



# A Guide to the Tunisian Budget



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# PREFACE

A Guide to the Tunisian Budget is intended to help civil society groups in Tunisia to play a larger role in the development and implementation of the government's budget.

Governance in Tunisia has undergone remarkable changes over the last few years. Indeed, as I write, citizens are fresh from voting in elections that are widely held to have been credible and fair. As the voices of citizens become ever more influential to how the country is governed, knowledge of how public money is raised and spent grows ever more important. Understanding the government's budget is an essential component of this knowledge.

A government's budget is considered by most people to be a heavy, technical, and somewhat mysterious document. It can be that. But it is, at the same time, much more. It is the government's principal economic policy tool, one that has very significant, concrete impacts on people's lives. It can play a critical role in adding to or easing the worries and challenges people face in finding a decently paying job, seeing a capable doctor when they are ill, ensuring that their children get a good education, or feeling safe drinking the water that comes into the home. Whether people can read the budget or not, every day — and in numerous ways — they experience the effects of the political and economic priorities that have defined the budget and that shape the way government raises and spends public money.

While people understand in a general sense that the budget touches their lives, most would find it difficult, if not impossible, to read the actual document. Nor would they know how to monitor its implementation, or even influence what is in it. This is where civil society groups come in. Civil society groups play a crucial role in identifying and understanding critical issues facing society, in bringing that understanding to the broader public, and in mobilizing and advocating for change to enhance the quality of people's lives. Civil society groups can play this very important role in Tunisia with regard to the government's budget.

A Guide to the Tunisian Budget is designed to provide you with a simple, accurate description of the process by which the budget is developed and implemented. It also provides a summary of what a reader will see in the budget (its contents). It was written by IBP Program Officer Akram Al-Turk, and edited by Ann Blyberg.

We hope this guide will help enable civil society groups and communities to become more active in influencing the content and process of the budget, all with the goal of enhancing the quality of life of all Tunisians.

We hope you will find A Guide to the Tunisian Budget informative, accessible, and useful. As always, we would welcome your comments, thoughts, and suggestions.

Warren Krafchik  
August 2014

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# CHAPTER 1

## Why Should You Care About The Budget?

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Tunisia is at a critical juncture in its history. After decades in which government made decisions without consulting the citizenry or providing any meaningful account of its actions, the people of Tunisia decided that it was time for change. The goals of the January 2011 revolution have not yet been fully realized, but the revolution created channels for citizen engagement that hold the promise of more government transparency and greater accountability.

A democratic society is only as strong as the engagement of its citizens. For that engagement to be constructive and effective citizens must know the “rules of the game.” Specifically, if citizens and civil society organizations (CSOs) want to play a role in decisions around their government’s budget, and in doing so have an impact on people’s lives, they must know “rules of the game” for the budget. This guide is about just that: Providing readers with a basic understanding of what budgets and budget documents are, who is involved in designing and implementing them, and where and how civil society can play a role.

A government budget, whether at the national, regional, or local level, is much more than a set of numbers. Budget documents provide insights into a government’s policies and priorities. They can enable us to see whether, for example, in times of high unemployment, the government is prioritizing the problem and, if so, how it is doing so. We can see how much the government is spending on national defense, education, health, etc., and from these figures draw conclusions about the government’s priorities. The budget helps us understand the trade-offs the government makes as it tries to cope with fiscal constraints, particularly in times of economic stagnation or recession. Where is less being spent? Where more? From where has the government taken funds and towards what has it directed those funds? Is the trade-off justified? Do citizens feel that the budget decisions made by government are appropriate?

The budget signals to the people of a country not only what the government’s current priorities are, but what it plans to do to ensure their future well-being. In a democratic society, these present and future priorities should reflect the priorities of the population. In fact, the government does not have any of its own money. It is merely spending money that belongs to the public, and thus spending should be aligned with the aspirations of the people. Of course, “the people,” whether within a municipality, state or country, is never a monolith. Different people will have different aspirations and different priorities. While these



### Box 1.1: Know your rights

The concept that citizens are the ultimate sources of power, including in budgetary matters, is of course neither new nor foreign. In fact, Article 3 of the new Tunisian Constitution, ratified in 2014, says:

*The people possess sovereignty and are the source of all powers, which they shall exercise through their freely elected representatives or by referendum.*

This article means that the government should always answer to citizens, and the people should and can have a say in decision-making processes.

differences inevitably lead to debates, political conflicts, and sometimes painful trade-offs, the key point is that the government should not raise and spend money for its own benefit and should instead make every effort to respond to the multiple aspirations and needs of citizens.

At the individual level, budget decisions affect all Tunisians in a variety of ways. They have a direct effect on the quality of the health care that almost all citizens receive, on how well children are educated, on the safety of communities throughout the country, to name just a few examples. However, budget decisions also affect the population in indirect ways. While these indirect effects may not seem important in day-to-day life, many government budget decisions—such as how much the government decides to tax corporations or how much it invests in natural resource extraction—do have significant short- and long-term effects on society and individuals.

Budgetary decisions also affect you because government services must be paid for through the taxes and fees people pay, through revenue from natural resources that otherwise belong to everyone, or via payments by the government on borrowed funds. We will see the breakdown of

### Box 1.2: Why the budget is important

- Approximately two million students are educated in Tunisia's public schools.
- Over 130,000 teachers are employed in these public schools.
- More than 230,000 low-income families receive financial aid from government each month.
- Over 2,300 general practitioners and 27,000 other medical staff work in public health facilities.
- The government maintains approximately 2,300 public health facilities in the country.

All of these services, and all the salaries of these service providers, are paid for with the government's budget!\*

\* These statistics can be found at: Education Statistics, 2012-2013, Ministry of Education ([http://www.education.gov.tn/article\\_education/statistiques/stat\\_education2013\\_ar.pdf](http://www.education.gov.tn/article_education/statistiques/stat_education2013_ar.pdf)); Ministry of Social Affairs 2014 budget ([http://www.finances.gov.tn/index.php?option=com\\_jdownloads&Itemid=712&view=finish&cid=552&catid=1&lang=fr](http://www.finances.gov.tn/index.php?option=com_jdownloads&Itemid=712&view=finish&cid=552&catid=1&lang=fr)); and Health Indicators, Ministry of Health (<http://www.santetunisie.rns.tn/>, accessed 5 August 2014).

the Tunisian government's revenues later in this guide.

This Guide to the Tunisian Budget is primarily intended for civil society groups that are interested in increasing government accountability to the people. It provides you with the information you need to start engaging with the Tunisian budget by monitoring and analyzing it to help better address the critical issues you work on. The guide may also be helpful for members of the legislature and media.

# CHAPTER 2

## Budget Laws and Processes in Tunisia

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While it is important to have a good understanding of budget figures and what they mean, it is just as important to understand what the budget process looks like, who is involved, and what documents you should expect to see. With a good grasp of the process, actors, and key documents, you will be better able to determine whether the government is doing what it is supposed to be doing—and how and when you can become involved.

This chapter begins with a discussion of the laws that govern the budget process in Tunisia. It then goes on to detail the process itself. The latter discussion will include information about who is responsible for doing what at the different stages of the budget process, and will describe the documents that are essential in a budget process that is both well-conceived and well implemented.

### The Legal Framework

A comprehensive legal framework is an important part of a budget systems that is functioning well. A legal framework should do the following:

- Clarify the roles and responsibilities of the major actors in the budget process.
- Establish clear rules and regulations for the process and the management of revenues and expenditures. There must be guidelines for when certain actions are due, as well as what documents should be produced and published.
- Put in place a system of checks and balances to ensure that the legislative branch and the supreme audit institution both play their crucial roles in monitoring and correcting actions of the executive branch vis-à-vis the budget.<sup>1</sup>

The legal framework typically comprises provisions of a country's constitution together with a law (or laws) that are specifically designed to set the rules and regulations of the budget decision-making process.

The newly ratified Tunisian Constitution provides only a few details about the budget process, mainly focusing on the approval stage. Article 66 in the Constitution provides the most details on the budget, the most important provisions of which are set out in Box 2.1.

<sup>1</sup> See International Budget Partnership's Guide to Budget Work for NGOs <http://internationalbudget.org/publications/a-guide-to-budget-work-for-ngos/>



## Box 2.1: Excerpts from Article 66 of Tunisia's 2014 Constitution\*

*The law determines the State's resources and its expenses in conformity with the provisions set out in the Organic Budget Law.*

*The Chamber of the People's Deputies shall ratify the draft finance laws and the balancing of the budget in accordance with the terms stipulated under the Organic Budget Law.*

*The draft finance law shall be presented to the Chamber no later than 15 October and shall be ratified no later than 10 December...*

*...If the draft finance law is not ratified by 31 December, the law can be implemented insofar as it relates to expenditures, in instalments of three months subject to renewal by a presidential order, and revenues shall continue to be collected in accordance with the laws in force.*

\* For the full text of Article 66 and other constitutional articles relevant for budget matters, see Annex III.

You will have noticed that two of Article 66's paragraphs refer to the country's Organic Budget Law (OBL), which is Tunisia's most important piece of legislation related to budget matters. As the 2004 law (which amended the earlier 1967 and 1996 organic budget laws) describes in detail the procedures and regulations of the budget process, civil society budget activists should be very familiar with it. As of this writing, the government is in the process of drafting a new OBL. Although this means that some of the provisions mentioned in this guide may become obsolete in the next few years, it is likely that many provisions will not change substantially. Hopefully, the revisions will improve it.<sup>2</sup>

The OBL is broken down into three main sections:

- Title I: General Provisions;
- Title II: Preparation, Review, and Vote of the Draft Finance Law; and
- Title III: Execution and Regulation of the State Budget.

We will look more closely at Titles II and III (which encompass Articles 23 to 49) in the next section. The most important provisions from Title I stipulate that:

- The annual finance law (or the State budget) forecasts and authorizes all State expenditures and resources, taking into consideration the government's development plans and the country's financial and economic balance.
- The fiscal year in Tunisia runs from January 1st until December 31st.
- Appropriations—which are broken down by current expenditures, capital expenditures, and Treasury Funds expenditures—should be grouped together by Chapter at the disposal of each administrative head (which, in most cases, is a minister).

## The Four Stages of the Budget Process

Having a full understanding of the budget process allows you to think strategically about how you can have an effect on the budget. This section provides a detailed outline of the budget process in Tunisia. This includes the actions that should be taken, who is responsible for which actions, what documents are produced and made publicly available,

<sup>2</sup> Past revisions have resulted in improvements. For example, the original 1967 law made it difficult to get a full picture of the State budget, but revisions made in the 1996 and 2004 OBLs have made this much easier. Those revisions required that certain administrative public institutions and "Special Treasury Funds" should be included in the State budget, which is now both more comprehensive (for example, by including the accounts of all public institutions) and easier to understand.

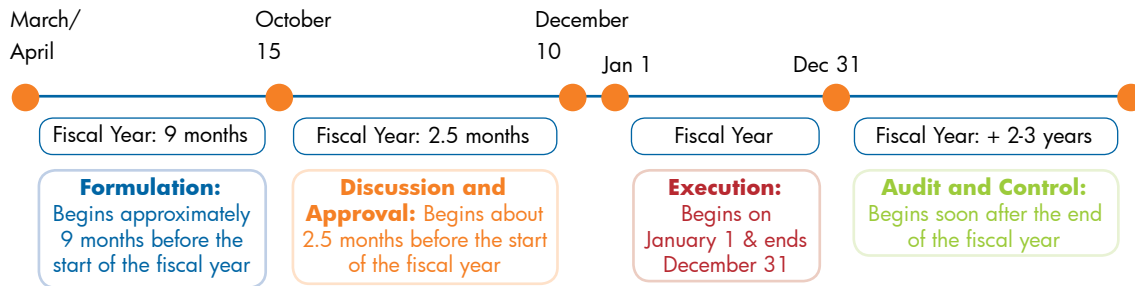
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and what documents should be made publicly available but are not. Drawing on the experiences of budget activists all over the world, this section also includes a few suggestions about how to engage in each stage of the budget process.

Before we delve into the details, let's take a look at the budget cycle as a whole. Remember that the fiscal year in Tunisia is from January 1 to December 31. The budget cycle includes four stages: Formulation; discussion and approval; execution; and audit and control. Each stage is illustrated in the following figures, and followed by a detailed explanation of each figure.

Figure 2.1: The Budget Cycle



### Box 2.2: Best Practices

When we talk about the budget process throughout this chapter, we will often mention that certain actions should be taken by the government or that specific kinds of documents should be made publicly available. These recommendations are based on “international best practices,” which are a set of principles and criteria that have been developed by international organizations to ensure that public finance systems are transparent and responsive to the public. The most widely used guidelines are: The International Monetary Fund’s *Code of Good Practices on Fiscal Transparency*; the Organization for Economic Cooperation and Development’s *Best Practices for Fiscal Transparency*; the International Organization of Supreme Audit Institutions’ *Lima Declaration of Guidelines on Auditing Precepts*; the World Bank’s *Public Expenditure Management Handbook*; and the Public Expenditure and Financial Accountability’s *Public Financial Management Performance Measurement Framework*.

Drawing on criteria set out in these guidelines, the International Budget Partnership (IBP), through its Open Budget Survey, assesses the public availability, content, and timeliness of the release of key budget information in more than 100 countries around the world. The Survey also assesses the functioning of a country’s legislative body and its supreme audit institution as budget oversight mechanisms, as well as the extent to which the public can participate in the budget process.\*

\* For more on the IBP’s Open Budget Survey, see <http://internationalbudget.org/what-we-do/open-budget-survey/>



### Formulation

The formulation stage is when the executive branch of the government puts together its budget plan for the coming year. At this stage, the executive develops its macroeconomic assumptions—including estimates of economic growth, budget deficits, and inflation levels—and determines what its goals for the budget will be. Will it try to maintain public debt at a particular level, raise or reduce taxes, spend more on a particular sector, etc.?

In order to make these decisions, the Ministry of Finance, the most important actor throughout the budget process, will take a number of things into consideration. First, with the help of the Central Bank, it will estimate how much revenue the government will receive in the coming fiscal year. Together they will come up with their best guess as to how much the economy will grow or shrink and estimate the prices of various goods that typically affect the economy, including basic foodstuffs, petroleum, and other natural resources. They will assess the likely rate of return on investments, the country's trade balance, and other economic indicators.

The Ministry of Finance's budget decisions, according to Article 1 of the OBL, should align with the objectives of the country's development plan. The latter should cover a five-year period and outline policies, programs, and projects based on sectoral and regional needs. Different agencies and departments are charged with preparing portions of the plan. The Ministry of Development and International Cooperation coordinates the process and prepares the final plan.

The formulation stage in Tunisia formally begins when the Prime Minister's office sends a budget circular, or framing letter (*lettre de cadrage*), to the administrative heads of Chapters and all other public entities, asking them to develop

### Box 2.3: What is a "Chapter"?

A lot of budget information in Tunisia is divided into Chapters. Most budget Chapters (Chapters 4 to 27) correspond to a particular ministry, and each ministry has a unique Chapter number. Chapters 1, 2 and 3 are for the legislature, the presidency, and the Prime Minister's office, respectively. Chapters 28 and 29 are non-partitioned unforeseen expenditures and public debt, respectively. For a full list of the budget Chapters, see Appendix IV.

### Box 2.4: Current vs. Capital Expenditures

According to Article 24 of the OBL, appropriation estimates are based on 1) forecasted operating needs of the various units and departments; and 2) how much is needed to implement development projects.

The former, known as current expenditures (also called recurrent expenditures), include the salaries of public employees and the costs associated with running and maintaining ministries, departments, and other public offices. In the budget document, current expenditures make up the bulk of Title I (which also includes interest paid on the public debt).

The latter, called capital expenditures, are the costs associated with development programs and projects, such as the building of a new road, the implementation of an immunization program, or the expansion of a school. Capital expenditures make up the bulk of Title II, which also includes the repayment of the principal on the public debt.



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their annual expenditure estimates.<sup>3</sup> The budget circular, which was made publicly available in 2013 and 2014, provides the ministries with guidelines and recommendations, and sets out the government's priorities together with a timetable of the process.<sup>4</sup> Each Chapter then reviews the appropriations requests made by its sub-units and consolidates them before sending the Chapter's budget request to the Ministry of Finance. According to Article 23 of the OBL, these expenditure estimates should be presented to the Ministry of Finance by the end of May.

From around the end of May until the middle of July, the Ministry of Finance and representatives of the different Chapters discuss and negotiate

specific programs and spending requests. Where disagreements occur, the Minister of Finance, or even the Prime Minister, may step in to arbitrate a solution.

Based on proposals from the Chapters and Ministries, the outcomes of the negotiations, and the estimated revenues, the Ministry of Finance comes up with a draft Finance Law (called the Executive's Budget Proposal by international standards). This draft is then discussed and voted on by the Cabinet. According to the 2014 budget circular, this process should be concluded by the first week of October. The President then submits the proposal to the Parliament no later than October 15.<sup>5</sup> This means that the executive

### Box 2.5: A Lack of Detailed Information in the Early Stages of budget formulation

While the budget circulars released in 2013 and 2014 include a few paragraphs about the government's priorities, they provide very little justification for these priorities. For this reason, this budget circular is not equivalent to a Pre-Budget Statement (PBS), which is considered an essential budget document according to international best practices. A PBS should clearly outline the government's macroeconomic assumptions for the coming fiscal year, articulate the government's fiscal strategy for the medium term, contain details of sectoral priorities, and outline any new policy initiatives.

The information in a PBS would give civil society an opportunity to review and comment not only on the government's macroeconomic assumptions, but also on its priorities based on those assumptions. The trade-offs that a government may decide to make may be very appropriate, but without detailed information it is difficult for civil society to assess whether they are.

The Tunisian government does publish a Medium-Term Expenditure Framework, which provides some relevant information. Unfortunately, the document is not updated annually and was last published in September 2012. It is difficult to know from available information whether the government is presuming that the macroeconomic assumptions, policy priorities, and budget projections are still relevant.

Civil society activists should encourage the government to produce a full Pre-Budget Statement that would outline the government's broad policy and budget goals for the coming fiscal year. At the same time, they should try to get a sense from the communities with which they work what their needs are. This kind of information can be useful in discussions with ministries, departments, and other public agencies when they are putting together their estimates for the Ministry of Finance.

3 When we refer to Chapters in the budget process, we are typically excluding Chapters 28 and 29, as they are the only chapters that are not administrative units.

4 The 2014 budget circular was published in the first half of April 2013; and the 2015 budget circular was published at the end of April 2014.

5 Note that the submission deadline established by the OBL is October 25th, but the deadline in Article 66 of the new Constitution is October 15th. The latter supersedes the OBL's deadline.

