



Social Expenditure Monitor for Tunisia

Towards making public social expenditure more equitable, efficient and effective

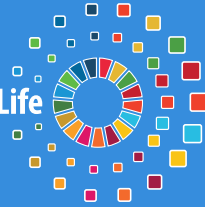


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Towards making public social expenditure more equitable, efficient and effective



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Key messages

- *Improve monitoring and governance of social programmes to improve equity, efficiency and effectiveness of social policy to promote inclusive growth and achieve the SDGs, where the Social Expenditure Monitor (SEM) can be an useful tool for the governments.*
-

Enhance fiscal space for increasing social expenditures in critical areas of social policy such as quality education, health and ecological transitions that improves resilience to systemic shocks.

- *Reprioritize allocations to critical social policy areas with balanced mix of expenditures toward improving human development, human capital and economic growth.*
-

- *Modernize the public transfer system in order to ensure transparency, efficient and quality service delivery, and better target needy and vulnerable populations.*
-

- *Accelerate reforms in public finance management (PFM) to rebalance the provision of social services and improve fiscal stability.*
-

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Key recommendations

1. Improve monitoring and governance of social programmes to improve equity, efficiency and effectiveness of social policy to promote inclusive growth and achieve the SDGs. This requires: (a) more holistically monitor social programmes that support achieving the SDGs, where the Social Expenditure Monitor (SEM) can be useful; (b) implement the culture of periodic evaluation of public social programmes and identify areas of improvement across sectoral ministries; (c) modernize the public transfer system in order to ensure transparency, efficient and quality service delivery, and better target needy populations including children, young people, women, poor and vulnerable populations. This is essential not only to improve outcomes but also to ensure the basic rights of all people.
2. Reprioritize allocations to critical social policy areas with balanced mix of expenditures toward improving human development, human capital and economic growth. This requires: (a) assessing strategic areas of public expenditures that have transformational impacts, going beyond the traditional social expenditures on health, education and social protection to include other productive areas such as employment generation, environmental protection, housing and community services and culture and sports; (b) rechanneling allocations to more productive areas such as rebalancing current and capital expenditures within social sectors; (c) using a simulation tool to inform policymakers regarding scenarios of public social expenditure policies in conjunction with fiscal policy. The SEM provides a very useful simulation tool for policymakers to guide public policies in this regard.
3. Enhance fiscal space for increasing social expenditures in critical areas of social policy such as quality education, health and ecological transitions that improve resilience to systemic shocks. The danger of falling into a debt trap often forces governments to adopt fiscal austerity, which poses a threat to social expenditures (level and quality). Enhancing the fiscal space would require: (a) improving domestic revenue mobilization by increasing tax collection, re-assessing the tax base, enhancing tax equity and progressivity and addressing tax inefficiencies; (b) working out debt stabilizing scenarios over the medium term, along with medium-term frameworks for revenues and expenditures, taking into account any need for augmenting existing borrowing or new borrowing to help expand the fiscal space to finance the SDGs; (c) operationalizing innovative debt relief instruments such as climate/SDGs debt swaps, launched by ESCWA, to improve financing for climate and accelerating achievement of the SDGs.
4. Address the complex challenges faced by the allocation of budgetary resources to social expenditures (population's growing social needs, budgetary consolidation, addressing inequalities including gender inequalities, vulnerabilities from new global pandemics and climate change) by:
 - (a) better targeting beneficiaries of social

- programmes; (b) better allocating social expenditures in favour of investment spending; and (c) developing a common base for identifying social protection needs that enhances inclusion and resilience.
5. Strengthen skill training, incentivize entrepreneurship, encourage research and innovation in sectors such as education, health, agriculture, environment and culture: This requires: (a) providing fiscal incentives and boosting investment in new sectors with large potential to create jobs (environment, renewable energy, organic farming); and (b) promoting the quality of higher education and post-secondary skill training to guarantee a better fit to labour market requirements, with resulting benefits in terms of lower unemployment rate and social vulnerability; (c) promoting programmes that directly create jobs for low or semi-skilled individuals and that create productive assets such as the National Rural Employment Guarantee Programme of India; (d) enhancing the resilience to pandemics, climate change and natural disasters.
 6. Improve the efficiency of the vocational training system to connect training to the labour market by: (a) increasing the capacity of vocational training centres; (b) diversifying vocational training offerings for greater efficiency and flexibility; and (c) upgrading vocational training establishments to meet the demand in the labour market.
 7. Accelerate reforms in public finance management (PFM) to rebalance the provision of social services and improve fiscal stability, which requires: (a) developing a carefully designed and sequenced roadmap of PFM reforms that factor in capacity constraints and the strengths and weaknesses of existing systems and resources; (b) prioritizing significant PFM system bottlenecks and core PFM functions that focus on financial compliance; (c) improving the budget reporting mechanisms (including both financial and non-financial performance reporting); and (d) improving data and providing better quality information to support policy design.
 8. Accelerate the implementation of gender-based budgeting in the budget cycle, the national development plan and all social programmes to reduce gender gaps by providing more rights and protection against violence and equal chances to access all opportunities, and in particular the labour market. More funds are required to finance these areas.
 9. Pursue digitalization as a central opportunity to achieve more accurate targeting and efficiency of social expenditure. Digital social transfers can improve the efficiency of public interventions in favour of needy families. Digitalization of the tax administration increases tax revenues and gives the Government the necessary fiscal space to invest in basic social services. Digitalization also brings new detection and monitoring capabilities to fight corruption and increases transparency and effectiveness.
 10. Implement a good communication policy on the Social Expenditure Monitor in order to: (a) upgrade Tunisia's position in the international fiscal transparency ranking ; (b) improve the environment, social and governance (ESG) performance that can have a positive impact on Tunisia's credit worthiness, as all the major credit ratings agencies (Fitch, S&P and Moody's) have integrated ESG criteria into their sovereign credit rating process; (c) use SEM to mobilize finance through comments to official development assistance and climate pledges from developed countries.

