for learning in view of formal changes to the legal framework;
- Allowing formal participation and oversight role for relevant civil society organizations, especially on key investment projects;
- Consider introducing open contracting in public procurement, including publishing tenders and their results.

Inadequate linkage between citizen needs and preferences, and budget allocation and execution decisions. The process of selecting investment projects at the regional and local level is highly centralized and does not fully consider real needs and preferences. This generates significant waste of public resources and missed opportunities for development promotion. It also undermines trust in government and fuels discontent. There is currently a lack of formal channels for public participation in the budget formulation and execution processes which creates uncertainty regarding how to implement participatory forums on budgeting.

Actions

- Reforming the legal framework to enhance civil society representation and participation in the regional and local councils. This would help better orient investment plans with greater consideration of local needs;
- Establishing local social control bodies, including the representation of local authorities, service providers and users, to monitor local budget execution would help make processes more transparent and enhance social accountability at the local level.

Incipient civil society unable fully to demand social accountability. Most of the civil society organizations founded after January 2011 are still very weak. Turning these actors into agents capable of holding the government to account requires further training, capacity building, and support.

Actions:

- Assessing the needs of CSOs and providing training and capacity building in order to strengthen their ability to engage in the budget process and to hold government to account;
- Strengthen specialized think tanks and university centers on PFM.

Weak role of the media and little media vigilance. The media has a crucial role to play in advancing the new framework of transparency and access to information. In Tunisia, decades of government control and censure of the media has undermined independent media, and there is at best only a weak tradition of serious investigation or vigilance over government action and outcomes. The current case of an investigative journalist launching a story about high-level government misuse of funds and demanding transparency through an official investigation is a key event. This sort of action and vigilance should be encouraged and supported.

Actions:

- Inform and train the media concerning the importance and implications of the new framework of enhanced freedom of expression. Train the media in how they can best play their role of relaying information to the public and acting as a check on government advancement in transparency and access to information;
- Strengthen specialized investigative media on economic, fiscal, and budget matters.

Finally, it would also be important for civil society actors to monitor Tunisia's advancements in fulfilling its commitments to join the OGP and the EITI as well as its responsibilities and continued improvements in transparency once it does become a member of these initiatives.

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