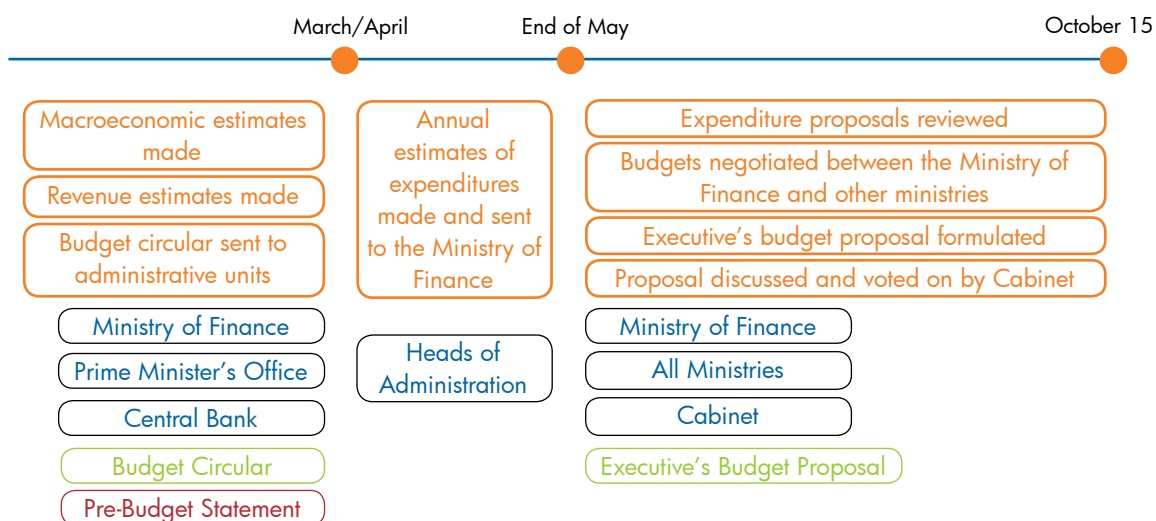
branch has approximately four months from the late May Chapter budget submission deadline until the time when the draft Finance Law must be submitted to Parliament in early October.

Most budget negotiations between the Ministry of Finance and other ministries occur behind closed doors. It is therefore critical to try to influence sectoral ministry officials prior to May of each year, when they will decide on which programs or projects to fund or cut in the coming year. Whereas it is important to try to influence the Ministry of Finance before late May, when it begins integrating all the individual Chapter budgets. Advocacy in the formulation stage can be based on an organization’s own research and

outreach, or on documents and reports that the government itself has produced. A prime example of the latter is the government’s audit reports, which we examine in greater detail below. Audit reports often contain recommendations that activists can use to reinforce their own advocacy.

Figure 2.2 summarizes what was just discussed. The yellow boxes describe government actions and the blue boxes indicate who is responsible for taking the particular actions. The green boxes are documents the government produces at the specific points in the formulation stage, while red indicates documents that the government does not produce, but should according to international best practices.

Figure 2.2: Formulation of the Budget



## Discussion and Approval

At this stage of the budget cycle the legislative branch of the government reviews, discusses, and amends the budget (the draft finance law) proposed by the executive. After this period of discussion and revision, the legislature votes to enact the executive’s (amended) proposal as law.

As was already stated, Article 66 of the Constitution stipulates that the President must

submit the draft finance law to the legislature no later than October 15. It also states that the legislature must ratify the finance law no later than December 10. This gives the Chamber approximately two months to review, amend, and vote on the law. While two months may seem like sufficient time, international best practice is for governments to allot three or more months for this stage of the budget cycle, in order to allow the legislature to play a meaningful role.





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For the legislature to conduct a thorough review of the proposed budget, it must have access to both the draft finance law and also important supporting documents that justify the executive's decisions. Article 25 of the OBL states these documents should include:

- A report on how the proposed budget aligns with the economic and financial position of the country. As the Ministry of Finance has developed macroeconomic estimates for the coming year and knows the country's financial situation, this report should clarify how the proposed annual budget would affect and be affected by these economic and financial considerations.
- Explanations of each Chapter's proposed expenditures.
- Any other document useful for the review of the draft finance law, which may include reports from the Central Bank, reports on development plans, tax implementation, and so on.

The legislators' authority to amend the draft finance law is an important issue. Both the new Constitution and the OBL have something to say on this matter. Article 63 of the Constitution states that amendments cannot be made that would "cause prejudice to the State's financial balance as set in the budget laws." Article 30 of the OBL is more specific, saying that amendments can only eliminate or reduce expenditures, or create or increase revenue. Any proposal for new spending must be accompanied by a proposal for revenue or savings that would balance out the spending.

While this may seem restrictive, the practice is fairly common around the world as a means of containing excessive spending. Even if legislators

are under this restriction, it is still essential that they play a more active role in reviewing and amending the budget than they did prior to the revolution, when the budget was passed with almost no scrutiny. Legislative involvement and oversight are critical for ensuring government accountability.

Once the budget has been reviewed and amendments have been made, it is time for the legislature to vote on the law. The Constitution considers the finance law to be an ordinary (rather than organic) law. This means that it can be ratified by a majority of legislators present. The draft law is not voted on in a single vote, but rather multiple votes, as outlined in the OBL.<sup>6</sup>

Once the amended draft finance law has been approved by the Chamber, the President may either ratify it or send it back to the Chamber for another review.<sup>7</sup> This must be done within three days. If these three days expire without the Chamber's approval or a response to the executive, the Constitution allows the President, the Prime Minister, or 30 members of the Chamber to contest the constitutionality of provisions in the draft law. If that happens, the Constitutional Court then must issue a decision within five days, and then either the Chamber must revise accordingly, or the President must ratify the draft law. All this must be done no later than December 31. If the draft law is not ratified by the deadline, expenditures are still allocated by presidential order in three month increments and revenues are collected according to existing laws.

What can civil society do in this discussion and approval stage with the documents that are currently being published?

<sup>6</sup> The legislature votes on the following: Allocated expenditures by Section and by Chapter (see Chapter III below for more details about Sections); forecasted revenues by Title; revenues of each special treasury fund; for all public institutions, total proposed revenues and expenditures by Chapter; each provision of the draft finance law; final vote on the whole draft finance law.

<sup>7</sup> Article 66 of the Constitution does not specify whether the President must give a reason to send it back to the Chamber.

### Draft Finance Law

This document is the executive branch’s main proposal for how it plans to raise revenue and allocate expenditures, it therefore provides the best idea of what the government’s budget priorities are. If you feel that those priorities do not reflect the needs of the communities you work with, the discussion and approval stage is a good time to raise concerns and try to influence the legislature to make the necessary changes (or vote against certain provisions).

To be effective, advocacy efforts must be based on diligent and sound analysis. Despite the brief time provided between the release of the draft finance law and the vote of the legislature, it is nonetheless important that analysts and activists develop brief reports or analytical pieces that critically examine different aspects of the budget. For example, the revenue estimates, allocations by ministry, or potential effects on a particular sector or segment of the population. These types of reports are not only useful for the general public

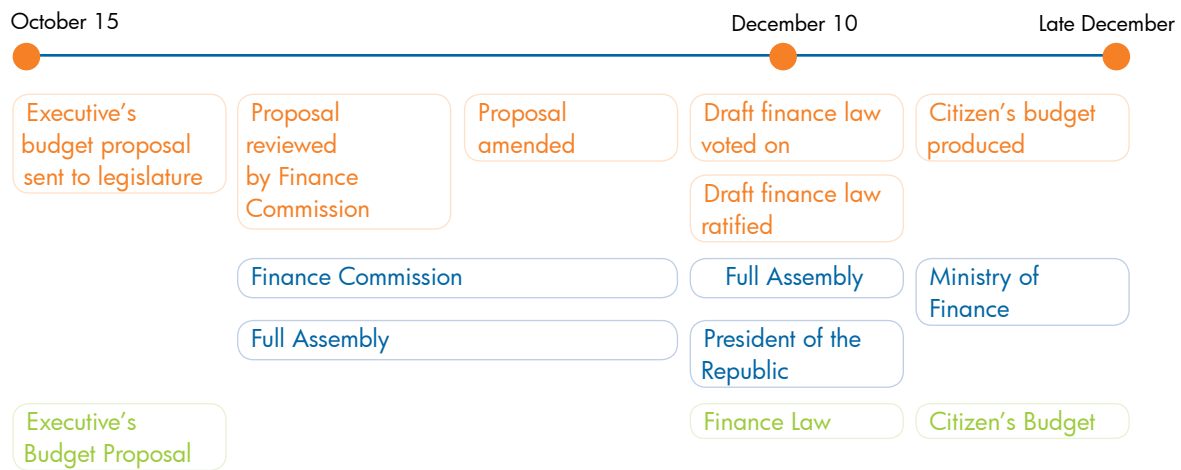
but also for legislators, who are rarely budget experts themselves and may have few members of staff able to help them make sense of the budget.

### Citizens Budget

A Citizens Budget is a short, nontechnical presentation of the budget. The Tunisian Ministry of Finance released a Citizens budget for the first time in 2014. This initiative was a positive step in the direction of more budget transparency.

To be of use to citizens and civil society advocates, a Citizens Budget should be published at the same time as the draft finance law. This helps a greater number of people to gain a broad understanding of what the government is proposing for the coming fiscal year. An accessible and well-articulated Citizens Budget that is released early in the discussion and approval stage is also a great resource for journalists, who potentially play very important role in sparking public interest budget matters.

Figure 2.3: Discussion and approval of the Budget



## Box 2.6: Issues in the Discussion and Approval Stage

In the past, the draft finance law in Tunisia has not been submitted to the legislature in a timely fashion. While the situation has improved over the last two years, the government has still failed to submit the draft by the October 15 deadline. In fiscal year 2013, the draft finance law was submitted on November 26, 2012; for fiscal year 2014 on November 4, 2013. These were made publicly available on the Ministry of Finance’s website.

The legislature has also not received supporting budget documents in a timely manner. While the OBL stipulates that these documents should be submitted with the draft law, this has not been the practice. This has hindered the legislature in properly carrying out its role in the budget process. It is well known that the legislative branch played a minimal role in the budget process before the 2011 revolution. If it is to play a more substantial role in the future, it must receive this supporting documentation in a timely fashion.

What does the legislative review process look like in Tunisia? Since new parliamentary procedures will not be in effect until the new legislature convenes after the recent October 2014 elections, this is currently a difficult question to answer. Until then, we can use bits and pieces of the new Constitution and the practices of the legislature during the transition period to piece together the following picture: The legislature’s standing committees (there were eight of these in the transition period) review the portions of the draft finance law relevant to their areas of work, and make comments or ask for clarification from government ministers. These comments and questions are collected in reports, which are then used to frame the discussions in the full assembly.

While all committees examine the draft law and can make comments, in practice the Finance, Planning, and Development Committee is the one that oversees matters related to the country’s financial affairs, its budget, and its development plans. It is therefore likely to shape budget-related discussions. Once the new legislature is seated, it will be important for civil society activists to fully understand legislative procedures in order to better know how and when they can influence the decisions that are to be made.

## Execution

The execution (or implementation) phase of the budget begins on January 1, the first day of the fiscal year.

The execution phase is when the executive branch of government at the national, state, and municipal levels, implements the budget that was enacted by the legislature. Simply put, this means that administrative officials collect revenue and spend money as outlined in the approved finance law.

Budget execution begins with an appropriation, which authorizes the different administrative heads to spend the money allocated to them by the finance law. According to the OBL, allocations for Title I (current expenditures), Title II (capital expenditures), and special Treasury Funds are apportioned by the Minister of Finance by a decree that cannot modify the voted appropriations.<sup>8</sup> Allocations for public institutions are apportioned by the relevant ministry.

<sup>8</sup> Treasury Funds are typically set aside for big, national funds such as an employment fund or a social solidarity fund. For a full list of these funds, see Table B of the finance law.



## A Guide to the Tunisian Budget

Once this apportioning has been done, the appropriations are under the authority of “authorizing officers,” which for the state budget are the ministers and the heads of administrative public institutions. (At the state level, the authorizing officer is the president of the regional council; at the municipal level, the president of the municipal council.) In some cases authorizing officers delegate some of their responsibilities to secondary officers. In such cases these public officials are the ones who authorize expenditures and ensure that they fall within the appropriation limits.

In addition to this brief description of the appropriation authorization process, it is important to keep a few other things in mind:

- The person making the spending decision (the authorizing officer) is different from the person making the payment (the public accountant). Having two people responsible for spending can function as an extra safeguard against the misuse of public funds.
- Appropriations made for current expenditures are done so in a single installment at the beginning of the year, whereas appropriations for capital expenditures are made in installments based on the progress of a project.
- Appropriations are often modified throughout the fiscal year via “virements”. In Tunisia, the OBL provides guidelines for how funds are allowed to be reassigned. In practice, these reallocation guidelines have often been unclear and difficult to understand. Let’s take a look at what the OBL says:
  - Funds may be reallocated from one ministry to another by executive decree, as long as this does not modify the nature of the expenditure or the overall

appropriations by article.<sup>9</sup>

- Funds may be transferred within each ministry. A maximum of 2 percent of the funds allocated to a Part can be transferred to another Part. This can be done either within Section 1 (recurrent spending) or within Section 3 (capital spending). The exception to this is that reallocations cannot be made into Part 1 (public remuneration).<sup>10</sup>
- Article 36 states that these virements are made by executive decree. This means that there is no legislative oversight of such modifications.<sup>11</sup>

During the execution stage, all financial transactions (all revenues and all expenditures) are recorded. Whether the government records and collects this information in a timely and comprehensive fashion affects how much useful information is available to activists and citizens to make a sound assessment of whether the government is living up the plans it has set out.

Good information systems and capable bureaucrats are essential for responsive governance. In some cases, however, the government may have the information but chooses not make it publicly available. For example, if the information would reflect badly on how efficient and effective government spending has been. It is important to know why information is not being published, to shape your argument and advocacy strategies. Should the government invest in better technologies and more efficient methods of data collection? Or does the government need to be more transparent with the information it produces? In Tunisia, the problem is likely a combination of these two factors. Many analysts believe that Tunisia has fairly sound public finance practices but could easily make more budget documents available.

<sup>9</sup> This is one of a number of ambiguous statements in this portion of the OBL. It does not specify what “nature” of expenditure means.

<sup>10</sup> Sections and Parts will be explained in Chapters 2 and 3. For a list of Sections and Parts, see Tables 1 and 7.

<sup>11</sup> These in-year modifications can be found in the Official Journal. The most recent, Decree 2013-3180, is from July 2013.



## A Guide to the Tunisian Budget

Even in the best-functioning public finance systems, implementation never completely adheres to what was approved in the enactment phase. By looking at the differences between what was originally allocated and what was actually spent, it is possible to identify problems such as under spending, inefficiencies, or even blatant corruption among government officials. Understanding how well the budget is being executed is not only important for holding public officials to account, but also for understanding the direct effect the budget is having on citizens. Are the clinics that were supposed to be built completed? Are teachers being paid on time? Did the Ministry of Health actually administer the number of immunizations it agreed to its annual budget?

How can analysts and civil society activists gain a better understanding of potential problems during the execution stage? International best practice guidelines say that governments should

publish either monthly or quarterly reports that provide actual figures on what was actually spent, collected, borrowed, etc. These should be published alongside the projected figures that were set out in the originally enacted budget, the finance law.

Aside from examining government execution reports, there are many other ways that civil society can play a role in this stage of the budget process. Most importantly, civil society groups can consistently monitor what the government is doing throughout the fiscal year. Is it actually spending the amount of money that it said it was going to at the beginning of the year? Civil society can monitor government activities to determine whether projects are being implemented and whether the government is procuring the appropriate goods and services. They can work with communities to see if teachers and medical professionals are getting paid and whether

### Box 2.7: Lack of Detailed Information in Budget Documents

Since the revolution, the Tunisian government has become more transparent. However, it still does not publish a lot of important budget information to which the public is entitled.

During the execution phase, the Ministry of Finance publishes monthly reports online that provide implementation figures. While these documents can be useful, they have two important shortcomings. First, they are often published two to three months after the end of the relevant month. For example, the December 2013 report was published in March 2014. Second, the information provided in these monthly reports does not include many details. Most of the information, particularly on expenditures, is aggregated. You can see, for example, how much the government, as a whole, spends on current expenses, capital expenses, and interest payments, but this information is not broken down by ministry or program. Needless to say, this greatly limits efforts to pinpoint where implementation problems may be occurring. For civil society organizations, especially those trying to do sectoral analysis (e.g., analyzing the Ministry of Health budget to determine whether a particular hospital received its full allocation in a timely manner), this lack of disaggregated information poses many challenges.

In line with international best practices, the executive should also publish an execution report for the first six months of the fiscal year. This report is typically referred to as the Mid-Year Review. It is meant to both analyze the implementation of the budget for the first half of the year, determining if it is on track, and also provide some assessment as to whether economic developments have affected the government's implementation of its budget, possibly requiring some adjustments. This document is not published by the Tunisian government.

schools and hospitals are buying the necessary supplies. Governments must often pay for the services or goods of non-government entities (e.g., private companies) to carry out certain functions. As procuring these goods and services is usually an essential part of the execution phase, monitoring transactions between government and service providers is essential. Are these transactions carried out in a fair manner? Are the services being delivered efficiently?<sup>12</sup>

While it is often difficult to find information during the execution phase, many civil society groups around the world use freedom of information laws to get this information. We'll take a closer look at access to information in Tunisia in Chapter 4 of this guide.

Figure 2.4 illustrates the actions that should be undertaken during the execution phase, those responsible for carrying out the actions, and the budget documents that should be produced during this time.

Figure 2.4: Execution of the Budget



## Audit and Control

The final stage of the budget process is intended to assess how the government has spent the budget. Did ministries, departments, and public institutions spend less or more than was set out in the finance law? Were disbursements (e.g., from the Ministry of Finance to the rest of the ministries, or from a ministry to its agencies) made in a timely manner? Civil society can potentially get

answers to these and other questions through the audit and control stage of the budget cycle.

Typically, governments have both internal and external auditors. An internal audit refers to a set of activities undertaken within an agency, department, or ministry that tries to ensure that spending is efficient, effective, and complies with relevant regulations and laws. An "external audit," on the other hand, refers to the work that is done

<sup>12</sup> For a longer discussion about procurement and ways to monitor budget execution, see IBP's Our Money, Our Responsibility <http://internationalbudget.org/publications/our-money-our-responsibility-a-citizens-guide-to-monitoring-government-expenditures/>



## A Guide to the Tunisian Budget

by independent agencies or institutions to review and monitor the fiscal and management activities of the executive branch.

The most important actor in the audit phase is the Supreme Audit Institution (SAI), which, according to the World Bank, “provides the highest level of external audit of government bodies in a country.” This institution should be independent, regularly review the fiscal and administrative actions of the government, and produce timely reports to the administrative bodies it audits as well as to the legislature and the public. These reports can provide valuable insights into such issues as the mismanagement of funds, under spending on vital social services, irregularities in procurement processes, and potential corruption by public officials.

The SAI in Tunisia is called the Court of Accounts, which is a judicial body with extensive auditing functions. It examines the fiscal accounts of national and subnational governments, as well as public institutions and state-owned enterprises. It has the authority to assess the management of these bodies, and, through its affiliated institutions, can punish bureaucrats for mismanagement.

Article 117 of the new Constitution speaks to these responsibilities. It also says that the Court of Accounts must prepare and submit an annual report to the legislature, among others, and must make its report available to the public.

The audit phase in Tunisia begins when officers and accountants in each of the ministries and departments submit their final accounts to the Ministry of Finance and the Court of Accounts. The Ministry of Finance then begins working on two documents: a Year-End Report and a draft Budget Review Act. The OBL stipulates that the Budget Review Act must set out the initial projections in the finance law with regard to

revenues and expenditures together with the final amounts of revenues received and expenditures authorized during the fiscal year. These projections, modifications, and final amounts must be presented by Chapter (i.e., ministry), Parts, and articles.<sup>13</sup> This draft document is then submitted to and voted on by the legislature.