Introduction

Fiscal space and sustainability pressures have been mounting in the Arab region, including Tunisia, emphasizing the need to invest in structural transformation, human development and the Sustainable Development Goals (SDGs).¹ However, a key challenge in the region is the ability to target public expenditure in line with fiscal sustainability and social development priorities.² It is not just a mere increase in total public expenditure that would necessarily improve social and human development outcomes, but if expenditures can be mapped to key social development priorities and beneficiaries, by aligning to the Sustainable Development Goals (SDGs) where possible, the impact on social and human development outcomes would be much clearer.³ Without a proper tool to map public social expenditure in its entirety, the current way of managing expenditure to meet aspirations is unsustainable and risks failing to achieve the SDGs.

The effectiveness of social expenditure turns on how well-informed and efficient the expenditure choices are, given the macroeconomic policy coherence and fiscal space at hand.⁴ As meeting society's social

needs within the given budget has become more challenging with the rising fiscal stress, there arises the need to monitor public expenditure, particularly social expenditure. A comprehensive mechanism for monitoring social expenditure, such as the Social Expenditure Monitor (SEM), helps ensure a more efficient and effective budget allocation towards achieving the social development priorities and SDGs.⁵

The structure of this paper is as follows: the second section represents an overview of Tunisia's fiscal performance and fiscal situation in the context of COVID-19. The third section discusses the notion of social expenditure in the context of the SDGs and explores key results from mapping Tunisia's budget to the SEM framework compared to other frameworks. The fourth section focuses on overall trends and composition of social expenditure under the SEM framework and major highlights and challenges by area of expenditure. Social expenditure by beneficiary populations is analysed in the fifth section, followed by an analysis of the efficiency of public social expenditure and policy implications in the sixth. The seventh section

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- 1 ESCWA, 2017. Rethinking Fiscal Policy for the Arab Region, pp. 1–132. Beirut: United Nations Economic and Social Commission for Western Asia.
 - 2 ESCWA, 2019. Social Expenditure Monitor for the Arab States: A Tool to Support Budgeting and Fiscal Policy Reform (pp. 1–35). Beirut: United Nations Economic and Social Commission for Western Asia.
 - 3 ESCWA, 2017.
 - 4 ESCWA, 2017. Rethinking Fiscal Policy for the Arab Region, pp. 1–132. Beirut: United Nations Economic and Social Commission for Western Asia.
 - 5 ESCWA, 2019. Social Expenditure Monitor for the Arab States: A Tool to Support Budgeting and Fiscal Policy Reform, pp. 1–35. Beirut: United Nations Economic and Social Commission for Western Asia.

discusses the major budget reforms implemented in Tunisia and their significance for improving the effectiveness and efficiency

of social expenditure, and the concluding section summarizes the results and highlights key findings.

1. Fiscal overview: Limited fiscal space constrains public social expenditures

A. Macroeconomic situation in the context of COVID-19

Since the 2011 revolution, the Tunisian economy has been hit hard by several internal and external shocks threatening its fiscal performance and sustainability, with fiscal imbalances continuing to weigh on the economy and leaving an uncertain socioeconomic outlook. Internally, Tunisia has witnessed political pressures (presidential elections, several government changes), security threats, social pressures (social unrest and strikes demanding wages and jobs) and demands for increases in social transfers and job creation in the public sector. Externally, increases in commodity and oil prices as well as a fall in the domestic currency have served as stumbling blocks, particularly because of their effects on subsidies. Recently, socioeconomic pressures have continued to grow following the COVID-19 pandemic, which has caused a double demand and supply shock.

From 2011 to 2014, economic growth in Tunisia was mainly driven by consumption because of the continued increases of the public wage bill. Despite the subdued recoveries during 2014–2019, growth remained below forecasts and even declined amid decelerating investment, despite the reforms adopted in 2016 to improve the business climate and boost private initiative. There was however improvement in the main

macroeconomic indicators, explained by measured progress in specific sectors.

The current slow pace of economic growth in Tunisia risks disrupting the future development outlook in the aftermath of the unprecedented COVID-19 crisis. Economic growth has been unsustainable for years and the COVID-19 pandemic triggered a major 8.7 per cent contraction in 2020 due to combined supply-demand shocks. The fall in per capita income in 2020 combined with the return of inflation have led to a deterioration in purchasing power along with a loss of personal (higher-income urban households and lower-income urban households)⁶ and corporate income. Consequently, tax revenue collection decreased in 2020 and limited the Government's fiscal space.

Low economic resilience impeded the recovery and limited the ability to meet social expenditure needs in responses to shocks. The limited fiscal space lowered the capacity of social interventions given the significant cost of financing at a time when external financing resources have become scarce. More than 5 billion dinars were spent in 2020 on exceptional measures to preserve jobs and support companies in difficulty as a result of COVID-19, the equivalent of \$1.7 billion. While advanced and emerging economies have witnessed a V-shaped recovery, Tunisia was unable to