During this time, the Court of Accounts begins working on its annual report. This document contains a set of observations and recommendations concerning a limited number of government departments, agencies, public institutions, and local governments. It is not a report that audits the financial situation of the government as a whole. For example, the 28th annual report, published in May 2014, describes the results of audits of the activities of 17 programs, national and regional public institutions, and local governments, including the Ministry of Foreign Affairs, the National Social Security Fund, Sahloul University Hospital, and the Municipality of Hammam Sousse. The decision as to which programs, institutions, and governments to audit is made by the Court.

The Court of Accounts also produces a second report, which reviews and elaborates on the draft Budget Review Act that the Ministry of Finance submits to the legislature. Similar to that Act, the Court of Auditor’s report should present information that shows original projections together with actuals (for both revenues and expenditures) broken down by Chapter (i.e., ministries) and other categories (e.g., public wages, direct investments, etc.).

In other words, the Court annually produces two reports: its annual report, a document that provides details about particular programs, institutions, and local governments, and the report it prepares that reviews the execution of the national budget.

<sup>13</sup> Parts and articles will be explained in greater detail in Chapters III and IV.

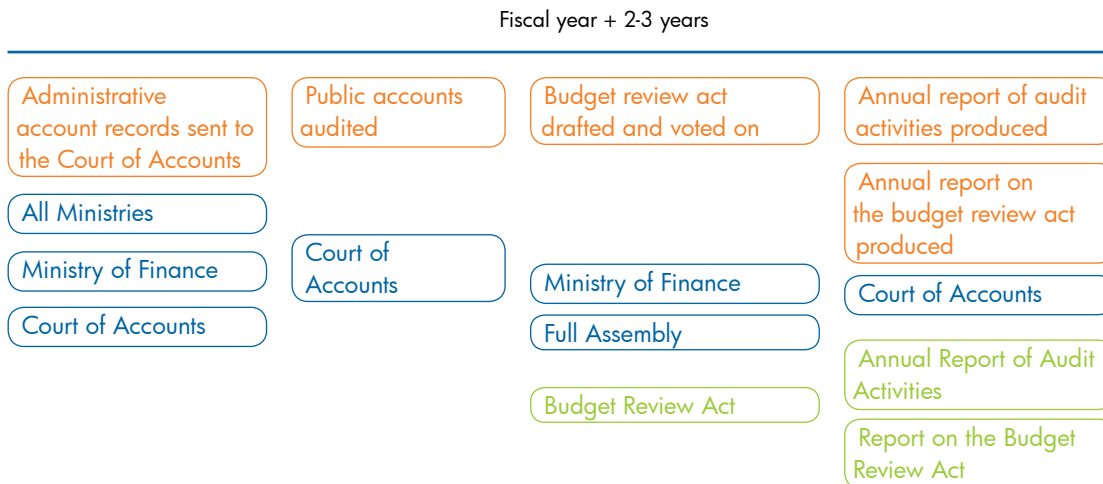
The oversight undertaken by such external auditors is a vital mechanism by which public officials and bureaucrats are held accountable for their fiscal and management decisions. However, the audit process is not just a way to assess the government’s current effectiveness; it also helps ensure that past mistakes are not repeated. Such auditing is essential for ensuring that the government continuously improves in its use of public resources

This is where civil society organizations can play an important role. The Court of Accounts makes concrete recommendations in its annual report, and civil society organizations can monitor government implementation of these recommendations. Furthermore, legislators often either do not have the time to review the details found in audit reports or they do not act on recommendations made in them. This

may especially be true when legislators are inexperienced and have very little support from research staff. Civil society organizations can help simplify and explain audit reports to legislators and their staff, and they can push legislators to pass laws that incorporate aspects of the auditor’s recommendations.

A strategy that some organizations have used is called a “social audit,” a participatory process in which organizations and communities evaluate the use of public funding and the quality of government services. Citizens are, in effect, “auditing” government programs and policies that have a direct impact on them. Based on their findings, they can make credible recommendations to the government on how it can improve its use of public money and its services.<sup>14</sup>

Figure 2.5: Audit and control



14 For examples of how social audits have been used, see “Social Audits in Kenya: Budget Transparency and Accountability” (<http://internationalbudget.org/publications/social-audits-in-kenya-budget-transparency-and-accountability/>) and “Social Justice Coalition Pushes for Access to Sanitation in Informal Settlements in South Africa” (<http://internationalbudget.org/publications/sjc-pushes-for-access-to-sanitation-in-informal-settlements-in-south-africa/>).



## Box 2.8: Shortcomings in the Audit Phase

International best practice guidelines state that it is not enough for budget documents to be made publicly available, they must also be published in a timely manner and provide comprehensive information.

Although audit documents are now being made publicly available by the Tunisian government, they have been published as a considerable delay. The following table shows the publication dates of the most recent year-end and audit reports.

<b>Document</b>	<b>Produced by:</b>	<b>End of Fiscal Year</b>	<b>Publication Date</b>
Budget Review Act	Ministry of Finance	December 2009	January 15, 2013
Report on the Budget Review Act	Court of Accounts	December 2011	May 2014
28th Annual Report of Audit Activities	Court of Accounts	December 2012	May 2014

When there are such delays in making year-end and audit reports available, civil society actors and legislators (and even officials in the executive) cannot recommend administrative reforms, or budget and policy changes, in a timely fashion. For example, the Court of Accounts' most recent Report on the Budget Review Act of 2011, which provides important insights about budget execution (and, indirectly, formulation), was published too late to be used by civil society actors or public officials to help shape the formulation of the budget even for fiscal years 2013 and 2014.

Publication of the Year-End Report of the Ministry of Finance is also considerably delayed. Just as importantly, the report is similar to the monthly reports that the Ministry publishes in that the information presented is at the aggregate level and does not provide information broken down by ministry or program.

The combination of documents being published late and without comprehensive information makes it difficult to hold public officials accountable, and for interested parties to make necessary budget and policy changes that could have a significant effect on people's lives. Civil society actors should push the Ministry of Finance and the Court of Accounts to publish more comprehensive documents in a timely manner.



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# CHAPTER 3

## Where Does the Government Get Its Money?

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In order for governments to carry out their obligations—including delivering essential services to the public and providing for public order and safety—they must raise money. Most of a government’s revenue, in most countries, comes from taxes levied on individuals and companies. This is true in Tunisia, which means that, in essence, it is Tunisia’s citizens and companies who provide most of the government’s revenues and, therefore, fund most of its activities. However, it is often the case that government cannot generate sufficient revenue through taxes, fees and so on, to fund all of the things that it needs or wants to do. In such cases, it must borrow—either from its own citizens, other countries, or multilateral organizations—to make up the difference. The Tunisian government does this as well.

This chapter discusses a range of issues related to government revenue and includes the following sections:

- The Rationale for Examining Revenues –This section discusses a few reasons why it is important for analysts and civil society activists to look at how the government raises money.
- Categorization of Revenues – This section explains how revenues are categorized in the finance law, and the rationale for the categorization.
- Analysis of Revenues – This section (the largest part of the chapter) draws on publicly available government documents to provide a basic analysis of where the Tunisian government gets its money. This section includes three parts, which address, in turn, tax revenues, non-tax revenues, and domestic and foreign loans.

### The Rationale for Examining Revenues

Many civil society organizations focus on how public money is allocated and spent rather than how public money is raised. However, it is equally important to know where the government gets its money from for at least three reasons:

- 1) A large share of revenues comes from taxes and fees, collected from individuals’ incomes,

company profits, and the sale of goods and services. Therefore, the decision of who and how much to tax directly affects how much money citizens have.

- 2) The government may claim that it does not have the resources to provide essential services for everyone. Indeed, the tax structure may result in a revenue base that is not sufficient to pay for desired goods and services. Analysis of the tax system will give you some clues as to whether the government has the necessary resources to respond to citizens' needs and, if not, the reasons why it does not.
- 3) When the government needs to borrow to meet its revenue goals, it is essential to know both how much the government is borrowing and the conditions of the loans. What is the purpose of the loan and what will it be used for? Is the lender putting restrictive demands on the government? What will be the long-term effects of borrowing? Will the burden of

repaying the loan put future generations and the public services at risk? Understanding revenue will help you answer these types of questions.

## Categorization of Revenues

Where does the Tunisian government get its money from? The best place to find out this information is in the annual budget (the finance law, not the Organic Budget Law), together with the execution reports that the Ministry of Finance produces each month and year. The finance law provides detailed figures for how much money the government expects to raise in the coming fiscal year and how it expects to raise this money. Execution reports indicate how much the government has succeeded in collecting.

The OBL stipulates how revenues and expenditures should be set out in the annual financial law. Table 3.1 shows how State revenues are broken down.<sup>15</sup>

Table 3.1: Parts and Categories of State Revenues

Title	Title I Resources		Title II Resources			Treasury Funds					
Parts	1. Current Tax Revenues	2. Current Non-Tax Revenues	3. Windfall Revenues	4. Loan Revenues		5. Treasury Funds					
Categories	1. Direct Taxes	2. Indirect Taxes	3. Current Financial Revenues	4. Current Revenues of State Property	5. Recovery of Loan Principal	6. Other windfall revenues	7. Domestic Loans	8. Foreign Loans	9. Assigned Foreign Loans	10. Tax revenue allocated to Treasury Fund	11. Non-Tax Revenue Allocated to Treasury Fund

<sup>15</sup> OBL Articles 6-9.



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Before we go into more detail, let's look at the broad areas of government revenue as set out in the second row (Parts) of Table 3.1:

- Part 1 (Current Tax Revenue) is all the revenues that the state expects to receive from taxes, including those that are levied on individuals' incomes, businesses' profits, and goods and services. Tax revenues constitute the largest share of the government's revenues (see Figure 3.1).
- Part 2 (Current Non-Tax Revenue) typically includes revenues the government expects to receive from the profits of state-owned enterprises, sales of state property, natural resource income, privatization of state-owned enterprises, etc.
- Part 3 (Windfall Revenue) is the government's estimate of what it may receive unexpectedly. This includes repayments on money it has loaned out.
- Part 4 (Loan Revenue) is revenue that the government expects to bring in from borrowing. It includes both foreign and domestic loans to the government.
- Part 5 (Treasury Funds) is revenue that is typically set aside for large national programs. It is drawn from both tax and non-tax revenue. Examples from the 2014 finance law include the National Employment Fund, the National Social Solidarity Fund, and the Fund for the Protection of Tourist Zones.<sup>16</sup>

As you begin to work with budget documents, you'll notice that information is often presented in many different ways, which can make understanding the budget difficult. In such cases, you will have to look at multiple sources or consult directly with government officials to fully understand what you are seeing.

Table 3.2 shows how this information appears in the government's Citizens Budget.

Table 3.2: Re-categorized Parts

Tax revenues	Non-Tax Revenues	Domestic Loans	Foreign Loans
1. Direct Taxes	3. Current Financial Revenues	7. Domestic Loans	8. Foreign Loans
2. Indirect Taxes	4. Current Revenues of State Property		9. Assigned Foreign Loans
10. Tax Revenue Allocated to the Treasury Fund	5. Recovery of Loan Principal		
	6. Other Windfall Revenues		
	11. Non-Tax Revenue Allocated to the Treasury Fund		

<sup>16</sup> See Table B of the 2014 finance law for a full list of Treasury Funds.

## Analysis of Revenues

We will now look at revenue as set out in the 2014 finance law, following the format used in the Citizens Budget.

Table 3.3: Estimates of Revenues in 2014  
(Millions of TND)

Type of Revenue	Amount
Tax Revenue	17,897
Non-Tax Revenue	2,390
Domestic Loans	2,500
Foreign Loans	5,338
<b>Total</b>	<b>28,125</b>

The largest share (64 percent) comes from taxes; the second largest share comes from foreign loans (19 percent). The following sections provide more details about each of these four sources of revenue.

### Tax Revenues

Tax revenues are divided into direct taxes and indirect taxes.

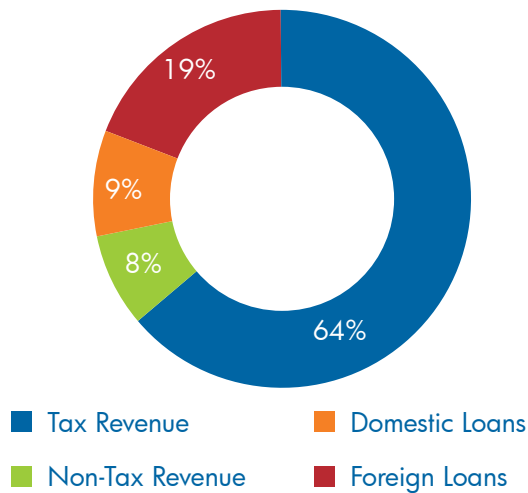
#### Direct Taxes

Direct taxes are levied on the incomes of individuals and the profits of corporations, and paid directly to the government. In Tunisia, direct taxes are broken down in two broad categories:

1. Income taxes which individuals pay to the government on the income they receive.

Figure 3.1 uses the same data as Table 3.3 to provide a clear picture of the relative importance of the different forms of revenue.

Figure 3.1: Revenue Breakdown as Share of Total, 2014



2. Corporate taxes which corporations pay to the government on the profits they make. In Tunisia, some documents you will find on corporate taxes break these down further into taxes from petroleum companies and taxes from other types of companies.

The tax rate for individuals is progressive. This means that an individual earning a higher income pays a higher percentage of this income in taxes. Table 3.4 shows the individual tax rates in Tunisia.

Tax rate tables can be confusing. For example, Table 3.4 would seem to imply that anyone who makes between 1,501 and 5,000 TND per year pays 15 percent of their total income in tax. However, that is not the case. Instead, an individual whose annual income is 7,000 TND

Table 3.4: Tax Rates on Individual Income

Income Amount (in TND)	Tax Rate
0 to 1,500	0%
1,501 to 5,000	15%
5,001 to 10,000	20%
10,001 to 20,000	25%
20,001 to 50,000	30%
50,001 and above	35%

will pay zero percent on their earnings between 0 and 1,500 TND; plus 15 percent on their earnings between 1,501 and 5,000 TND; plus 20 percent on their earnings between 5,001 and 7,000 TND. Therefore, s/he would pay the following:

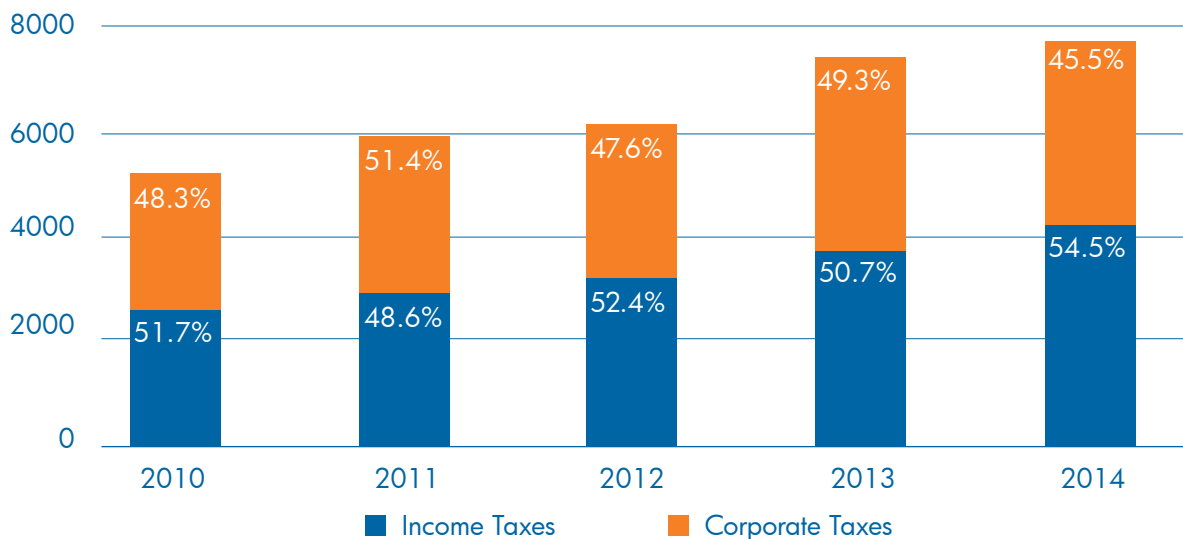
$$((1,500 - 0) * 0) + ((5,000 - 1,501) * 0.15) + ((7,000 - 5,001) * 0.20) = 924.65 \text{ TND}$$

The amount of tax paid (924.65 TND out of an annual income of 7,000 TND) means that this person's effective tax rate is 13.2 percent, rather than 20 percent that the table implies at first glance.

Most corporations operating in Tunisia are subject to a corporate tax rate of 30 percent. Certain kinds of economic activity, such as fishing and agriculture, are subject to a rate of 10 percent. Other kinds of economic activities, such as those undertaken by investment and insurance companies, debt collectors, and telecommunications operators, are subject to a rate of 35 percent.<sup>17</sup>

How much tax revenue comes from individuals and how much from corporations? Figure 3.2, which is based on information found in the Ministry of Finance's execution reports, provides a breakdown.

Figure 3.2: Direct Taxes, in Millions of TND, 2010-2014



Source: Ministry of Finance, Execution Report, December 2013; 2013 estimates are from the 2013 Supplementary Finance Law; 2014 estimates are from the 2014 Finance Law

<sup>17</sup> For a full list, see Article 49 of the tax code, found at <http://www.impots.finances.gov.tn/documentation/documentation.htm>.



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As the figures shows, tax revenue as a whole has gone up every year since 2010. However, the share of revenue that comes from corporations has decreased from 48.3 percent in 2010 to 45.5 percent in 2014. While this does not give us a full picture of tax revenue, it does raise some important questions about taxation in Tunisia. Particularly whether corporations are contributing enough to the State's coffers or whether citizens are shouldering too much of the burden.

### Indirect Taxes

An indirect tax is one that an individual or company ultimately pays, but which is collected by an intermediary who forwards the tax proceeds to the government. Internationally, the most common types of indirect taxes are sales taxes, value-added taxes (VAT), excise taxes, and customs taxes. The most common indirect taxes in Tunisia are Value-Added Tax (VAT); Excise Tax; and Customs Tax.

Value-Added Tax (VAT) is levied on most economic activities in Tunisia. The law states that a VAT is applied to businesses with an industrial or artisanal character, as well as those that provide a professional or commercial service. Goods and services on which VATs are levied include:

- A 6 percent VAT is applied to the services of most medical professionals, admissions to museums, local artisanal products, and some canned foods such as harissa and sardines.
- A 12 percent VAT applies to information technology services, hotel accommodation and catering, travel agency excursions and tours, and services by architects, engineers, and lawyers.
- An 18 percent VAT is levied on business operations that are not subject to one of the above rates.

As you may have noticed, the rationale for why a certain VAT rate is applied to one activity and not another is not always apparent. It is also important to note that this list of goods and services has been modified numerous times over the years, and that many goods and services are exempt from VAT.<sup>18</sup>

An excise tax is an indirect tax levied on the production and sale of particular kinds of goods. Examples of goods that are taxed as an excise include: tobacco, alcohol, petroleum products, and motor vehicles.

An excise tax is different from a VAT in a couple of ways. First, it is typically applied to a much narrower range of products and, historically around the world, these products have often been ones that the government has wanted to discourage its citizens from consuming (e.g., alcohol and tobacco). Nowadays, some governments levy an excise tax on products that may harm the environment, such as cars.

Secondly, an excise tax is typically levied per unit of production or consumption rather than as a percentage of the value; that is, the consumer pays a set amount of money per liter of gasoline, liter of alcohol, or pack of cigarettes. In Tunisia, for example, the excise tax on a bottle of beer that is less than or equal to 0.32 liters is 0.43 TND (a set amount, not a percentage), and the tax on a bottle of wine (non-sparkling) less than or equal to 0.375 liters is 0.45 TND.<sup>19</sup>

A customs tax is one that is levied on the import or export of goods into and out of Tunisia and is regulated by the Customs Office, which is based in the Ministry of Finance.<sup>20</sup> It is important to note that imported goods are usually subject to a customs tax at the time of importation and then a VAT or excise tax when they are sold.

18 Note that articles 31-33 of the 2014 finance law made a couple of changes to the VAT code. One of the changes was to exempt from the VAT the production, dissemination, and showing of cultural performances. For a full list of exemptions and tax rates for non-exempt activities, see the VAT code found at [http://documentations.finances.gov.tn:90/dgelf/cadre\\_principal\\_documentation.php?root=TVA%20et%20DC](http://documentations.finances.gov.tn:90/dgelf/cadre_principal_documentation.php?root=TVA%20et%20DC).

19 See [http://documentations.finances.gov.tn:90/dgelf/cadre\\_principal\\_documentation.php?root=TVA%20et%20DC](http://documentations.finances.gov.tn:90/dgelf/cadre_principal_documentation.php?root=TVA%20et%20DC)

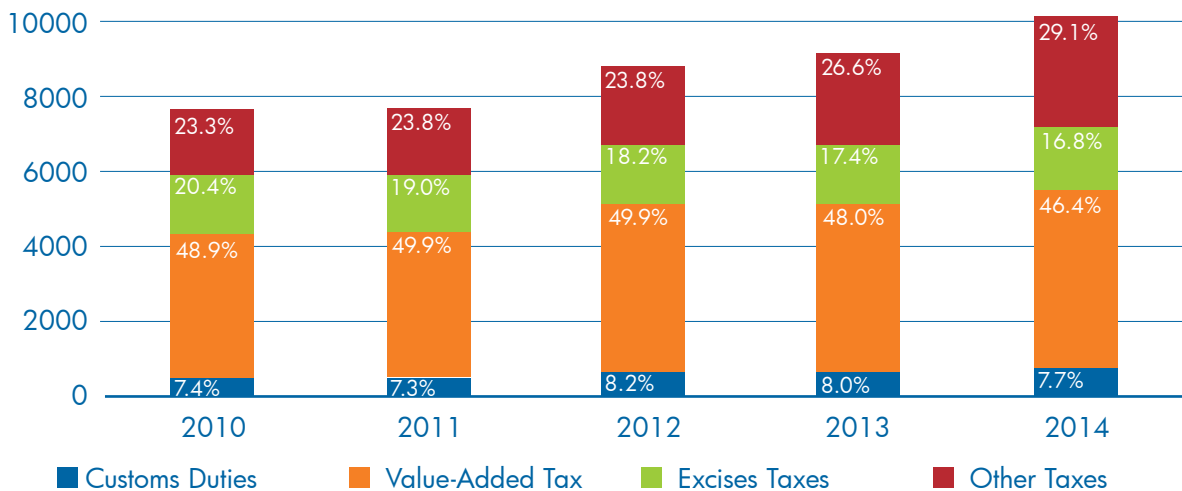
20 See <http://www.douane.gov.tn>



Using an execution report published by the Ministry of Finance, we can see the share of each of these taxes as a proportion to the whole of indirect taxes. Figure 3.3 shows that revenue

from indirect taxes has steadily increased since 2010 and that VAT make up the biggest share of indirect taxes in Tunisia.

Figure 3.3: Total Indirect Taxes, 2010-2014



Source: Ministry of Finance, Execution Report, December 2013.  
 \* 2013 estimates are from the 2013 Supplementary Finance Law. \*\* 2014 estimates are from the 2014 Finance Law

This figure raises two questions that require more research to answer. First, although we see an increase in the amount of indirect taxes collected, the government’s execution reports do not take inflation into account. Indeed, most government documents only provide current budget figures rather than inflation-adjusted figures. However, we know that inflation has occurred: one dinar in 2014 does not buy as many goods or services as one dinar did in 2010. When comparing budget figures from one year to the next, it is important to adjust the figures for inflation so as to be able to compare the purchasing power of the dinar in the different years. This helps us understand how many goods and services the government’s budget can buy in different years.<sup>21</sup>

Second, what are the “other taxes” which appear in Figure 3.3? The figure shows that the biggest contributor to the increase in indirect taxes is the growth of other taxes. However, the execution

report does not specify what these are made up of. Looking at other government documents, it seems that this may include property taxes, insurance taxes, and local taxes. This remains, however, unclear.

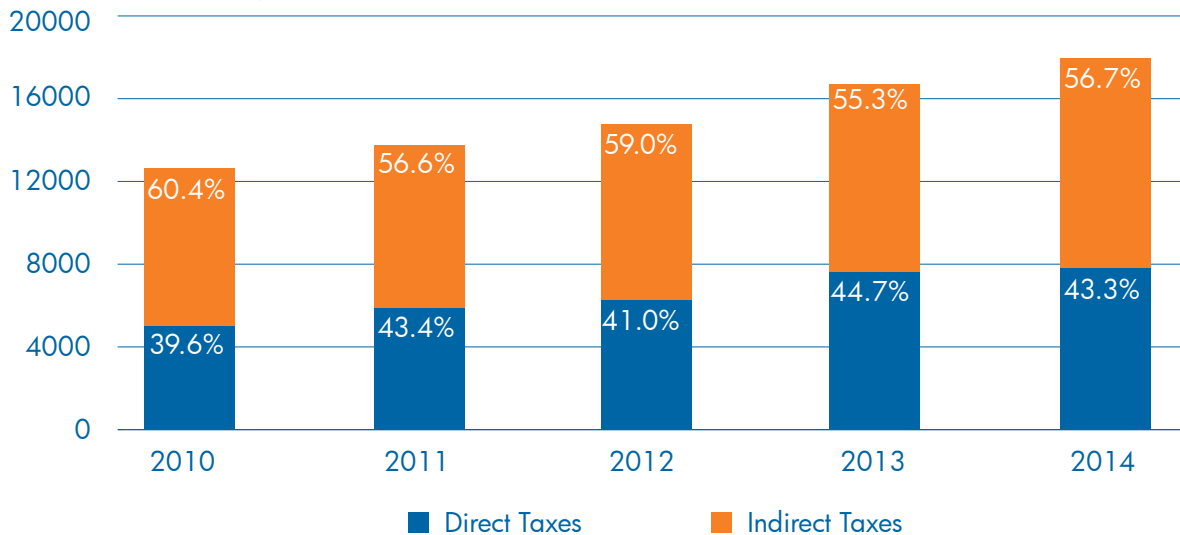
### Direct vs. Indirect Taxes

Now that we have seen the composition of direct taxes and indirect taxes, let’s see the relative share of each. Figure 3.4 shows how much each makes up as a share of total tax revenue.

As we would expect from Figure 3.2 and Figure 3.3, total tax revenue in Tunisia has been steadily increasing. Figure 3.4 shows that indirect taxes make up a bigger portion of tax revenue than direct taxes but their share seems to be decreasing. The government expects their share to be 56.7 percent in 2014, down from 60.4 percent in 2010.

<sup>21</sup> The most common way to adjust for inflation is to use consumer price index (CPI), which is published regularly by the Central Bank of Tunisia (<http://www.bct.gov.tn/>). For more on inflation and how to use it for budget analysis, see IBP’s Inflation Guide (<http://openbudgetsgame.org/inflationguide/>).

Figure 3.4: Total Tax Revenue, in Millions of TND, 2010-2014



Source: Ministry of Finance, Execution Report, December 2013; 2013 estimates are from the 2013 Supplementary Finance Law; 2014 estimates are from the 2014 Finance Law

What are some of the implications of these findings? We should remember that the figures for 2013 and 2014 are only estimates. Tax revenue increases may turn out to be less substantial than the government has projected.<sup>22</sup> Perhaps the government expected direct tax contributions to go up because it was predicting that unemployment would go down (and more people would be paying income tax). In fact, according to the World Bank unemployment in Tunisia decreased from 16.7 percent in 2012 to 15.3 percent in 2013.<sup>23</sup> The findings would also lead us to wonder whether the government is relying too heavily on indirect taxes. This may indicate that people earning low and average incomes are bearing a bigger tax burden than those with high incomes. Why? Remember that a considerable portion of indirect taxes come from VAT and excise taxes, which are both levied on goods and services. Such taxes are not progressive: All consumers pay the same tax on a specific good or service and, therefore, such taxes have a bigger impact on those who have less money to spend. For example, a 6 percent VAT on medical services may not represent much

for someone earning a high salary but it may to someone earning a low salary. For this reason, indirect taxes are considered more regressive than most income taxes where the more you earn the more you pay. While Figure 3.4 does not in and of itself show that those on low and average incomes are disproportionately burdened with taxation, it does raise a red flag that warrants further investigation.

### Non-Tax Revenue

Non-tax revenue include revenue from state property, windfall revenues, and the recovery of loan principal. These may differ dramatically from year to year. It is often difficult to be sure exactly what the composition of non-tax revenue is in a given year, especially if the information provided describes the revenue in vague language. For example, the 2014 finance law simply states, under Category 3 (Current Financial Revenues), that the government estimates revenues of 532 million TND from “transfers from public enterprises and Treasury earnings,” without giving more details.<sup>24</sup>

<sup>22</sup> As we saw in Chapter 2, the government does not always publish information, especially related to the execution of the budget, in a timely manner. For this reason, final figures for 2013 spending are not available at the time of writing.

<sup>23</sup> See <http://www.worldbank.org/en/country/tunisia/overview>

<sup>24</sup> The 2014 finance law is available at <http://www.finances.gov.tn/>



## A Guide to the Tunisian Budget

Where the principal budget documents are not clear, it may be necessary to piece together information from other sources. In this case, we need to look at the Citizens Budget to get a better understanding of what “transfers from public enterprises and Treasury earnings” means. In the Citizens Budget, most of these transfers (500 million TND) are referred to as “entrepreneurial income,” which is revenue from the operations of state-owned or controlled enterprises. In 2014, the government estimates that 90 percent of this so called entrepreneurial income will come from three sources: the Tunisian Central Bank; Tunisie Telecom; and the Gafsa Phosphate Company.<sup>25</sup>

In addition to “transfers,” or “entrepreneurial income,” non-tax revenues currently includes the following:

- **Confiscated Revenues:** This is income from the sale of the Ben Ali family assets, which has consisted of assets from almost every economic sector, including banking, aviation, construction, automotive, and telecom.
  - **Other State Property Revenues:** This category can encompass the sale of any of the state’s properties, which in Tunisia include buildings, wreckage, and old furniture.
  - **Oil Revenue:** Tunisia has not received income from oil revenue since 2012.
  - **Gas Royalties:** As part of the Trans-Mediterranean Pipeline, the Tunisian State receives royalties for the transport of gas from Algeria to Italy.
  - **Privatization:** While there is no expected revenue from privatization for 2014, the State did generate revenue in the past several years from the sale of some or all of its shares in companies it either controlled or had a stake in. Since 2012, the government has generated revenue from the sale of its shares in Tunisiana, Ennaki, the Banque de Tunisie, and City Cars (Kia Motors), among others.<sup>26</sup>
- **Social Security Funds:** This is revenue the government receives from payments and contributions made into the social security fund. In theory this should only be used to provide a safety net to people who need it.<sup>27</sup>

Table 3.5 provides a breakdown of non-tax revenues since 2010. This is a typical way to present budget information in execution reports.

Based on Table 3.5, there are a number of questions that may require more research:

- Why have Gazoduc royalties declined significantly between 2010 and 2014? Why does the government no longer bring in oil revenues?
- Privatization revenues were significant in 2012 and 2013, but the government expects no revenues at all in 2014. What explains this?
- The Ministry’s estimates for non-tax revenues in 2013 (the Provisional 2013 column) are all fairly close to what was estimated in the 2013 supplementary finance law (the LFC 2013 column). There is, however, one line item, “confiscated revenues,” where the two estimates are considerably different. The government initially expected, in late 2012, to collect 823 million TND in confiscated revenues, but in late 2013, only expected to collect 479 million TND. What explains this discrepancy?

Together, tax revenues plus non-tax revenues are often referred to in Tunisia as “own resources.” As we saw in Figure 3.1, together these

25 2014 Citizens Budget ([http://www.finances.gov.tn/index.php?option=com\\_jdownloads&Itemid=712&view=finish&cid=673&catid=1&lang=fr](http://www.finances.gov.tn/index.php?option=com_jdownloads&Itemid=712&view=finish&cid=673&catid=1&lang=fr))

26 See, for example, the “2013 Investment Climate Statement – Tunisia,” published by the U.S. Department of State <http://www.state.gov/e/eb/rls/othr/ics/2013/204750.htm>

27 Ministry of Finance execution reports [http://www.finances.gov.tn/index.php?option=com\\_jdownloads&Itemid=581&view=viewcategory&catid=8&lang=fr](http://www.finances.gov.tn/index.php?option=com_jdownloads&Itemid=581&view=viewcategory&catid=8&lang=fr)

Table 3.5: Non-Tax Revenues in Millions of TND, 2010 – 2014

	2010	2011	2012	LFC2013	Provisional 2013	LF2014
Oil Revenue	125.9	132.4	0	0	0	0
Gazoduc Royalties	289.5	277.3	210.5	119	109.7	130
Entrepreneurial Income	796	1,566.5	757.5	1,072	1,070.7	500
Grants	54.1	207.4	632.8	263.9	221.4	214
Privatization Revenue	0	339.8	1105	1,070.4	1,070.6	0
Receipts from Loans Repaid	319	280	183.3	120.5	147	100
Other Nontax Revenue	540.1	319.8	734.7	1,299.2	1,006.8	1,446
<b>Total</b>	<b>2,124.6</b>	<b>3,123.2</b>	<b>3,623.8</b>	<b>3,945</b>	<b>3,626.2</b>	<b>2,390</b>
Included in "Other nontax revenue"						
Confiscated Revenues			194	823	479	1,000
Confiscated Liquidity			41	45	45	-

Source: Ministry of Finance, Execution Report, December 2013.

Notes: LFC 2013 is the 2013 supplementary finance law; Provisional 2013 column is what is expected to be collected in 2013, based on estimates at the end of November; LF 2014 is the 2014 finance law.

resources account for approximately 72 percent of total revenues expected in 2014. Now let's see where the remaining 28 percent is expected to come from.

## Domestic and Foreign Loans

When a government expects to spend more

money than it will bring in from its own resources, it will often borrow money to make up the difference. As we saw in Figure 1.1, the Tunisian government will rely on borrowing (both domestic and foreign) for over a quarter of its revenues in 2014. Over the last five years, this number has steadily increased, from 17 percent in 2010 to an estimated 28 percent in 2014. This increase is

### Box 3.1: Is having a lot of public debt bad?

It is often the case that when the economy as a whole suffers, the government's "own resources" will decrease, mostly because individuals and corporations will contribute less in taxes due to higher unemployment, less stable jobs, and decreased profits. When "own resources" decrease due to tough economic times, governments borrow more than they typically would. As governments often cannot pay these loans back quickly, they begin to acquire public debt. This must be paid back at some point in the future. Public debt can hamper future governments, restricting their ability to pay for essential services and the salaries of public employees.

However, it is now widely accepted that governments should not simply cut spending during tough economic times, as this can worsen the economy further. Therefore, they must borrow. In particular, during tough economic times, the most vulnerable populations will often require more assistance and newly unemployed individuals may need the help of the government until the economy recovers. If the government cannot provide some safety cushion, the negative consequences on the livelihoods of the vulnerable and on the economy as a whole could be felt not just for a few years but for generations. Moreover, when the economy does recover, the government's share of "own resources" should increase, enabling the government to pay back the money it borrowed faster.



## A Guide to the Tunisian Budget

considerable and is most likely explained by the fact that the Tunisian economy was hit relatively hard after the 2011 revolution.

So, how does the Tunisian government borrow money? To understand this, it is best to split borrowing into two categories: Domestic loans; and foreign loans.

### Domestic Loans

A government can often borrow from sources within the country. It typically does so by selling bonds and other financial assets to individuals who are effectively lending the government money in return for a payment with interest in the future. The Tunisian government sells different kinds of bonds (to both citizens and foreigners), publicizing the different types available, the repayment schedule, and the interest rates of each type of bond. The government issues short-term (52 week) Treasury bills and longer-term Treasury bonds, which typically range from 4 years to 15 years.<sup>28</sup> The government will sometimes issue “national bonds,” with the express purpose of having citizens and investors help support the state budget. For example, in the spring of 2014 the government issued three types of bonds to raise 500 million TND to help finance portions of the budget.<sup>29</sup> The Ministry of Finance’s execution reports provide aggregate information on how much money the government borrowed from these types of loans.<sup>30</sup>

### Foreign Loans

Governments can also borrow from other countries or from multilateral institutions such as the World Bank and the International Monetary Fund. In the publicly available budget documents produced by the Ministry of Finance, the Tunisian government does not disclose details of how much each foreign lender loans to the government. Some of this information is

available from news outlets, but may not be reliable or timely. In any case, one useful piece of information, found in the Ministry of Finance’s execution reports is how foreign loans were being used. This includes:

- **Budgetary Support:** This type of a loan is not earmarked for a particular project but is provided to the government to support its public spending. The government, in most cases, uses this funding at its discretion and manages the funds according to its normal budgetary procedures.
- **Project-Based Foreign Loans:** This type of loan is earmarked for very specific uses. In Tunisia, these loans are used for capital expenditures. In 2014, 79 percent of project-based foreign loans will be spent by two ministries: the Ministry of Agriculture; and the Ministry of Infrastructure and the Environment.
- **Foreign Loans Reallocated to Public Institutions:** A small percentage of foreign loans to Tunisia are reallocated to support the activities of administrative public institutions, such as public hospitals.

The relative size of these different types of loans over the last few years can be seen in Figure 3.5.

## Total Revenues

Now that we have examined the different ways that the government gets its money, let’s step back and once again take a look at the big picture.