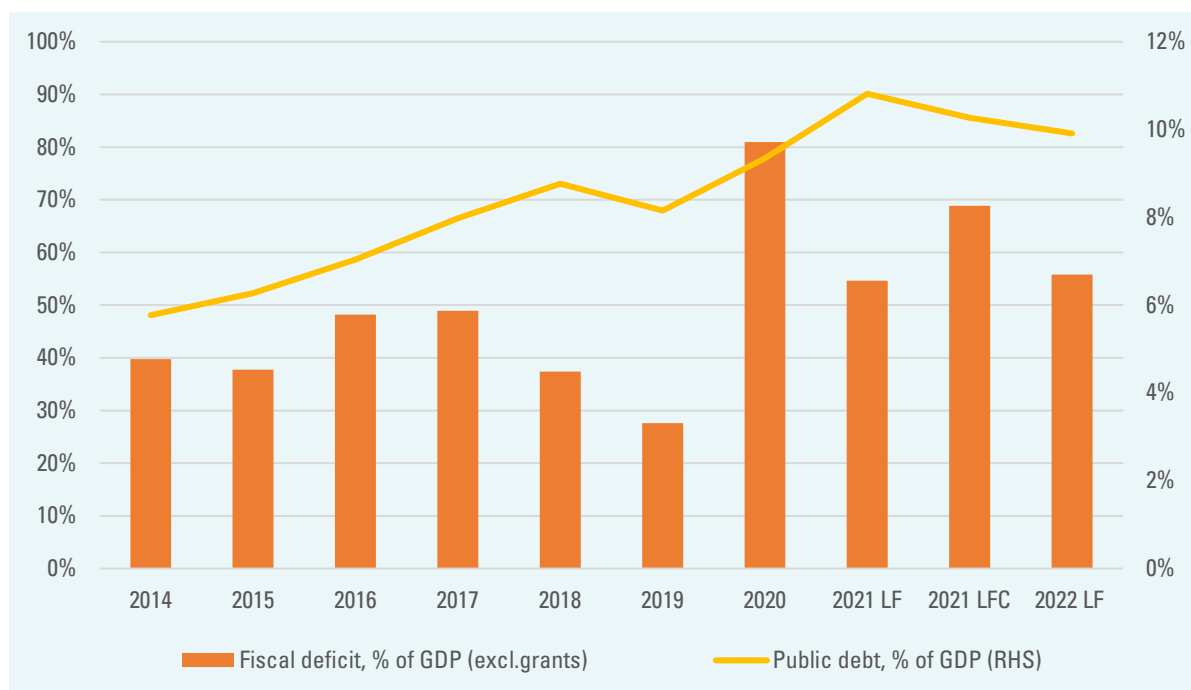
6 <https://www.ifpri.org/publication/impact-covid-19-tunisia-economy-agri-food-system-and-households>.

recover (L-shaped recovery) at a time when unemployment sharply increased (18.4 per cent in the third quarter of 2021) and inflationary pressures have mounted.

Although the current account deficit narrowed in 2020 due to a decline in imports, it remained significant, however the fiscal deficit and public debt sharply increased. Tunisia has been facing a high fiscal deficit since 2010 and the response

measures to mitigate the impact of COVID-19 have led to increased social and health spending, which drove the fiscal deficit to 9.6 per cent of GDP in 2020, projected to decrease in 2021 and 2022. Similarly, the public debt increased sharply to 77.8 per cent of GDP in 2020, 90.1 per cent in the 2021 complementary budget law, and is projected to decrease to 82.6 per cent in 2022, mainly driven by external borrowing (figure 1 and figure 2).

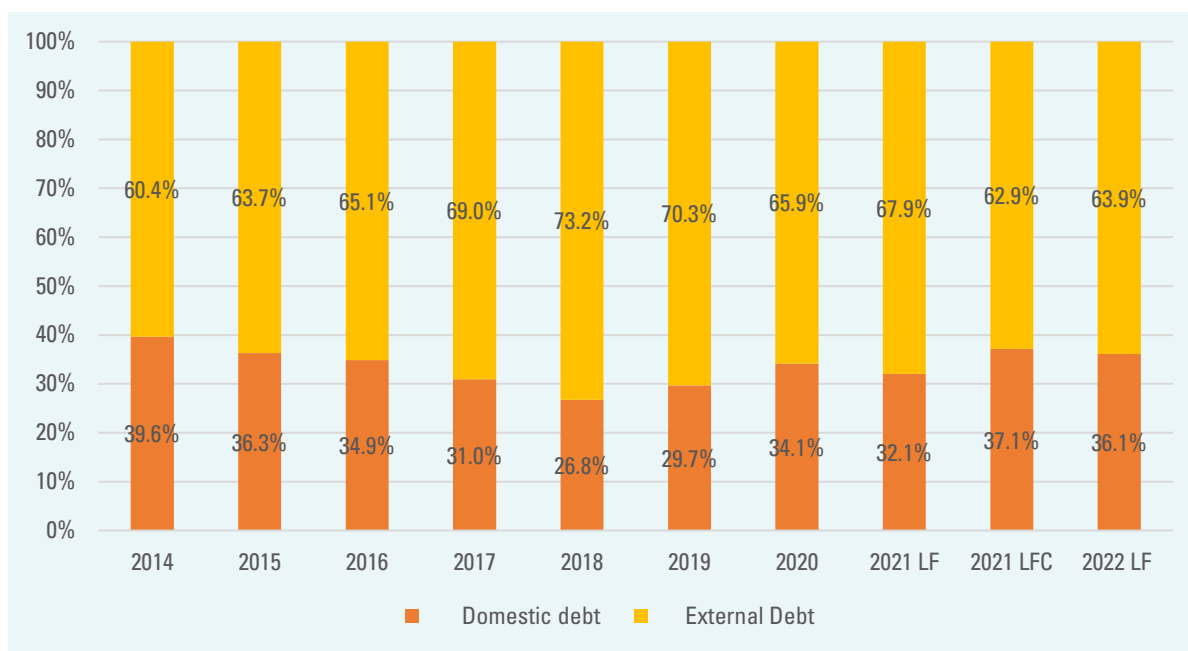
Figure 1. Fiscal deficit and public debt burden (Per cent of GDP)



Source: Data from Ministry of Finance of Tunisia.