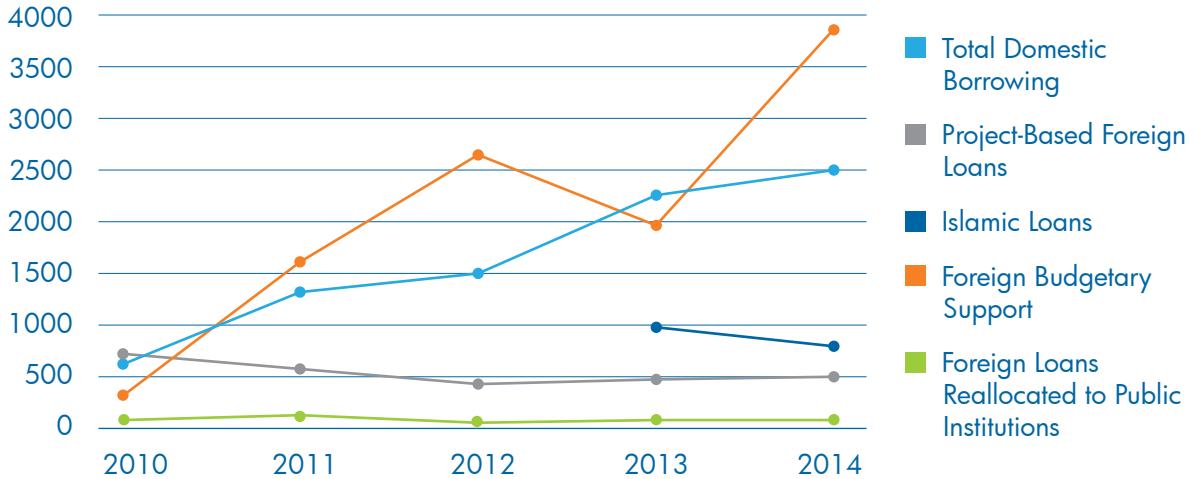
Figure 3.6 shows a slightly different breakdown of revenue in Tunisia than we saw in Table 3.3 and Figure 1.1 and provides us with some historical data.

28 [http://www.bct.gov.tn/bct/siteprod/stat\\_index.jsp](http://www.bct.gov.tn/bct/siteprod/stat_index.jsp)

29 [http://www.huffpostmaghreb.com/2014/05/12/tunisie-emprunt-obligataire-nationale-n\\_5309978.html](http://www.huffpostmaghreb.com/2014/05/12/tunisie-emprunt-obligataire-nationale-n_5309978.html)

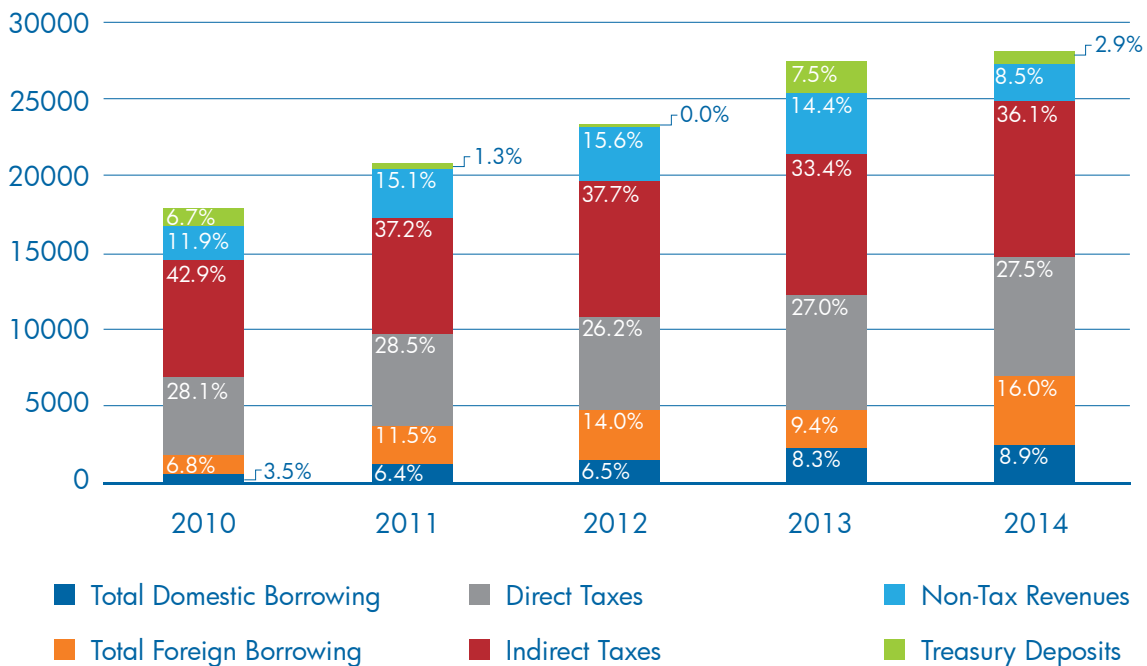
30 Ministry of Finance execution reports ([http://www.finances.gov.tn/index.php?option=com\\_jdownloads&Itemid=581&view=viewcategory&catid=8&lang=fr](http://www.finances.gov.tn/index.php?option=com_jdownloads&Itemid=581&view=viewcategory&catid=8&lang=fr))

Figure 3.5: Total Borrowing, in Millions of TND, 2010-2014



Source: MoF, Execution Report, December 2013; 2013 estimates are from the 2013 Supplementary Finance Law; 2014 estimates are from the 2014 Finance Law

Figure 3.6: Total Revenue, by Type, in Millions of TND, 2010-2014



Source: MoF, Execution Report, December 2013; 2013 estimates are from the 2013 Supplementary Finance Law; 2014 estimates are from the 2014 Finance Law



## A Guide to the Tunisian Budget

As we have seen throughout this chapter, revenues in Tunisia have steadily increased (not accounting for inflation). Figure 3.6 confirms this. However, this figure also shows that borrowing (foreign and domestic loans plus Treasury deposits) as a share of total revenue has increased considerably, from 17 percent in 2010 to 27.8 percent in 2014.

As Box 3.1 shows, borrowing and accumulating debt is not necessarily a bad thing, especially if a country is undergoing an economic and/or political crisis. To determine whether increased borrowing is justified it is important to consider two questions.

First, has there been a decrease in “own resources,” which includes direct and indirect

taxes and non-tax revenues? While previous figures show that revenue from indirect taxes grew, they also show that revenue from direct taxes stagnated, especially between 2011 and 2012. We also saw that the government expects a drop in non-tax revenue, due to a decrease in revenues from oil, gas royalties, and income from state-owned enterprises. If there are reasonable explanations for why these “own resources” have decreased, then increases in borrowing may be justified.<sup>31</sup>

The second question to consider is what the government plans to spend resources on. Are the government’s spending priorities justified in the eyes of the public? Is it spending this money efficiently and effectively? If not, then added borrowing could be financially irresponsible.

31 As we mentioned before, it is also important to look at the loan terms. What are the conditions of the loans the government is accepting, and what does this mean for future repayment?





# CHAPTER 4

## Where Does the Money Go?

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Now that we have a good idea of where the government gets money from, let's take a look at how it is spent. All governments have limited resources, therefore the decisions they make on how to allocate those resources tell us a lot about their priorities.

As was mentioned in Chapter 1, decisions on what the government will spend in a given fiscal year are finalized by the Ministry of Finance. This should happen no later than May, or seven months prior to the new fiscal year in January. Because of the time lag between May and January, and because situations inevitably evolve, even if the government is able to accurately forecast expenditures in May, there are bound to be many changes between what the government planned to spend and what it actually spends during the coming fiscal year. For this reason it is critical to look at both what the government said it was going to spend, called an allocation, and what it actually spent, called expenditure.

If there are major discrepancies between an allocation and the related expenditure, some budget analysis needs to be done to understand the reasons for the differences. Civil society activists around the world have done this kind of analysis and uncovered many problems—including mismanagement of funds, wasteful spending, and corruption—that directly affect people's lives.

This chapter includes the following sections:

- Budget Classifications in Tunisia – This section provides an introduction to budget formats or “classifications,” gives examples of how budget information is presented or “classified” in Tunisia, and considers why it may be presented as it is.
- A Closer Look at the Budget through Current and Capital Expenditures – This section discusses the difference between current and capital expenditures, the kinds of expenditures that fall into both categories, and how each is presented in budget tables in Tunisia.
- Articles, Paragraphs, Sub-paragraphs, and State Codes – This section explains the categories used in the Tunisian budget. Looking at tables in budget documents can be quite tedious because of the technical nature of the information. Having an understanding of how the information is categorized, however, can make the task a little easier.



- An Analysis of Some Expenditure Figures – Drawing on information about categorization that we will look at in the first three sections of this chapter, this section uses publicly available budget documents to provide some basic information about what the Tunisian government spends its money on. It discusses how expenditure information is presented in government documents, and what we can learn from that information.

## Budget Classifications in Tunisia

### What are Budget Classifications?

Budget information is developed and presented in a number of different formats in government documents. Having a basic understanding of these formats or “classifications” will help you know how to find the information you need. It will also strengthen your argument with government officials if you decide to advocate for better and more detailed information because you will know what is in the budget and what is not. Finally, understanding these classifications and using the related terminology will help give you credibility when you discuss the budget with government officials. This, in turn, will strengthen your advocacy efforts.

There are three types of classifications:

- 1) An administrative classification shows which government entity (ministry, department or agency) will have responsibility for spending a funding allocation.
- 2) An economic classification provides information on the nature of a receipt, allocation, or expenditure and arranges them into significant economic categories. The finance law presents revenue by economic

classification—direct taxes, domestic loans, etc. We’ll see below what the OBL says about how allocations should be classified.

- 3) A functional classification indicates the programmatic purpose or objective of a particular allocation. Common functional classifications include health, education, and national defense. This classification is important because, while an administrative classification tells you who will spend the funds and an economic classification tells you what the money will be spent on, neither tells you why the money is being spent. The functional classification does this. This classification is also useful because various administrative bodies may be spending money on particular functions. For example, the Ministry of Health would be expected to spend money on public health, but the Ministry of Social Affairs also has programs devoted to health. If budget information is only presented with administrative and economic classifications, it would be difficult to see how much the government spends on health or other broad functions.

It is important to understand the distinction between these different classifications.

However, much of the information in the Tunisian budget is presented in a format that combines two or more of these classifications.

### How are Expenditures in Tunisia Classified?

The ways in which budget information in Tunisia is classified are based on the legal framework that we examined in detail in Chapter 1 of this guide. Articles 3 through 12 of the 2004 OBL are particularly relevant. The OBL states that expenditures in the finance law (the annual state budget) should be divided into “chapters.” Most chapters in Tunisia correspond to a particular ministry.<sup>32</sup> This means that the finance law must,

<sup>32</sup> Chapters 4 through 27 are ministries. Chapters 1 through 3 are the legislature, the presidency, and the Prime Minister’s office, respectively. Chapters 28 and 29 are non-partitioned unexpended expenditures and public debt, respectively. For a full list of the chapters, see Appendix IV.

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A Guide to the Tunisian Budget

according to the OBL, present information using an administrative classification.

For particular kinds of expenditures, the finance law also shows us how much is being spent

inside each chapter by departments, offices, and public institutions.<sup>33</sup> Table 4.1 presents a very basic administrative classification table (simpler than you would find in the finance law).

Table 4.1: Sample Administrative Classification

Administrative Unit	Amount (in TND)
Chapter 11 – Ministry of Development and International Cooperation	200,000,000
National Institute of Statistics	30,000,000
Chapter 13 – Ministry of Agriculture	500,000,000
Agency for the Promotion of Agricultural Investment	1,500,000

Note that each ministry in Tunisia has a unique chapter number. Other administrative units, such as institutes, agencies, and offices, do not. Another thing to note is that, standing on their own, administrative classification tables provide very little information. Looking at the big picture, it can be interesting to compare one chapter to another, but unless we know what the chapters are spending on we will not learn a great deal from this broad perspective.

This is where the economic classification is useful. The OBL specifies that expenditures should be divided, not only by chapter but also by title, section, and part.<sup>34</sup> This partition very usefully provides information on what each Chapter is spending on. Table 4.2 is a summary of the components that make up the economic classification in Tunisia.

Table 4.2: Economic Classifications

Titles	Title I				Title II				Treasury Funds Expenditures			
<b>Sections</b>	1. Current Expenditures		2. Interest on the Public Debt		3. Capital Expenditures		4. Repayment of Principal on the Public Debt		5. Treasury Funds Expenditures			
<b>Parts</b>	1. Public Compensation	2. Service Costs	3. Public Interventions	4. Unforeseen Current Expenditures	5. Interest on the Public Debt	6. Direct Investments	7. Public Funding	8. Unforeseen Capital Expenditures	9. Capital Expenditures Paid from Assigned Foreign Loans	10. Repayment of the Principal Amount on the Public Debt	11. Expenditures for Special Treasury Funds	12. Expenditures for Cost-Sharing Funds

33 Expenditures by these administrative entities are shown in more detail in ministerial budgets, which are now available on the Ministry of Finance's website (<http://www.finances.gov.tn/>).

34 The OBL also states that, within each part, expenditures should be broken down into articles, paragraphs, and sub-paragraphs.



## Box 4.1: Use of a Functional Classification and Performance Budget in Tunisia

Although it might seem logical and neater for the government to spend all of its health spending through the Ministry of Health, government functions are rarely so tidy—in Tunisia or elsewhere. A portion of the Tunisian government’s health spending, for example, is undertaken by the Ministry of Agriculture to increase people’s access to potable water and by the Ministry of Women’s and Family Affairs to improve the conditions of women and the elderly living in rural areas. The same can be said about other functional categories such as education, public safety, etc. Unfortunately, budget information in Tunisia is not presented using a functional classification. This means that if you want to know the total amount the government spends on health or education you will need to spend time gathering information from different places.

The Tunisian government has begun using what is called a performance budget. This aims to assess the impact of budget expenditures on defined performance indicators. Nine ministries have begun implementing this type of budgeting (see more on this in Chapter 4). Each ministry has divided its work into approximately four overarching programs. Within each program the ministry sets out specific goals and indicators to measure progress of the program over the near future. One of the big changes coming out of this reform, aside from the introduction of goals and indicators, is that it is now possible to see how much money the government spends by both administrative unit and by program. However, the effort has two significant shortcomings: First, the programs are fairly broadly defined and the corresponding budget information is aggregated, so it is hard to know what is being spent on what; second, and related, there is no information about how much is being spent on each of the goals and indicators. This too makes it difficult to ascertain the effects of spending.

Combining the administrative classification with the economic classification would be a logical way to present budget information because the combined format would tell us both who is spending the money and on what it is being spent. We will see what this combination of the two classifications looks like in Tunisian budget documents in the following section.

### A Closer Look at the Budget through Current and Capital Expenditures

To reiterate, the OBL stipulates that budget information in the finance law needs to show who (Chapter) will spend the money and on what (title, section, and part). We’ll now see

what this looks like in practice. We’ll do so by looking at both current expenditures and capital expenditures.

#### Current Expenditures

Current expenditures are what the government spends on day-to-day operations. As with organizations and companies, the government must pay the salaries of its employees (public servants) and pay its other bills (e.g., electricity, water, etc.). Let’s take another look at the current expenditures portion of Table 4.2, but this time we’ll add a short description of these expenditures.<sup>35</sup>

Part 1 (public compensation) and Part 2 (service costs) are the expenses undertaken to compensate government officials and for the purchase of

<sup>35</sup> These descriptions can be found in a decree signed in March of 1999 (Decree 99-529).

Table 4.3: Current Expenditures – Parts and Descriptions

Section	1. Current Expenditures			
Part	1. Public Compensation	2. Service Costs	3. Public Interventions	4. Unforeseen Current Expenditures
Description	Compensation of government officials, permanent and non-permanent officials, and grants to public institutions earmarked for public remuneration	Spending on goods and services necessary for the operation of government agencies, the maintenance costs of public works, and grants to public institutions for these same expenditures	Expenditures related to transfers, direct or indirect State interventions, contributions to international organizations, and grants to public institutions for these same expenditures	Allocations to cover needs not identified or apportioned during the preparation phase of the budget process

goods and services needed for operation and maintenance, respectively.

Part 3 (public interventions) is a little more complicated because these state interventions take different forms. A big portion of Part 3 comprises subsidies for basic goods, transport, and fuel. These subsidies are executed as transfers from the Ministry of Finance to other ministries which, in turn, are in charge of making these payments (directly to vendors, not individuals). Fuel subsidies, for example, which will account for 60 percent of subsidies in 2014, are under the management of the Ministry of Industry; transport subsidies are paid by the Ministry of Transportation.

Another type of transfer found under Part 3 are those made by a line ministry to another public institution or government entity, normally under the functional umbrella or sector of the line ministry. The most prominent example can be found in the Ministry of Interior, which manages and transfers funds to municipalities in the country. A third type of transfer in Part 3 is one in which a line ministry provides a transfer directly

to citizens. This type of expenditure makes up the largest single share of the Ministry of Social Affairs budget.

Part 4 is the amount the government estimates it will need for unforeseen current expenditures.

Let's now take a look at how current expenditures are classified in the finance law. Table 4.4 is a portion of Table C in the 2014 finance law (Chapters 5-26, all of which are ministries, have been omitted for the sake of simplicity). The information found in the table relates to Title I, current expenditures and interest on public debt.

Can you see how this abbreviated table combines an administrative classification (who will spend the money) and an economic classification (what they will spend it on)?

It is worth noting that unforeseen current expenditures (Part 4) are not broken down by ministry (or Chapter) but are lumped together as one sum for the whole of government.

  
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Table 4.4: Budget Allocations for Title I in 2014 (Thousands of TND)

Section	Chapters	Title 1						
		Section 1: Current Expenditures					Section 2	
		Part 1: Public Compensation	Part 2: Service Costs	Part 3: Public Interventions	Part 4: Unforeseen Current Expenditures	Total of Section 1	Part 5: Interest on Public Debt	Total of Title 1
1	National Constituent Assembly	22,186	2,025	1,023	-	25,234	-	25,234
2	Presidency of the Republic	53,797	18,866	5,593	-	78,256	-	78,256
3	Head of Government	92,490	10,159	18,030	-	120,679	-	120,679
4	Ministry of Interior	1,445,576	207,350	379,458	-	2,032,384	-	2,032,384
27	Ministry of Professional Training and Employment	219,106	33,955	1,214	-	254,275	-	254,275
28	Unforeseen, Non-partitioned Expenditures	-	-	-	296,186	296,186	-	296,186
29	Public Debt	-	-	-	-	-	1,475,000	1,475,000
	<b>TOTAL</b>	<b>10,554,866</b>	<b>1,050,830</b>	<b>5,660,818</b>	<b>296,186</b>	<b>17,562,700</b>	<b>1,475,000</b>	<b>19,037,700</b>

Source: 2014 Finance Law

Table 4.5: Capital Expenditures – Parts and Descriptions

Section	3. Capital Expenditures			
Part	6. Direct Investments	7. Public Funding	8. Unforeseen Capital Expenditures	9. Development Expenditures Paid from Assigned Foreign Loans
Description	Development projects and programs carried out by the State or public institutions	Allocations to non-administrative public institutions and public enterprises for investments, interventions, capital holdings, repayment of debts, and financial balancing. This Part also includes allocations to municipalities for investments and interventions	Allocations to cover needs not identified or apportioned during the preparation phase of the budget process	Expenditures for programs, projects, or investments paid for by assigned foreign loans and repaid by the State. The types of programs, projects, and investments are the same as those found in Parts 6 and 7.