Note: LF is the annual budget law, LFC is the annual complementary budget law.

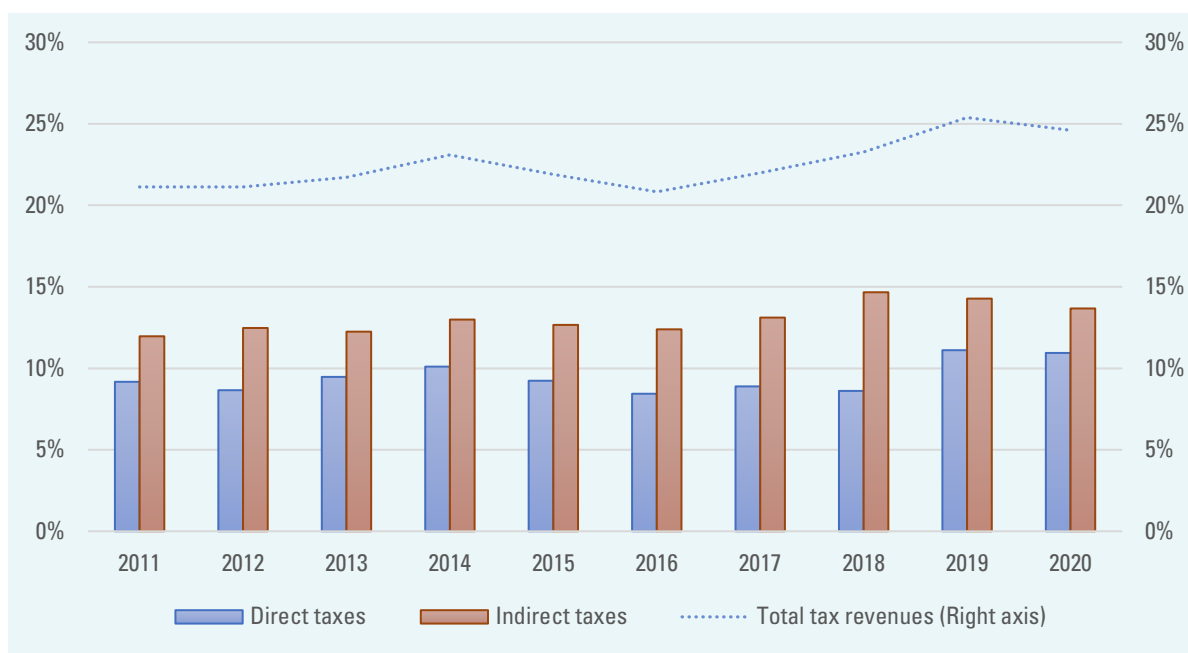
Figure 2. Composition of total public debt (Per cent of GDP)



Source: Data from Ministry of Finance of Tunisia.

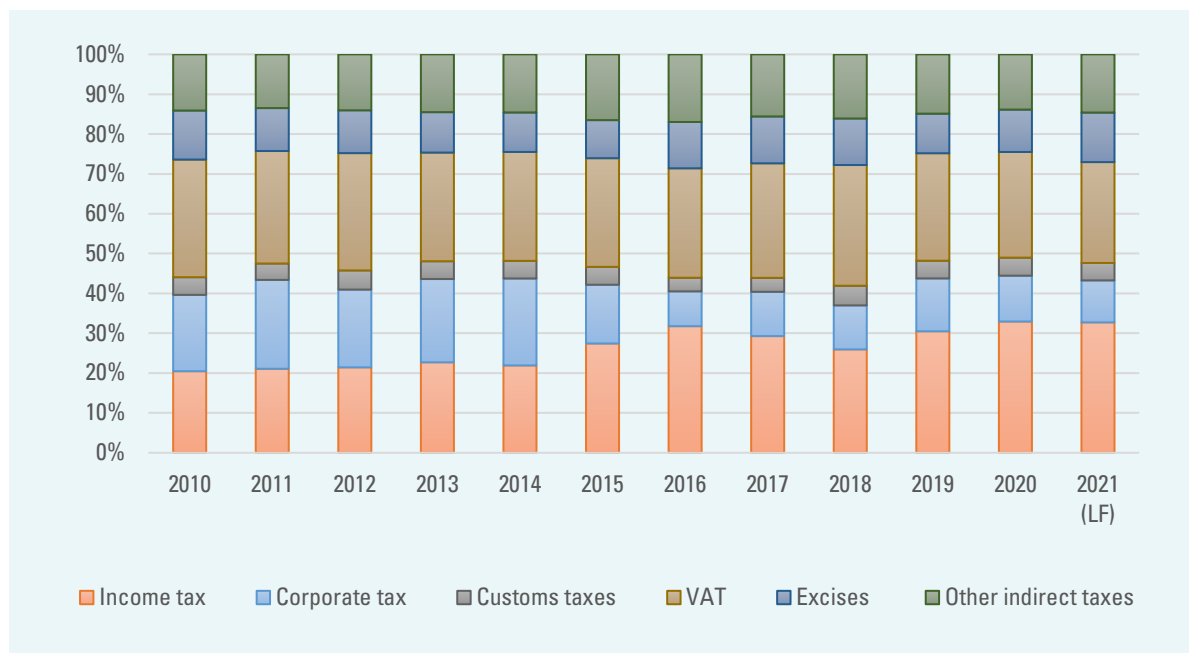
Note: LF is the annual budget law, LFC is the annual complementary budget law.

Figure 3. Tax revenues as a share of GDP (Percentage)



Source: Data from Ministry of Finance of Tunisia.

Figure 4. Tax revenue composition (Percentage)



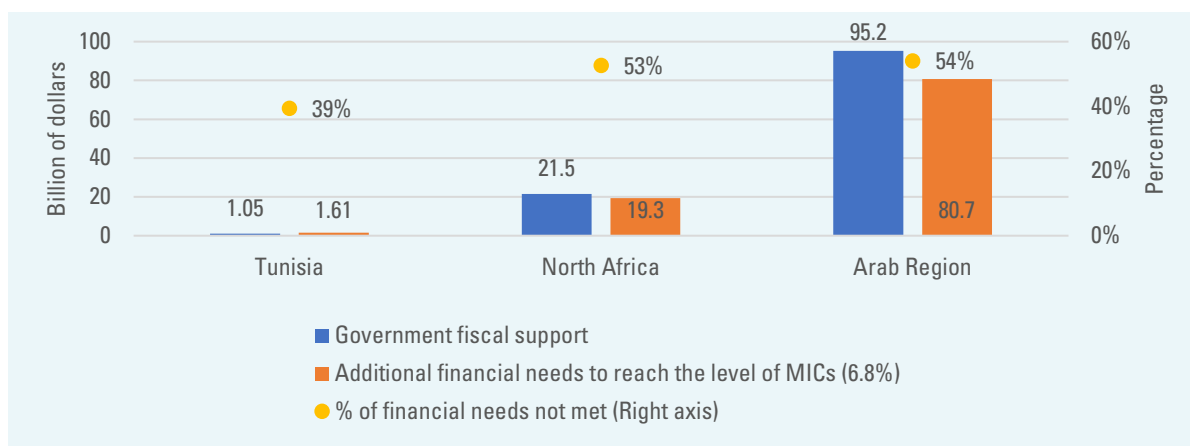
Source: Data from Ministry of Finance of Tunisia.

Since the economic growth loss generated income loss, revenues collection has been modest and too limited to finance the budget deficit and to reduce the debt burden during COVID-19. Despite the improvement in tax revenues in the past years driven by indirect taxes on goods and services such as VAT and an increase in income tax revenues, revenues have deteriorated since the pandemic due to measures delaying income and corporate tax payments and rescheduling the repayments of tax arrears. In line with the new 2021–2023 Medium Term Expenditure Framework (MTEF), tax measures have been taken to achieve a prompt public finance recovery to grow

revenues by 10 per cent in 2021, reaching 38,727 million dinars in 2023 through various reforms focusing on expanding the tax base and fees.

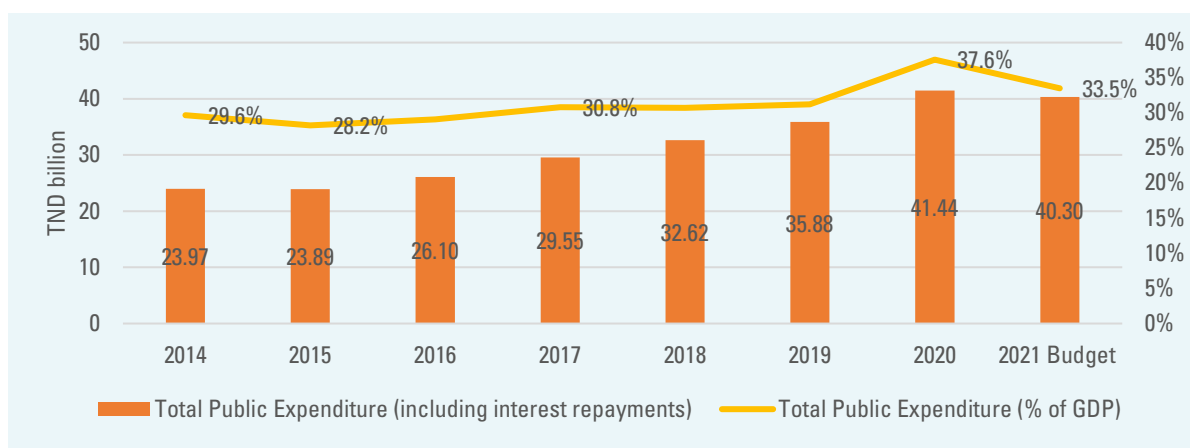
Given the adverse effect of the COVID-19 pandemic, there was an additional financial need to support people and maintain the financial stability of businesses in Tunisia. If benchmarking against the global average fiscal support of 23.3 per cent of 2020 GDP, the shortfall in Tunisia is \$8.8 billion, and if comparing instead to the middle income country average, it is \$1.6 billion or 6.8 per cent of GDP (figure 5).

Figure 5. Government fiscal support and additional financial needs (Billion of dollars)



Source: United Nations COVID-19 Stimulus Tracker <https://tracker.unescwa.org/>.

Figure 6. Total public expenditure in Tunisia



Source: Data from Ministry of Finance of Tunisia.