### Capital Expenditures

Governments must spend money on day-to-day operations and also invest in the future of the country. These investments, ranging from expenditures on a small information technology project or the construction of a research hospital, are called capital expenditures. Ideally, these expenditures align well with the development policies and programs that the government outlines in its economic and social development five-year plan.<sup>36</sup> While big infrastructure projects are often the most visible forms of capital expenditures, there are many other expenditures that have a future benefit. It is important to note that the day-to-day implementation of policies and programs will be paid for from current expenditure even if those policies and programs were initiated with capital expenditure funding.<sup>37</sup>

Although capital expenditures are recorded as a one-time expense in budget documents, they often contribute to longer-term policies, programs, and projects. We will discuss this topic further in Box 4.2, but let's first take a look at some examples of capital expenditures. Table 4.5 is the capital expenditures section of Table 4.4 with short descriptions added (just as they were in the table for current expenditures).<sup>38</sup>

The two parts that make up the majority of capital expenditures in Tunisia are direct investments (Part 6) and public funding (Part 7). The main difference between these two parts is that direct investments are spent by line ministries and public institutions, such as hospitals, on specific projects and programs. This can include the expansion of a school, the renovation of a hospital, and an immunization program. Public funding (Part 7), on the other hand, is transferred to non-administrative public institutions (e.g., the National Energy Conservation Agency,

the National Office of Handicraft Industries, the National Tourism Office, etc.) and public enterprises (e.g., Tunisian Railways, National Housing Bank, etc.). Some of this funding can go toward investments, but it can also be used for the repayment of debts or financial balancing.

Part 8, similar to Part 4 in current expenditures, makes a provision for unforeseen capital expenditures for the upcoming fiscal year. Part 9 comprises capital expenditures that are paid for from foreign loans. Unlike foreign loans used for general budget support, Part 9 expenditures are assigned for specific development programs or projects.<sup>39</sup>

Table 4.6 draws on the same finance law Table C that we saw in the current expenditures section. Again, Chapters 5 to 26 have been omitted.

Much of what we observed about Table 4.4 applies here. Let's recap briefly:

- Title II expenditures include all capital expenditures plus Part 10 expenditures (repayment of principal on the public debt).
- Unforeseen capital expenditures (Part 8) are lumped as one sum for the whole government and not broken down by chapter.
- Chapters 28 and 29 are the only chapters that do not correspond to a particular government body (i.e., the 24 ministries, the legislature, the presidency, and the Prime Minister's office).
- Chapter 28 (unforeseen, non-partitioned expenditures) is the sum of two parts: Part 4 (unforeseen current expenditures), which we saw in Table 4.4, and Part 8 (unforeseen capital expenditures), which we see in Table 4.6.<sup>40</sup>

36 The Ministry of Development and International Cooperation also publishes development strategies for each state in the country. See <http://www.mdc.gov.tn/index.php/2012-05-05-09-36-04/strategies-du-developpement>

37 For a full list of the kinds of capital expenditures that the government will spend on, by chapter, in 2014, see Table B of Decree 2013-5196.

38 These descriptions can be found in a decree signed in March of 1999 (Decree 99-529).

39 Note that the total Part 9 allocations (to all chapters) will always be equal to the amount found in category 9 in the revenues table of the finance law (see Table 1 in Chapter II above).

40 How these funds are allocated during the year can be found in the Official Journal. The most recent, Decree 2013-3180, is from July 2013.

Table 4.6: Budget Allocations for Title II in 2014 (Thousands of TND)

Section	Chapters	Title II							
		Section 3: Capital Expenditures					Section 4		Total of Title II
		Part 6: Direct Investments	Part 7: Public Financing	Part 8: Unforeseen Capital Expenditures	Part 9: Development Expenditures Paid from Assigned Foreign Loans	Total of Section 3	Part 10: Repayment of Principal on the Public Debt		
1	National Constituent Assembly	780	-	-	-	780	-	780	
2	Presidency of the Republic	4,059	827	-	-	4,886	-	4,886	
3	Head of Government	4,545	3,765	-	18,000	26,310	-	26,310	
4	Ministry of Interior	79,440	58,800	-	-	138,240	-	138,240	
27	Ministry of Professional Training and Employment	2,760	13,130	-	200	16,090	-	16,090	
28	Unforeseen, Non-partitioned Expenditures	-	-	416,242	-	416,242	-	416,242	
29	Public Debt	-	-	-	-	-	3,200,000	3,200,000	
	<b>TOTAL</b>	<b>2,021,145</b>	<b>1,870,678</b>	<b>416,242</b>	<b>526,435</b>	<b>4,834,500</b>	<b>3,200,000</b>	<b>8,034,500</b>	

Source: 2014 Finance Law

- Chapter 29 (public debt) is also a sum of two parts—Part 5 (interest on the public debt) and Part 10 (principal on the public debt).

Having looked briefly at how Title I and II expenditures are divided, there remains one broad category of expenditures: Treasury Funds. As was mentioned above, Treasury Funds are typically set aside for big, national funds such as an employment fund or a social solidarity fund. Treasury Fund allocations are made by Chapter, but there is very little information about

how these funds are spent by the ministries.<sup>41</sup> Even ministerial budgets, which provide a lot of disaggregated budget figures, say almost nothing about Treasury Funds.

## Articles, Paragraphs, Sub-Paragraphs, and State Codes

The categories that we have seen in the tables above (titles, sections, and parts) provide a big picture of what the government is spending. We can see, for example, how much each ministry is spending on public compensation or compare

<sup>41</sup> For a full list of the funds, see Table B of the finance law.





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direct investment spending between ministries. However, this level of information is not very helpful if we want to understand, for instance, spending inside a ministry. For this reason, we need to dig deeper into the next levels of disaggregation used by the Tunisian budget system: articles, paragraphs, and sub-paragraphs.

### Articles

Articles are the first level of disaggregation under parts. As we have seen, sections and

parts have a particular number according to the type of expenditure. For example, Part 6 is direct investments. Articles also have a particular number or code that relates to a specific type of expenditure.

Article codes have five digits. The first two digits refer to the part that the article falls under, and the last three digits are unique to a particular kind of expenditure. Let's take a look at some examples of article codes to illustrate this point.

Table 4.7: Examples of Article Codes

Part 1: Public Compensation	Part 3: Public Interventions	Part 6: Direct Investments	Part 7: Public Funding
01.100: Compensation for Public Officials	03.302: Interventions in the Social Sphere	06.601: Land Acquisitions	07.800: Investments in General Administration
01.101: Compensation for Permanent Staff	03.304: Interventions in the Scientific Sphere	06.621: Scientific Research in the Social Sector	07.801: Investments in the Agriculture and Fishing Sector
01.102: Compensation for Non-permanent Staff	03.306: Transfers in the Economic Sphere	06.728: Cultural Centers	07.810: Interventions in the Economic Sector
01.136: Public Compensation by Program	03.307: Contributions to International Organizations	06.748: Maintenance and Renovation of Health Facilities	07.821: State Contributions
	03.336: Public Interventions by Program	06.761: Construction and Expansion of Primary Schools	07.823: Financial Balance

Source: Decree 99-529 (of March 8, 1999) and Decree 2012-3407 (of December 31, 2012). Decree 2012-3407 amended portions of Decree 99-529. The former added new article codes for parts 1, 2, and 3 (all current expenditures) that are to be used in ministries that formulate a performance-based budget.

All chapters (or ministries) use the same article codes. For example, Article 06.601 (often written as 06601) will always be a land acquisitions expenditure, whether it is undertaken by Chapter 4 (Ministry of Interior), Chapter 10 (Ministry of Finance), or some other chapter in the government.

With this type of article coding, to know how much the government as a whole is spending

on the maintenance and renovations of, for example, health facilities (06.748) contributions to international organizations (03.307) you could add up all the expenditures that use these particular articles to find that information. In fact, in the decree that always follows the passage of the finance law in late December, the Ministry of Finance publishes two tables that present expenditures by article.

### Paragraphs, Sub-paragraphs, and State Codes

Articles provide some valuable information, but understanding a budget often requires access to even more detail. This detail can be found in some tables of the finance law, for example Table D provides details on capital expenditures, and in ministerial budgets, which provide the most disaggregated information. In these ministerial budgets, which are now all published on the Ministry of Finance’s website, this information becomes available because articles are further broken down into paragraphs and sub-paragraphs.

The information provided by paragraph and sub-paragraph codes can be difficult to understand because there is no logical pattern in their use. While article codes are used consistently to designate particular types of expenditures, the codes used to designate paragraphs and sub-paragraphs are often used for different types of expenditures.

This confusing situation has started to change, which has coincided with the advent of performance-based budgeting. In the budget of the Ministry of Health, for example, which has started to implement performance-based budgeting, sub-paragraph codes are used (under current expenditures) to indicate the kind of public institute that is spending the money. For example, 09 is used for health institutes, 08 for training institutes, and 05 for higher education institutes.

Despite the confusion of codes, paragraphs and sub-paragraphs can provide important details. They often give information on, for example, how much particular hospitals or schools spend on public compensation, maintenance, capital improvements.

Unfortunately, unlike article codes, paragraph and sub-paragraph codes are not summarized in one place. Table 4.8 shows an example of some information from a ministerial budget table that provides details at the sub-paragraph level.

Table 4.8: Budget Table from the Ministry of Health’s Budget

Article	Sub-paragraph	Description	2013 Estimate	2014 Estimate
01137*	063	Tebourba Hospital	100,000	128,000
01137	064	Ettadhamen Hospital	70,000	88,000
01137	071	El Alia Hospital	50,000	63,000

\* Article 01137 corresponds to “Grants to public institutions for public compensation, by program”  
 Note: All figures in TND

Another type of code, the state code, is used in ministerial budgets, although only for capital expenditures. This code allows many of the direct investments (Part 6) made by the government to be categorized by the state in the country that is receiving the investment. This code can be particularly helpful when trying to see if

some states are getting more funding from the national government for investments (such as new hospitals, school expansions, etc.) than others.<sup>42</sup> The following excerpt from the Ministry of Health’s budget shows an example where state codes are used. For a list of state codes, see Annex IV.

<sup>42</sup> The state code is less useful in understanding some ministerial budgets (such as those for the Ministry of Finance or the Ministry of Defense), because many of their capital expenditures are national in scope. Even though these national-level expenditures will likely have varying effects on each state in the country, they are classified in the state code column of budget documents as “00” (national in scope). Many line items are classified with “00,” which creates challenges in analyzing allocations and expenditures by state.

Table 4.9: Ministry of Health Budget Table

Article	Paragraph	State Code	Description	2013 Estimate	2014 Estimate
06747*	0028	81	Construction of a primary health care center in Bouchma, Gabes	150	100
06747	0229	13	Construction of an intermediary health care center in Mohammedia	200	100
06747	0353	22	Conversion of a basic health care center in Zriba to an intermediary one	200	50

\* Article 06747 corresponds to "Construction, expansion, and planning of local and basic health facilities"  
 Note: All figures in thousands of TND

## Analysis of Allocation and Expenditure Figures

Now that we have a good understanding of how

expenditures are classified and what they broadly entail, let's take a look at how the government spends its money (or how it plans to spend its money).

### Box 4.2: The Different Categories of Capital Expenditures

Capital expenditures can be somewhat confusing in Tunisian budget documents, because they are categorized in three different ways. This categorization is different from the categorization of using codes we explored above. According to Article 13 of the OBL, there are three categories for capital expenditures.

- 1) Program appropriations: This amount is the total cost of a proposed project, but it does not bind the state to pay this amount without a commitment appropriation.
- 2) Commitment appropriations: This amount is what is made available to an authorizing officer to implement a proposed public investment.
- 3) Payment appropriations: This is the actual amount scheduled to be charged to the state in the fiscal year.

Ministerial budgets tell you which of the capital expenditures in the budget are for ongoing projects and which for new ones, giving you a clearer picture of what the ministry is investing in. Moreover, because ministerial budgets give you the names and locations of many capital projects, you can marry the budget information with what you know about the needs of certain segments of the population (e.g., a particular locality or state) to ascertain whether the government is spending money where it should.

Tables for capital expenditures annual finance law and in ministerial budgets clearly show budget figures for these three categories. While these three amounts can sometimes be the same, in practice they are often different, and so knowing the distinctions among the three

will come in handy when analyzing capital expenditures.

It may seem counter intuitive, but there are often times when a ministry's overall payment appropriation for the fiscal year is actually higher

than the overall commitment appropriation. The reason for this is often that there are ongoing projects that have been committed in previous years.

As it takes some time to get concrete figures on what was actually spent, rather than what was allocated, in a given fiscal, some of the comparisons you will have to make will be between previous expenditures and current allocations or estimates. As of mid-2014, we do not have final figures for what was spent in 2013. For the historical analysis undertaken below, we have used allocations for both 2013 and 2014. It is acceptable to make these kinds of comparisons, as long as you are clear in presenting your findings which figures are actual expenditures and which are estimated expenditures (allocations)—and why you have used the latter.

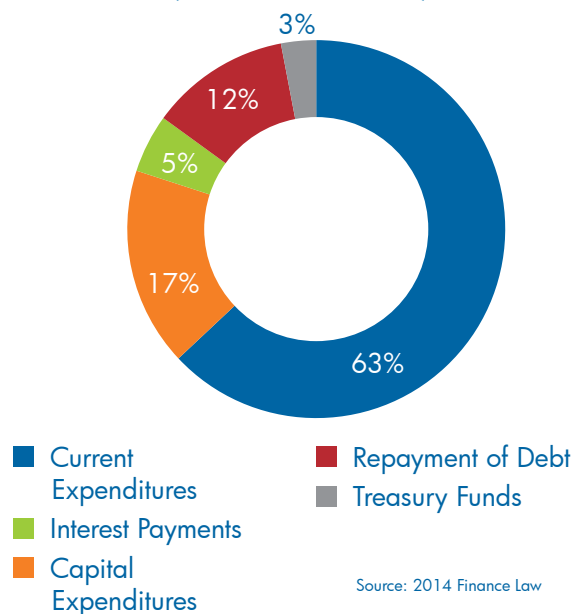
When analyzing allocations and expenditures, you will often have to draw from multiple sources, and sometimes different sources present information differently. For example, finance laws have no historical data, so if you want to make comparisons of all government spending over time, you either have to use execution reports to see how much was actually spent in previous years or compare different finance laws to see how much the government expected to spend each year over the same years.

The Tunisian government only provides broad economic classifications in its execution reports (see Table 4.2). This means you will be able to compare historical spending only by parts, not chapters. Now that ministerial budgets are published, however, it is possible to do some analysis of historical spending of specific chapters (i.e., ministries).<sup>43</sup>

In the remainder of this section, we present tables and figures drawn from the government’s finance laws and execution reports to show how information available in these documents can provide a basic idea of what the government is spending its money on. As budget information at the national level is classified by sections, parts, and chapters (see Tables 4.2 to 4.6), this is how the information is presented in the tables and figures in this guide.

This analysis is by no means exhaustive. Some people say that budget analysis is similar to solving a mystery: It is useful to first understand the big picture and then proceed to drill down to find more clues. In the case of the Tunisian budget, we can start by looking at how the government intends to allocate its money to the five sections (see Table 4.2).<sup>44</sup> We then break down the government’s total allocations into the five sections (see Figure 4.3).

Figure 4.1: Total Expenditures by Section in 2014 (in Thousands of TND)



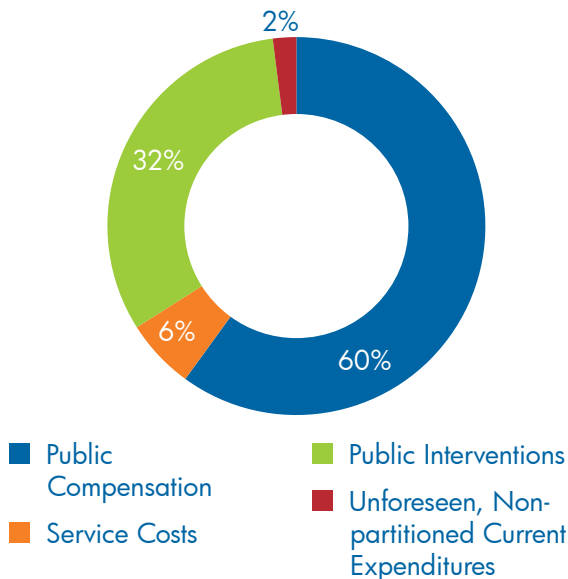
43 The Court of Accounts’ Report on the Budget Review Act provides some historical information on all the chapters in one place (compared to finding this information in all the different ministerial budgets). However, there are two major limitations to the Court’s report: 1) As mentioned in Box 9 of Chapter 1, the latest report, published in mid-2014, is for fiscal year 2011—a major delay, and 2) The information, by chapter, in the report is only for fiscal years 2010 and 2011, which limits the extent of the historical analysis that can be done.

44 We could have started by creating a pie chart of the “titles” row found in Table 7, but since these categories are not as interesting or useful as sections, it seemed best to start with the latter.

Figure 4.1 shows that current and capital expenditures together account for approximately 80 percent of the government's spending, and that public debt payments (both interest payments and the repayment of principal) accounts for another 17 percent.

Since current and capital expenditures make up a big portion of the budget, and the government's classification system divides these categories further, we can look to see exactly how these two sections are divided up. Figure 4.2 shows total current expenditures, divided into the four parts (1 to 4).

Figure 4.2: Current Expenditures in 2014 by Part (Thousands of TND)



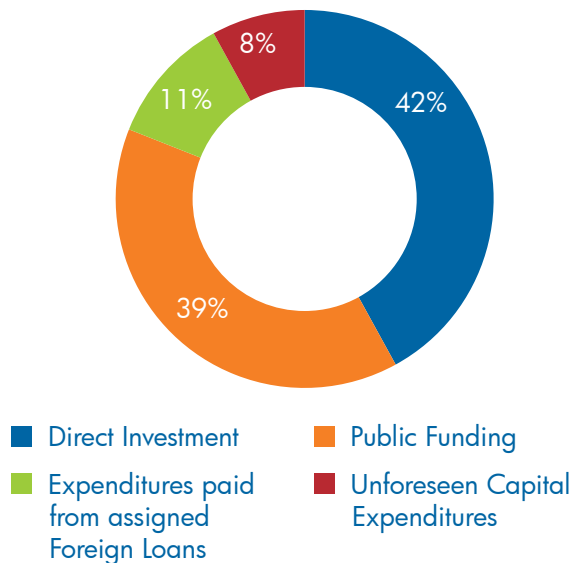
We see that the largest share of current expenditures will go toward public compensation (Part 1) and the second largest share will go toward public interventions (Part 3).

We can now determine how much the government expects to spend on a particular Part as a share of its total budget. Let's take public compensation as an example. It constitutes 60

percent of current expenditures, which constitute 63 percent of the total budget. This means that public compensation will make up approximately 38 percent of the government's total budget  $([0.60 * 0.63] * 100)$ .

Let's see how the second biggest section, capital expenditures, is broken down. Figure 4.3 divides capital expenditures into the four parts (6 to 9) found in Table 4.5.

Figure 4.3: Capital Expenditures in 2014 by Part (Thousands of TND)



The largest portion of capital expenditures will go toward direct investments (Part 6) and the second largest will go towards public funding (Part 7). Using the same formula we used above to determine the share of one part of the total budget, let's determine how much the Tunisian government spends on direct investments as a share of the total budget. Direct expenditures make up 42 percent of capital expenditures, which makes up 17 percent of the government's total budget. This means that the share of the total budget going to direct investments will be approximately 7 percent  $([0.42 * 0.17] * 100)$ .