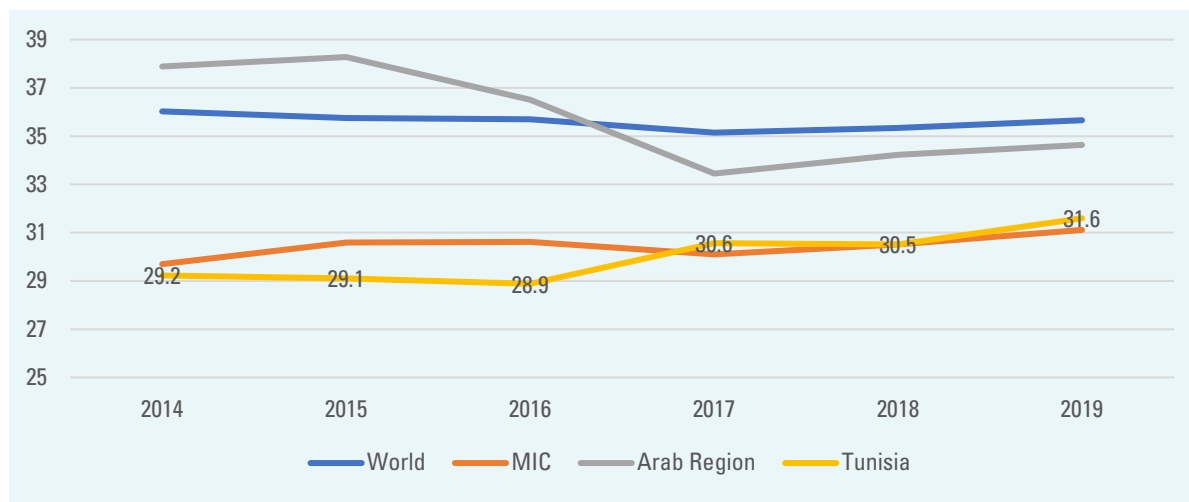
B. Public expenditure patterns in Tunisia

Tunisia's public expenditure has been increasing since 2014 (figure 6 and figure 7) and sharply in 2020 to reach 41.4 TND billion (37.6

per cent of GDP).⁷ Over the years, Tunisian public expenditure has been comparable to other middle income countries at around 30 per cent of GDP. However, compared to the Arab region and the world, Tunisia remains significantly low.

7 Based on the recent data for Tunisia in 2020 while there is no recent data available for the other groups of countries.

Figure 7. Total public expenditure in Tunisia and benchmarks (Per cent of GDP)



Source: IMF WEO April 2021. Data is for 193 Countries.

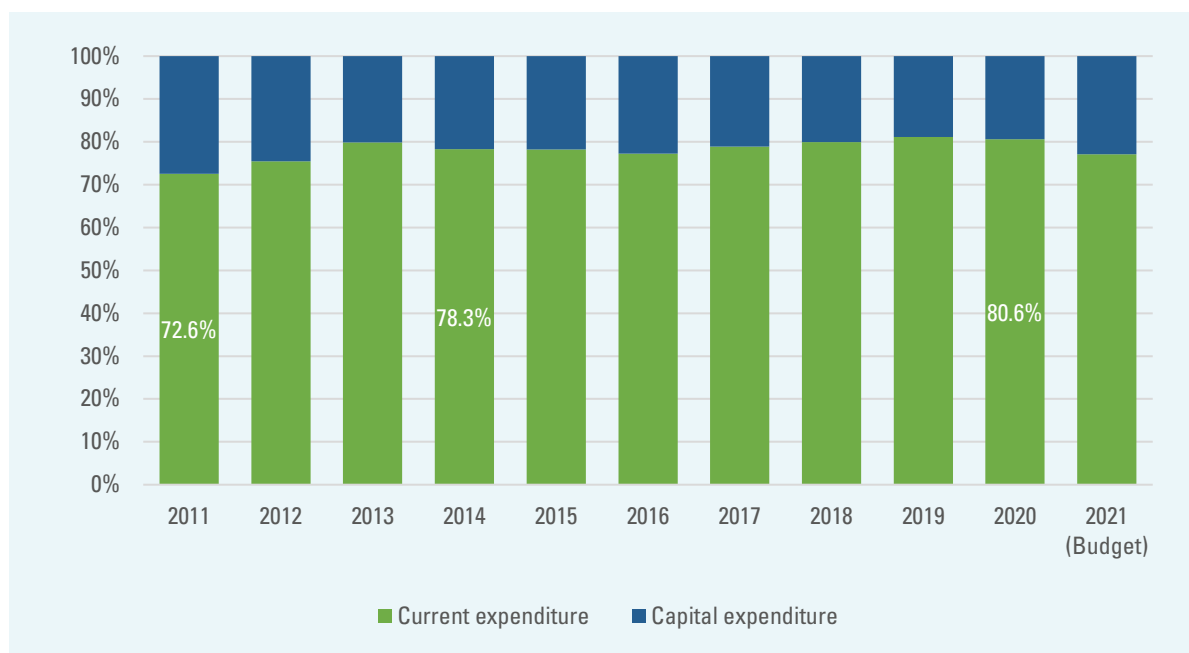
Central government expenditure structure in Tunisia reflects some budgeting rigidity in both current and capital spending, which adversely affects the fiscal space and the country's ability to finance social investments. Central government expenditure has been largely and steadily allocated to current expenditure (wages and salaries and social interventions) which has been growing since 2016, reaching almost 80 per cent in 2019/2020 (figure 8). However, capital expenditures have remained low and stable at around 20 per cent. The same composition was observed during the pandemic in 2020 along with a narrowed fiscal space given the debt service burden. Furthermore, current expenditure increased due primarily to the sustained increase in the

public wage bill and to a lesser extent to the increase in subsidies and public interventions overall (7.6 per cent of GDP). Such public expenditure patterns are expected to persist in 2022 (figure 9).

As part of its COVID-19 policy responses,⁸ in March 2020 Tunisia announced a social and economic emergency plan for people and businesses of \$1 billion (2.7 per cent of 2020 GDP) and adopted direct fiscal measures (for example cash assistance to vulnerable families, insurance measures as unemployment benefits to support workers on unemployment) and indirect fiscal measures (for example delayed tax payments, reduction of the policy rate by the Central Bank of Tunisia).

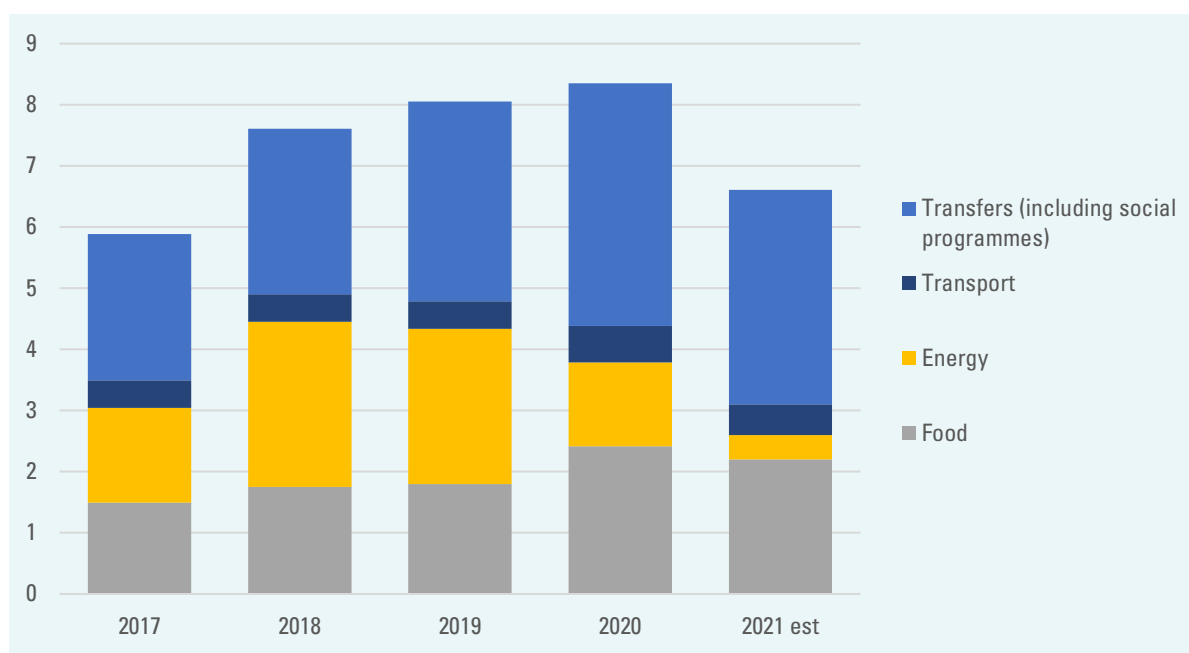
8 All COVID-19 policy response measures are available at <https://tracker.unescwa.org/>.

Figure 8. Central government expenditures by economic uses, 2011–2021 (Percentage)



Source: Data from Ministry of Finance of Tunisia, excluding treasury funds.

Figure 9. Public expenditure on subsidies and transfers (TND billion)



Source: Data from Ministry of Finance of Tunisia and IMF Article IV, 2021.

2. What is public social expenditure in the context of the Sustainable Development Goals?

A. Concept and definition

The notion of social expenditure varies across countries and depends upon a country's social development priorities. Ideally, social expenditure aims to maximize human well-being through access to quality services and social protection, including areas in which the 2030 Agenda for Sustainable Development aims for universal access. Appropriate social expenditures are "social investments" that promote inclusive and sustainable growth.⁹ Although spending allocations cover a range of social sectors, little is known about the degree of efficiency and effectiveness of these allocations in terms of both access and quality of the delivered services, and whether or not such spending levels are responsive to changing macroeconomic and fiscal needs.

Moreover, the notion of social expenditure itself also varies in terms of its conception and the availability of data. Different international organizations have elaborated different measures of social expenditure limited to specific aspects of social protection, without a broad scope. One global measure of social expenditure is on-budget government spending on health, education and social protection

(HES), produced by the International Monetary Fund (IMF, 2020). The IMF acknowledges that some types of spending may also have a social component but are often seen as "inferior" to well-designed public spending, such as the public sector wage bill or subsidies that may be poorly targeted. Comprehensive cross-country data on these types of expenditure are not available. The IMF definition of HES does not consider housing and environment protection, which are important means toward achieving several SDGs (table 1).

The social expenditure monitor (SEM), produced by ESCWA, is broader in scope, aligned with the SDGs, and flexible enough to be adapted to national specificities. The SEM addresses the critical gaps of HES that the on-budget public transfers for social purposes need to be broader to consider the SDGs, to which all member States are committed.¹⁰ Public expenditure is an important means to ensure universal access to resources and services and equal opportunities for all and leave no one behind. It is also explicit in the SDG framework that strategic investments in social sectors are important for driving inclusive and sustainable growth.¹¹ Furthermore, member States of ESCWA adopted the Tunis Declaration on Social

9 ESCWA 2017; ESCWA 2019.

10 See Sarangi and others, 2021 for comparison of HES and SEM measures.

11 See, for example, A/RES/70/1, paras. 20, 67; targets 1.b and 2.a; and Goal 8.

Justice at the twenty-eighth ESCWA session (Tunis, 15–18 September 2014), in which they reaffirmed their commitment to social justice as a core value of Arab and Islamic culture and a foundation for secure, cohesive and prosperous societies. They also pledged to achieve equality and equity, and to promote civic engagement in decision-making and participation.

Against this background, the SEM defines that “social expenditure includes transactions in the form of goods and services provided to individuals, households or communities, primarily on a non-market basis and also through means of transfers such as subsidies, grants, tax relief and other transfers.”¹² It elaborates further that any measure of social expenditure must take into consideration two guiding objectives: (a) targeting expenditure to ensure social justice and inclusive development, reduce poverty and inequality and improve human development; and (b) targeting expenditure to enhance human capital and innovation, promote gender equality and foster sustainable economic growth”.¹³

The SEM framework classifies social expenditure into seven dimensions: (1) Education; (2) Health and nutrition; (3) Housing and community amenities; (4) Labour market interventions and employment generation; (5) Social protection, subsidies and support to farms; (6) Arts, culture, and sports; and (7) Environmental protection (table 1). The dimensions cover all public

expenditures that have a social purpose and incorporate targets in which the 2030 Agenda aims for improvement or universal access (covering about 47 out of the 169 targets) (E/ESCWA/EC.6/2019/8/Rev.1).