Table 4.10: Expenditure Breakdown, 2010 – 2014

	2010	2011	2012	2013*	2014**
Public Compensation	37.9%	37.0%	37.2%	35.6%	37.5%
Service Costs	4.7%	4.3%	4.2%	3.6%	3.7%
Public Interventions	13.3%	18.9%	21.5%	25.7%	20.8%
Unforeseen Current Expenditures	0.0%	0.0%	0.0%	0.6%	1.1%
Current Expenditures as share of total	55.9%	60.3%	62.9%	65.5%	63.1%
Direct Investments	8.0%	7.0%	7.1%	6.7%	7.2%
Public Funding	7.7%	8.4%	8.3%	6.4%	6.7%
Expenditures Paid from Assigned Foreign Loans	4.2%	2.9%	2.0%	1.7%	1.9%
Treasury Funds for Capital Expenditures	4.2%	4.5%	3.1%	2.6%	2.7%
Unforeseen Capital Expenditures	0.0%	0.0%	0.0%	0.1%	1.5%
Capital Expenditures as share of total	24.1%	22.8%	20.5%	17.5%	19.9%
Interest Payments	6.4%	5.7%	5.4%	5.2%	5.2%
Repayment of Principal	13.8%	11.6%	12.3%	10.9%	11.4%
Lending	-0.2%	-0.4%	-1.1%	0.9%	0.4%
Other Expenditures as share of total	20.0%	17.0%	16.6%	17.0%	17.0%
<b>Total Expenditures</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Ministry of Finance Execution Report, December 2013  
 Notes: \* Allocations from the 2013 Supplementary Finance Law; \*\* allocations from the 2014 Finance Law

Figure 4.5 provides a big picture of what the government plans to spend in 2014. However, this information might be more useful if we had some point of reference, something to compare it with. Table 4.10 provides a breakdown of public expenditures over the course of several years. Such compilations can be helpful, for example, to see where the government is making big (or small) adjustments to its spending. This information cannot be found in the finance law, but we can find it in the Ministry of Finance’s execution reports.

Table 4.10 combines actual expenditures for fiscal years 2010 to 2012, and allocations for fiscal years 2013 to 2014. This is fairly common for budget tables because it takes time for the government to compile accurate figures on actual

spending. As mentioned, presenting information in this way is acceptable as long as it estimates and actual expenditures are clearly noted. Let’s see what we can determine from this table:

- The share of the budget going to current expenditures has increased over the last five years, whereas the share going to capital expenditures has gone down.
- Spending on public compensation and service costs has been steady or slightly decreased, whereas spending on public interventions has gone up significantly.
- The increase in current expenditure corresponds with a decrease in the share of spending going to direct investments, public

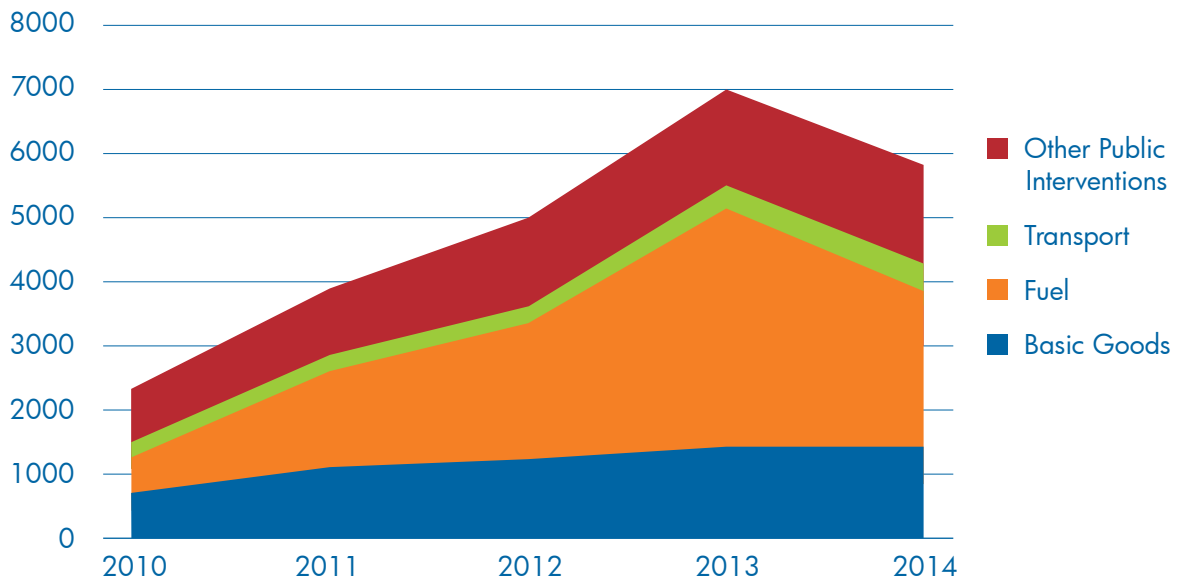
funding, and spending to pay off public debt. This seems to signal that the government decided that public interventions (subsidies, transfers to public entities, and direct transfers to citizens) should take priority over capital expenditures (investments in the future).

- A portion of capital expenditures in this table comes from “Treasury Funds for capital expenditures,” a category that is not found in tables in the finance law. The inclusion of this category, which gives us the amount of Treasury Funds set aside for capital expenditures, leads to a discrepancy between the total capital expenditures found in Table C of the finance law and the expenditures table found in execution reports. This is not the result of an error, but rather of two different ways of presenting the information. In the finance law, all Treasury Funds are lumped together.

- While this discrepancy can be confusing, it does give us some useful new information. We can now calculate how much of the Treasury Funds (total of 952,800,000 TND) are set aside for capital expenditures (765,500,000 TND). The answer is the latter divided by the former: 0.80, or 80 percent.<sup>45</sup>

We can see in Table 4.10 that there has been a considerable increase in spending on public interventions in recent years, so it would be interesting to see what led to the increase. Public interventions take different forms: Some transfers are spent by ministries to pay vendors, notably for subsidies on basic goods, transport, and fuel; other transfers are made to government entities, especially municipalities; and a smaller portion is transferred from the government directly to individuals as part of the social safety net. Figure 4.4 shows the relative size of each, taken from information found in the government’s execution reports.

Figure 4.4: Public Interventions Between 2010 and 2014 (Millions of TND)



Source: Ministry of Finance Execution Report, December 2013.

Note: Figures for 2013 are from the 2013 Supplementary Finance Law and figures for 2014 are from the 2014 Finance Law.

<sup>45</sup> The total amount of Treasury Funds expenditures is found in Table C of the finance law.



Figure 4.4 provides a somewhat better picture of public intervention spending since 2010. Whereas in 2010, when subsidies for basic goods, fuel, and transport constituted a slight majority of all public interventions, since 2011 subsidies have constituted a substantial portion of the total public interventions expenditure. Also, public interventions as a whole saw a steady increase between 2010 and 2013. However, this kind of spending is projected to decrease in 2014, mostly as a result of an anticipated decrease (from 2013) in fuel subsidies.

What do we notice about the three types of subsidies? First, transport subsidies have always accounted for the smallest portion and this has not changed much since 2010. Second, in 2010 subsidies for fuel and basic goods were fairly similar, however the amount devoted to fuel subsidies has increased considerably over the last four years.

A brief analysis like this shows why it is often useful to start with a broad view and then look closer. Figure 4.4 suggests that after the 2011 revolution the government decided to spend more on subsidies. Given the economy was in trouble and many people were struggling this decision was probably warranted.

Table 4.10 and Figure 4.4 taken together, however, raise other questions which require more analysis. These include:

- Why did the government decide to spend more on fuel subsidies than other types of subsidies (e.g., basic goods)?
- Direct investments (Part 6) and public funding (Part 7) have both decreased as a share of the budget. What kinds of capital projects and programs have been cut or put on hold?
- Spending on wages as a share of total spending has been steady. Has there been roughly the same number of public

employees? If so, does this mean that their wages have been stagnant and not kept up with inflation? How many people does the government as a whole, and by chapter, employ?

As mentioned above, the government's execution reports have not historically been comprehensive enough to give us details by chapter. Thus, if you wanted to compare actual spending with allocations, or to see other information such as the number of employees within a ministry or department, you would need to look at the recently published ministerial budgets. The Ministry of Finance began releasing these in 2013, which we will explore in Chapter 5 of this guide.

So far, the information we have seen on allocations and expenditures gives us an idea of how the government spends its money, based on an economic classification. For instance, how much the government spends to compensate public employees compared to how much it spends on direct investments; or how spending on capital expenditures as a whole has changed over the last five years.

However, you may be more interested in how the government is spending its money on a particular sector (e.g., health, security, education) and how spending to the sectors has changed over time. To determine this, we need to look at budget tables, which provide us with an administrative classification. We've already seen that the finance law, which has budget information broken down by chapter, has administrative classifications that can be useful, but only for one fiscal year. For a longer-term perspective of spending by chapter, we need to draw on information from other sources such as the Court of Accounts' Report on the Budget Review Act. Using information from the audit report and finance laws, Table 4.11 shows five years of actual and estimated spending by chapter.



  
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Table 4.11: Budget Allocations and Expenditures by Chapter  
as a Share of Total Spending, 2010 to 2014

Chapter	2010	2011	2012	2013	2014
Ministry of the Interior	6.1%	6.5%	7.5%	8%	8.1%
Ministry of Human Rights and Transitional Justice			0.03%	0.02%	0.02%
Ministry of Defense	4.2%	4.3%	4.1%	4.6%	5.5%
Ministry of Regional Development and Planning			2.8%	1.7%	1.7%
Ministry of Agriculture	4.5%	4.5%	4.7%	4.3%	3.7%
Ministry of Industry	4.9%	5.1%	8.4%	11.1%	10.7%
Ministry of Commerce and Crafts	4.5%	4.1%	5.3%	5.4%	5.4%
Ministry of Public Works	4.1%	5.2%	5.1%	5.1%	4.6%
Ministry of Transport	3.1%	2.3%	2.2%	1.6%	2.1%
Ministry of Women and Family Affairs	0.3%	0.3%	0.3%	0.3%	0.3%
Ministry of Youth and Sports	1.5%	1.6%	1.6%	1.7%	1.6%
Ministry of Health	5.6%	5.8%	5.0%	5.4%	5.4%
Ministry of Social Affairs	13.8%	11.6%	12.3%	10.9%	11.4%
Ministry of Education	16.4%	15.7%	13.0%	13.1%	13.1%
Ministry of Higher Education and Scientific Research	6.1%	6.1%	4.9%	5%	5%
Ministry of Employment and Vocational Training	0.3%	1.3%	3.2%	3.2%	2.4%
Public debt	20.0%	18.4%	16.2%	15.8%	16.7%
Other	16.4%	16.6%	13.2%	10.8%	10.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Sources: Finance Laws, 2010-2014.



## A Guide to the Tunisian Budget

# CHAPTER 5

## Recent Developments

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Effective advocacy around the government's budget requires civil society activists to stay abreast of public sector reforms. These reforms can have multiple effects. Most importantly, they can have a direct effect on public policies and consequently on the lives of the population. They can also influence the accessibility and the quality of budget information. This chapter provides some background on recent public sector reforms that are relevant for analysts and civil society activists interested in public budgets.

It proceeds as follows:

- **Performance-Based Budgeting.** Performance-based budgets are budgets presented in a format that seeks to tie the budget closely government's policies and plans, and to ensure that its impact can be regularly assessed. This section gives a brief introduction to this reform effort, a timeline of milestones, and an example of how information is now presented in this format at the ministerial level.
- **Publication of Ministerial Budgets.** Access to information is, of course, central to civil society's ability to monitor and analyze the government's budget. This section provides a list of the kinds of information that are now available in ministerial budgets.
- **Other Government Efforts to Increase Transparency, Accountability and Participation** – The chapter's final section takes a look at other reform efforts by the government, including other improvements in access to information, including the publication of more budget documents, and efforts by the government to work with civil society.

### Performance-Based Budgets

Over the last few years, the Tunisian government has begun to implement performance-based budgeting. This public finance reform effort aims to have the budget (its formulation, execution,



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and audit) be tied to specific performance goals and indicators. The reform's objective is to ensure that budgeting (and governance in general) more accurately reflects the true costs of the programs and policies the government is aiming to realize, and that, through the benchmarks and indicators set out in the budget, the impact of the budget on the public will be more readily measurable and apparent.

In 2003, a performance-based budgeting unit was created in the Ministry of Finance.<sup>46</sup> In 2004, the newly revised OBL included an article (Article 11) that helped set the legal groundwork for the implementation of the performance-based budgeting unit. Article 11 states that program appropriations are to be made to achieve "specific objectives and results that can be evaluated," and these programs should contribute to the implementation of a "strategy of national interest."<sup>47</sup>

In 2008, the ministries of health, education, higher education, agriculture, and employment were chosen to pilot the implementation of performance-based budgeting. These ministries were asked to formulate their budgets as they always had, and also put together a performance-based budget. To do so the ministries needed to re-structure their budgets to show how much was being spent according to each program. They also needed to create a performance framework, which would spell out the strategies and objectives of each ministry and program, and devise indicators for assessing the impact of these strategies and objectives. In 2013, these five ministries released performance-based budgets for the first time.

In 2014, the ministries of equipment and environment, industry, finance, and transport also released performance-based budgets. This

brought the number of ministries implementing performance-based budget to nine— accounting for approximately two-thirds of the budget, not including public debt payments. There are plans to have all ministries use performance-based budgets, but it is unclear by when this is to be accomplished.

These reforms have the potential to provide very useful information on government budgets. First, the articulation of broad-based programs within each ministry will make it easier to see how each ministry is dividing up its work. Second, as ministries must now articulate their program strategies, it should be easier to assess the coherence of a ministry's work. Are its strategies changing? If so, why? Are its sub-programs and projects aligned with the program strategies?

Performance-based budgeting has specific advantages for budget researchers and advocates. Most notably, performance-based budgets include specific objectives and performance indicators within each program. These objectives and indicators can be monitored regularly to see if the program is achieving its goals. Moreover, as budget information is broken down by program, it is now possible to make comparisons of both economic classifications program classifications. For example, how public compensation compares with direct investments; or how primary healthcare compares with hospital services within the health ministry.

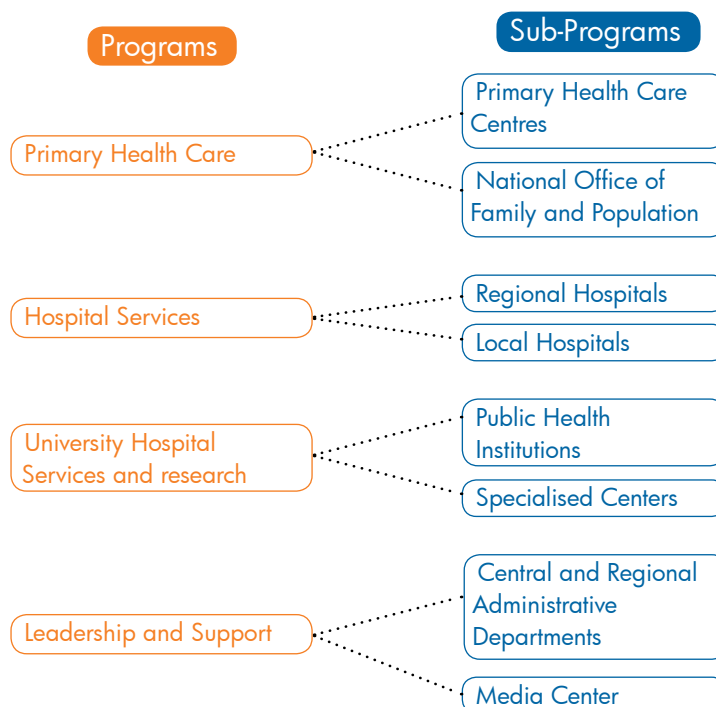
Let's look at an example to illustrate what civil society can learn through performance-based budgets. Figure 5.1 shows all the programs and sub-programs within the Ministry of Health. Table 5.1 shows a few examples of goals and indicators used by the Ministry of Education in its performance budget.<sup>48</sup>

<sup>46</sup> See <http://www.gbo.tn>

<sup>47</sup> Full text of the OBL can be found at [http://www.cnudst.mrt.tn/index26e1.html?jort\\_fr](http://www.cnudst.mrt.tn/index26e1.html?jort_fr)

<sup>48</sup> For copies of all ministerial budgets, see [http://www.finances.gov.tn/index.php?option=com\\_jdownloads&view=viewcategory&catid=1&Itemid=712&lang=fr](http://www.finances.gov.tn/index.php?option=com_jdownloads&view=viewcategory&catid=1&Itemid=712&lang=fr)

Figure 5.1: Programs and Sub-programs in the Ministry of Health



Source: Ministry of Health budget is available at [http://www.cnudst.mrt.tn/index26e1.html?jort\\_fr](http://www.cnudst.mrt.tn/index26e1.html?jort_fr)

Table 5.1: Example Goals and Indicators Used by the Ministry of Education

Program	Goal	Indicator	2012	2013 Estimate	2014 Estimate
#1: Primary Education	#2: Improve internal outputs of primary schools	#2.2: Proportion of students obtaining at least an average mastery in Arabic	68.75	79.02	79
#1: Primary Education	#2: Improve internal outputs of primary schools	#2.3: Proportion of students obtaining at least an average mastery in French	46.59	52.43	53
#2: Intermediary and Secondary Education	#1: Reduce disparity between the states	#1.1: Difference between highest and lowest rates (percentages) of bachelor's degree attainment among the states	33.11	30.59	28

Source: Ministry of Education budget is available at [http://www.cnudst.mrt.tn/index26e1.html?jort\\_fr](http://www.cnudst.mrt.tn/index26e1.html?jort_fr)

## Ministerial Budgets

While performance-based budgets provide quite valuable information, it is also important to examine ministerial budgets that use the traditional administrative and economic classifications. These also contain a wealth of information. Expenditures set out in ministerial budgets contain considerably more detail than the finance law. Prior to 2013, the government did not make ministerial budgets available to the public. Through pressure from civil society, the government has started to release these budgets on the Ministry of Finance’s website.<sup>49</sup>

Useful information you can find in ministerial budgets include:

- Articles, paragraphs, and sub-paragraphs – Many of the tables in ministerial budgets use these three codes, which can provide important expenditure details. Of particular interest to those working on issues at the local levels is the fact that Sub-paragraph codes are sometimes used to indicate where the funds are being directed, to a particular school or hospital for example, or a specific project or program.
  - Administrative units – Ministerial budgets provide details about administrative units inside ministries. It is possible to find the budgets for specific departments, offices, institutes, and so on. Knowing this can be helpful for analyses focused on a particular issues (e.g., water management or maternal health) that are the responsibility of a specific administrative unit.
  - Historical data – The annual finance law provides virtually no information about how much was allocated or spent in previous years. This kind of information can, however, be found in ministerial budgets. Most ministerial budgets provide three years of information—mostly in the form of totals of current and capital expenditures, but often also providing more disaggregated information (e.g., from articles and paragraphs). This kind of information can be used to see whether a ministry (or other administrative unit) is spending more or less than it has in previous years on the same area.
- State-level codes – Regional inequality is an important issue in Tunisia. Most of the published information does not specify to which region, state, or locality in the country an expenditure is directed. Some, however, does. For example, the budget tables for capital expenditures in ministerial budget do include a code that specifies the state for which the expenditure will be made.<sup>50</sup> This kind of information can be used to identify differences in expenditures among states.
  - Non-budget information – Non-budget information can help to inform budget analysis. For example, comparing spending between ministries or states will tell you relatively little, without an understanding of what services are provided, how many staff are needed to provide those services, the numbers of people receiving services, and so on. Some of this information is found in Tunisia’s hub for statistics, the National Institute of Statistics. Some information can also be found in ministerial budgets<sup>51</sup>. Some ministries, for example, provide information on how many staff they employ, how many beneficiaries receive direct financial assistance, how many public institutions (e.g., hospitals) are part of the ministry. This type of information is critical to understanding the meaning behind specific expenditures.

49 See <http://goingnext.com/opendata/2012/06/20/les-vrais-salaires-des-ministres-tunisiens-ou-comment-expliquer-un-trou-de-86-dans-le-budget-de-letat/>.

50 Many line items for capital expenditures use the code 00, which does not correspond to any state. For a list of the codes used for each of Tunisia’s 24 states, see Annex IV.

51 See <http://www.ins.nat.tn/>

## Other Government Efforts to Increase Transparency, Accountability, and Participation

The implementation of performance-based budgeting and the publication of ministerial budgets provide more openings than ever before for civil society to engage with the budget process in Tunisia. However, while these government efforts are laudable, they will require ongoing monitoring by civil society. Civil society ensure the government fulfils the commitments it has already made, make use of the information already available, whilst also pushing for improvements in both performance-based budgets and in the materials ministries publish.

There are three additional ongoing government reform efforts that have great potential to improve governance and the lives of Tunisians. Each will need the full engagement of civil society to ensure their effective realization: Providing better access to information; increasing transparency of key budget documents; and developing better cooperation with civil society.

### Better access to Information

In May of 2011, Tunisia's transitional government adopted a freedom of information decree. Decree 41 gave the public the right to access administrative documents from government institutions. This was a major development in the country, especially since information had been so closely guarded and closed off to the public before the revolution. Implementing Decree 41, however, has been difficult. One of the stumbling blocks has been the ambiguous language of the decree. It has been unclear to many which documents can be accessed and which are still off-limits. Critics have also complained that there was no independent body overseeing the decree

and no clear guidelines to government entities and officials for how to implement it.

These shortcomings have led to two positive developments. First, civil society organizations have pushed for clearer access to information legislation. They have also tried to make Decree 41 more accessible to the public. For example, civil society organizations launched the website [www.marsoum41.org](http://www.marsoum41.org) to make it easier for the public to request information from the government.<sup>52</sup>

Second, because the decree lacks clarity, and because decrees do not have the same legitimacy as enacted laws, the government has begun drafting an access to information law. Since 2013, it has held at least two public consultations on the initiative. While it is not certain how effective the new law will be, the government's willingness to improve on the decree and civil society's engagement on these issues indicate that access to information in Tunisia will likely improve in the near future.

### Increased Transparency of Key Budget Documents

The extent to which the government makes budget documents accessible to the public is the main measure of the transparency of a country's budget process. In Chapter 1 we saw that the Tunisian government publishes a number of documents throughout the fiscal year. IBP's Open Budget Survey is one tool that assesses budget transparency. Based on international standards and practices, the survey looks at whether governments publish eight key budget documents in a timely and comprehensive manner. Figure 5.2 shows the progress (or lack thereof) between 2011 and 2014 in making these documents publicly available. (Chapter 1 examines these eight key budget documents in detail.)

<sup>52</sup> See <http://www.marsoum41.org>

Figure 5.2: Availability of Eight Key Budget Documents

Budget Document	2011	2014
Pre-Budget Statement		
Executive's Budget Proposal		
Enacted Budget		
Citizens Budget		
In-Year Reports		
Mid-Year Review		
Year-End Report		
Audit Report		

Notes: Green indicates the document is made publically available. Yellow indicates the document is produced but not made publically available. Red indicates the document is not produced, or not made publically available until after the allotted period.

Source: Analysis for 2011 is based on the 2012 Open Budget Survey; Analysis for 2014 is based on the availability of documents on government websites

The above figure shows that, with regards to budget transparency, the Tunisian government has made two improvements and taken one step backwards. The Executive's Budget Proposal and a Citizens Budget are now both available to the public. Unfortunately, the government no longer makes the audit report publicly available. Although an audit report was published in 2014, it cannot be considered "publicly available" due to the significant lag between the end of the reporting period and the publication date. As we saw in Box 2.8, the audit report (referred to in Tunisia as the Report on the Budget Review Act) was published approximately two and a half years after the end of the fiscal year, exceeding the two-year limit called for under international best practices. Overall however, given the publication of the Executive's Budget Proposal and the Citizens Budget, the government seems to have taken a positive step toward more transparency.

### Cooperation with Civil Society

The Tunisian government's publication of the Executive's Budget Proposal at the end of 2013 was one of the government's acts that made the country eligible to join the Open Government Partnership (OGP). The OGP is an international, multi-stakeholder initiative aimed at improving governance through greater transparency, accountability, and public engagement. Joining OGP requires governments to work with civil society to draft two-year plans designed to tackle challenges related to "1) Improving Public Services; 2) Increasing Public Integrity; 3) More Effectively Managing Public Resources; 4) Creating Safer Communities, and 5) Increasing Corporate Accountability."<sup>53</sup> The Tunisian government's commitments to improved governance will, of course, be based partly on demands from Tunisian civil society organizations. In September 2014, Tunisia released its first OGP action plan.<sup>54</sup>

Before the OGP process began, the Tunisian government had already begun engaging with civil society on issues of transparency and accountability, specifically related to budgets. In March of 2013, spurred by pressure from civil society, the Ministry of Finance created a joint government-civil society commission on budget transparency and accountability. The commission, which included over ten civil society representatives, met numerous times. One of the main topics that the commission discussed was the production and publication of a Citizens Budget. Civil society representatives provided feedback on the document, which was incorporated into the final published version. This is a concrete example of how engagement from civil society and the public can increase budget transparency and improve governance.

53 See <http://www.opengovpartnership.org/how-it-works/action-plans>.

54 See <http://www.opengovpartnership.org/country/tunisia/action-plan>



# Annex I: Where to Find Relevant Information in Tunisia

Ministry of Finance	Draft finance laws, execution reports, ministerial budgets, municipal budgets, citizens budget	<a href="http://www.finances.gov.tn/">http://www.finances.gov.tn/</a>
Performance-Based Budgets Unit	Performance-based budgets of ministries, reform documentation, nomenclature standards for performance-based budgeting	<a href="http://www.gbo.tn/">http://www.gbo.tn/</a>
Court of Accounts	Audit reports	<a href="http://www.courdescomptes.nat.tn/">http://www.courdescomptes.nat.tn/</a>
Central Bank	Macroeconomic indicators, consumer price indices, information on domestic loans	<a href="http://www.bct.gov.tn/">http://www.bct.gov.tn/</a>
Tax Administration	Tax laws	<a href="http://www.impots.finances.gov.tn/">http://www.impots.finances.gov.tn/</a>
Ministry of Development and International Cooperation	Economic budgets and national, regional, and state development plans	<a href="http://www.mdci.gov.tn/">http://www.mdci.gov.tn/</a>
Official Journal of the Tunisian Republic	Archives of all laws, including previous finance laws, the organic budget law (including amendments), and relevant decrees	<a href="http://www.cnudst.rnrt.tn/index26e1.html?jort_fr">http://www.cnudst.rnrt.tn/index26e1.html?jort_fr</a>
National Institute of Statistics	Demographic and socio-economic indicators	<a href="http://www.ins.nat.tn/">http://www.ins.nat.tn/</a>

## Annex II: Glossary

Allocation	An amount of money that is designated for a particular use.
Appropriation	An authority granted to administrative heads to spend money allocated to them by the annual finance law. Appropriations are under the authority of authorizing officers, which for the state budget are the ministers and the heads of administrative public institutions. Appropriations typically provide authority to spend money for one fiscal year, but some do so for a number of years.
Audit	A review of a government's public accounts, according to legal and financial compliance of the government's public financial management practices or its performance. An internal audit is undertaken within an agency, department, or ministry that tries to ensure that spending is efficient, effective, and complies with relevant regulations and laws. An external audit, on the other hand, is conducted by independent agencies or institutions to review and monitor the fiscal and management activities of the executive branch.
Budget Cycle	The period of time that comprises the four stages in which a country's budget is formulated, approved, executed, and audited. The full budget cycle typically lasts between three and four years.
Capital Expenditure	Funds spent for the acquisition of a long-term asset, typically divided up over several years. In Tunisia, capital expenditures are the costs associated with development programs and projects, such as the building of a new road, the implementation of an immunization program, or the expansion of a school.
Chapter	The designation used for administrative units in Tunisia's state budget. Almost all chapters are ministries or other government offices (e.g., the Prime Minister's office). The only two chapters that are not administrative entities are Chapters 28 and 29, which are non-partitioned unforeseen expenditures and public debt, respectively.
Consumer Price Index	Archives of all laws, including previous finance laws, the organic budget law (including amendments), and relevant decrees
(CPI)	A measure, often published by the central bank, that reflects the price of a representative basket of consumer goods and services. It is also used to assess the impact of inflation on the average consumer.
Current (or Recurrent) Expenditure	Funds associated with the day-to-day operations of the government. These expenditures include the salaries of public employees, their benefit payments, the costs associated with running and maintaining ministries, departments, and other public offices, and goods and services consumed directly, such as subsidies.

  
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Debt	The outstanding amount that the government owes to private lenders at any given point in time. Governments borrow when they run deficits, and try to reduce outstanding debt when they run surpluses. Debt, therefore, represents the total of all annual deficits, minus any annual surpluses, over the years.
Economic Classification	The classification of expenditures and revenues that provides information on the nature of a receipt, allocation, or expenditure and arranges them into significant economic categories (salaries, transfers, direct taxes, etc.).
Expenditure	Funds that a government entity spends. Expenditures are made to fulfil a government obligation, either incurred in previous fiscal years or in the current year.
Fiscal Year	A government's 12 month accounting period in which it carries out its budget operations (revenue collection and budget implementation) according to what was approved in the budget for that particular year. In Tunisia, the fiscal year is from January 1 until December 31.
Grants	Funds that the national government disburses directly to lower levels of government, corporations, non-profit organizations, or individuals. Some grants are given for specific purposes, while other grants may be used for whatever purpose the recipient deems important. This may also refer to payments made to the national government, where repayment is not required.
Gross Domestic Product (GDP)	The total value of final goods and services produced in a country during a calendar year. Economic growth is measured by the change in GDP from year to year.
Inflation	An increase in the price level of goods and services over a period of time. The most common way to adjust for inflation is to use the Consumer Price Index published by the central bank.
Nominal Value	Any price or value expressed in monetary terms (i.e., in units of a currency) at a particular time. Budget documents typically only give nominal values, which are not adjusted for inflation.
Organic Budget Law	The public finance law that, in many countries, is the main legal framework for all budgetary matters in a country.
Own Resources	Revenue that the government brings in that does not include domestic and foreign loans. Typically, the bulk of a country's own resources comes from tax revenues but also includes natural resource revenue and grants, among others.
Performance-Based Budgeting	A budget process that seeks to tie budget formulation and implementation closely with a government's policies and plans, and to ensure that its impact can be regularly assessed.
Real Value	A measure of the purchasing power of money that takes into consideration inflation (or the change in prices over time).
Treasury Funds	Funds that come from both tax and non-tax revenue and are typically set aside for big, national funds such as an employment fund or a social solidarity fund.

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Supreme Audit Institution	The most important auditor in a country's budget process because it provides the highest level of external audit of government entities. In Tunisia, this body is the Court of Accounts, a judicial body that examines the fiscal accounts of national and sub-national governments, as well as public institutions and state-owned enterprises
Virement	The process of shifting an appropriation from one line item to another during the fiscal year. Typically, a country's legal budgetary framework should specify the procedures necessary to reappropriate funds.



## Annex III: Constitutional Articles Relevant to the Budget Process<sup>55</sup>

Article Number	Topic	Full Text
Three	Sovereignty with the People	The people possess sovereignty and are the source of all powers, which they shall exercise through their freely elected representatives or by referendum.
Ten	Taxation	<p>Paying taxes and public contributions is an obligation, in accordance with a fair and equitable system. The State shall put in place the mechanisms necessary to ensure the collection of taxes and combatting of tax evasion and fiscal fraud.</p> <p>The State shall ensure the proper use of public funds and take the necessary measures to optimize its spending according to national economic priorities and shall work to prevent corruption and all that could undermine national sovereignty.</p>
Thirty-Two	Access to Information	<p>The State shall guarantee the right to information and the right to access to information.</p> <p>The State seeks to guarantee the right to access to communication networks.</p>
Sixty-Three	Amendments	Proposed laws or amendments presented by deputies shall not be admitted if their ratification would cause prejudice to the State's financial balance as set in the budget laws.
Sixty-Six	Budget Procedures	<p>The law determines the State's resources and its expenses in conformity with the provisions set out in the organic budget law.</p> <p>The Chamber of the People's Deputies shall ratify the draft finance laws and the balancing of the budget in accordance with the terms stipulated under the organic budget law.</p> <p>The draft finance law shall be presented to the Chamber no later than 15 October and shall be ratified no later than 10 December.</p>

55 The English translation of the constitution is provided by the Jasmine Foundation. It can be accessed here: [http://www.jasmine-foundation.org/doc/unofficial\\_english\\_translation\\_of\\_tunisian\\_constitution\\_final\\_ed.pdf](http://www.jasmine-foundation.org/doc/unofficial_english_translation_of_tunisian_constitution_final_ed.pdf).



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		<p>The President of the Republic may send the draft finance law back to the Chamber for a second reading within the two days following ratification by the Chamber. In this case, the Chamber meets to deliberate a second time within three days to exercise their right of response.</p> <p>The parties referred to in the first point of article 120 during the three days following the ratification of the draft finance law by the Chamber when the latter deliberates a second time after the draft finance law is returned to it or after the term to exercise the right of response expires without its exercise, in such a case such parties can contest the unconstitutionality of the provisions of the draft finance law before the Constitutional Court, which shall issue its decision within no later than five days of such contestation being lodged.</p> <p>If the court rules that the provisions are unconstitutional, it shall communicate its decision to the President of the Republic, who in turn shall communicate it to the President of the Chamber of the People's Deputies, all of which shall be completed within two days of the date of the court's decision. The Chamber shall ratify the draft finance law within the three days following its being informed of the decision of the Constitutional Court.</p> <p>If the court rules that the provisions are constitutional or in case of ratification a second time after its return to the Chamber or upon the expiration of the term for response and contestation without either of these occurring, the President of the Republic shall ratify the draft finance law within two days. In all cases, the law shall be sealed no later than 31 December.</p> <p>If the draft finance law is not ratified by 31 December, the law can be implemented insofar as it relates to expenditures, in instalments of three months subject to renewal by a presidential order, and revenues shall continue to be collected in accordance with the laws in force.</p>
One Hundred and Seventeen	Court of Accounts	<p>The financial judiciary is composed of the Court of Audit with its various bodies.</p> <p>The Court of Audit shall have jurisdiction to supervise the sound spending of public funds in accordance with the principles of legality, efficiency and transparency. The financial judiciary shall decide on the accounts of public auditors. The financial judiciary evaluates the expenditure of public funds and punishes any mismanagement in that regard. The financial judiciary shall assist the legislature and the executive in supervising the enforcement and sealing of financial laws.</p>



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		<p>The Court of Audit shall prepare a general annual report to be submitted to the President of the Republic, the President of the Chamber of the People’s Deputies, the Prime Minister, and the President of the Supreme Judicial Council. The report shall be published. The Court of Audit shall, when necessary, prepare special reports that may be published.</p> <p>A law shall regulate the organization, mandate and procedures of the Court of Audit as well as the statute of its judges.</p>
One Hundred and Thirty-Nine	Local Participatory Democracy	<p>Local authorities shall adopt the mechanisms of participatory democracy and the principles of open governance to ensure broader participation by citizens and civil society in the preparation of development programs and land management and monitoring of their implementation, in accordance with law.</p>

# Annex IV: Article and State Codes Used in Budget Documents

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Examples of Article Codes Used in Budget Documents		
Part Number	Article Number	Type of Expenditure
01	01.101	Public Remuneration of Permanent Staff
01	01.136	Public Remuneration by Program
02	02.201	Operating Expenses of Public Services
02	02.236	Service Cost Spending by Program
03	03.300	Transfers
03	03.302	Public Interventions in the Social Domain
03	03.307	Contributions for International Organizations
06	06.601	Land Acquisitions
06	06.603	Administrative Buildings
06	06.604	Administrative Equipment
06	06.605	Information Technology Programs
07	07.810	Public Funding in the Economic Domain
07	07.811	Public Funding in the Social Domain





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All State Codes Used in Budget Documents	
Tunis	11
Ariana	12
Ben Arous	13
Manouba	14
Nabeul	21
Zaghouan	22
Bizerte	23
Beja	31
Jendouba	32
Le Kef	33
Siliana	34
Kairouan	41
Kasserine	42
Sidi Bouzid	43
Sousse	51
Monastir	52
Mahdia	53
Sfax	61
Gafsa	71
Tozeur	72
Kebili	73
Gabes	81
Medenine	82
Tataouine	83

# Annex V: International Budget Partnership (IBP) Resources

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All IBP Publications	<a href="http://internationalbudget.org/library/publications/">http://internationalbudget.org/library/publications/</a>
Guide to Budget Work for NGOs	<a href="http://internationalbudget.org/publications/a-guide-to-budget-work-for-ngos/">http://internationalbudget.org/publications/a-guide-to-budget-work-for-ngos/</a>
IBP Open Budget Survey	<a href="http://internationalbudget.org/what-we-do/openbudget-survey/">http://internationalbudget.org/what-we-do/openbudget-survey/</a>
Open Budget Survey Interactive Explorer	<a href="http://survey.internationalbudget.org/">http://survey.internationalbudget.org/</a>
Grassroots Mobilization for Budget Advocacy	<a href="http://internationalbudget.org/publications/grassroots-mobilization-for-budget-advocacy/">http://internationalbudget.org/publications/grassroots-mobilization-for-budget-advocacy/</a>
Social Audits as a Budget Monitoring Tool	<a href="http://internationalbudget.org/publications/social-audits-as-a-budget-monitoring-tool/">http://internationalbudget.org/publications/social-audits-as-a-budget-monitoring-tool/</a>
A Citizens Guide to Understanding and Using Inflation	<a href="http://openbudgetsgame.org/inflationguide/">http://openbudgetsgame.org/inflationguide/</a>



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### **Budgetary and Human Rights Observatory (BAHRO)**

BAHRO analyzes the state budget from a rights perspective and provides documentation of violations of socio-economic and cultural rights.

[bahroegy@bahroegy.org](mailto:bahroegy@bahroegy.org)  
[www.bahroegy.org](http://www.bahroegy.org)

### **International Budget Partnership (IBP)**

The International Budget Partnership collaborates with civil society around the world to use budget analysis and advocacy as a tool to improve effective governance and reduce poverty.

[info@internationalbudget.org](mailto:info@internationalbudget.org)  
[www.internationalbudget.org](http://www.internationalbudget.org)

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[www.internationalbudget.org](http://www.internationalbudget.org)  
[www.bahroegy.org](http://www.bahroegy.org)

### **Further Reading**

Guide to Budget Work for NGOs

<http://internationalbudget.org/publications/a-guide-to-budget-work-for-ngos/>

Grassroots Mobilization for Budget Advocacy

<http://internationalbudget.org/publications/grassroots-mobilization-for-budget-advocacy/>

Social Audits as a Budget Monitoring Tool

<http://internationalbudget.org/publications/social-audits-as-a-budget-monitoring-tool/>



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