The SEM maps on-budget public social expenditures by purpose and beneficiary, and by current and capital expenditures. The indicators within each dimension are designed to map the purpose of expenditure (what kind of social service) and the beneficiary population (social services for whom). Furthermore, the classification of current and capital expenditures by indicator helps analyse productivity and growth in the macroeconomic context. While the purpose of expenditure is aligned with the classification of the functions of government (COFOG), beneficiaries are classified as children, young people and adults (disaggregated by sex); older persons; persons with disabilities, sickness and survivors; socially marginalized or at risk of social exclusion, refugees and immigrants; households benefitting from financial or in-kind support; and also the community at large such as expenditure on public goods and services and investments in non-financial assets that are not exclusively for any specific population group.¹⁴ The indicators aim to capture crucial social development priorities in the Arab region and represent a concrete step towards aligning thinking on social policy interventions and fiscal space with national budgets and macroeconomic policy.¹⁵

12 Irrespective of poor targeting of general subsidies, these are from public budget for a social purpose. Rationalizing subsidies and targeting them to the neediest is one of the key areas of social expenditure reform but that is not a sufficient reason not to count subsidies as social expenditures (see ESCWA, 2017).

13 ESCWA, 2019.

14 See Sarangi and others, 2021 for the detail mapping of expenditures to SDGs and COFOG.

15 ESCWA, 2019.

Table 1. Social expenditure as defined by ESCWA and IMF

Dimension	Education	Health	Housing, connectivity and community amenities	Labour market interventions and employment generation programmes	Social Protection, subsidies and support to farms	Arts, culture, and sports	Environmental Protection
IMF (HES)	Recorded	Recorded	Not recorded	Not recorded	Recorded	Not recorded	Not recorded
ESCWA (SEM)	Recorded	Recorded	Recorded in addition to urban commuting and rural road connectivity expenditures	Recorded [Tax Breaks: recorded]	Recorded in addition to subsidies to Fuel, Electricity and Food Security expenditures	Recorded	Recorded

Source: ESCWA 2019, IMF Government Finance Statistics Manual 2014.

Consequently, and based on SEM methodology, the gap between HES and SEM expenditure becomes important; SEM expenditures are much higher than HES, reflecting a more realistic and holistic assessment of social expenditure as shown in the box below.

B. Public social expenditure: Tunisia vs. global regions

Tunisia's public social expenditure on health, education and social protection (HES) ranged from 12 to 13 per cent of GDP between 2014 and 2019, which is almost on par with middle-income countries during this period. Tunisia is performing well in terms of public social expenditure, having reached 13.2 per cent in 2017 and 12.8 per cent in

2019 (figure 10). In both Tunisia and middle-income countries, this figure is near the global average of 14 per cent of GDP in 2019.

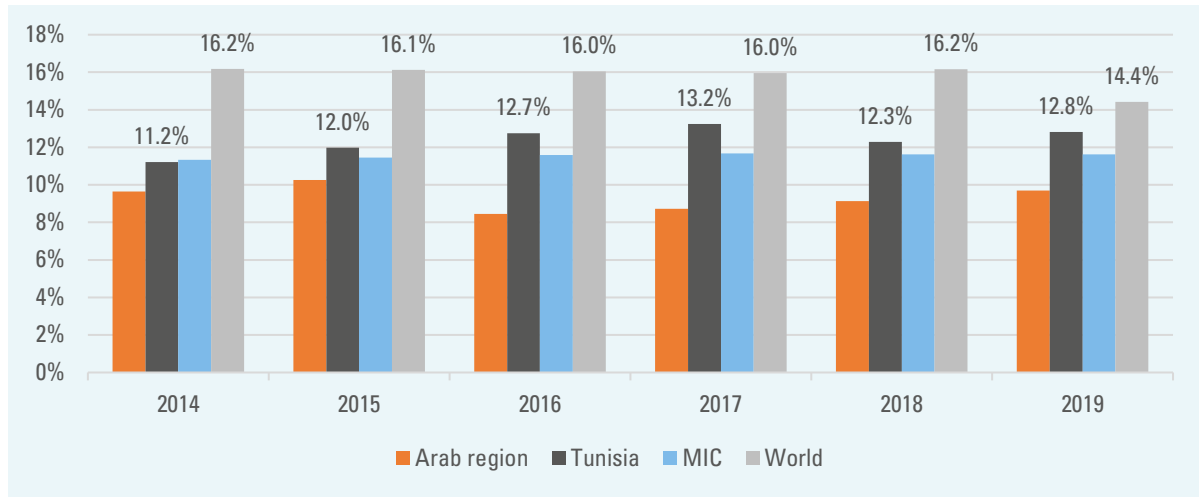
C. Public social expenditure in Tunisia: HES vs. SEM

Public social expenditure (PSE) is equal to 20 per cent of GDP in 2019 which is much higher than HES expenditure. The difference is due to the different framing and conceptualization of social expenditure itself. For instance, HES expenditures include only education, health and social protection (excluding subsidies) while the PSE approach considers additional important dimensions that have impacts on social well-being, economic development and the achievement

of all SDGs. In addition, while education, health and nutrition are in both PSE and HES, social protection, subsidies and support to farms expenditure is almost double the HES social expenditure (figure 11).

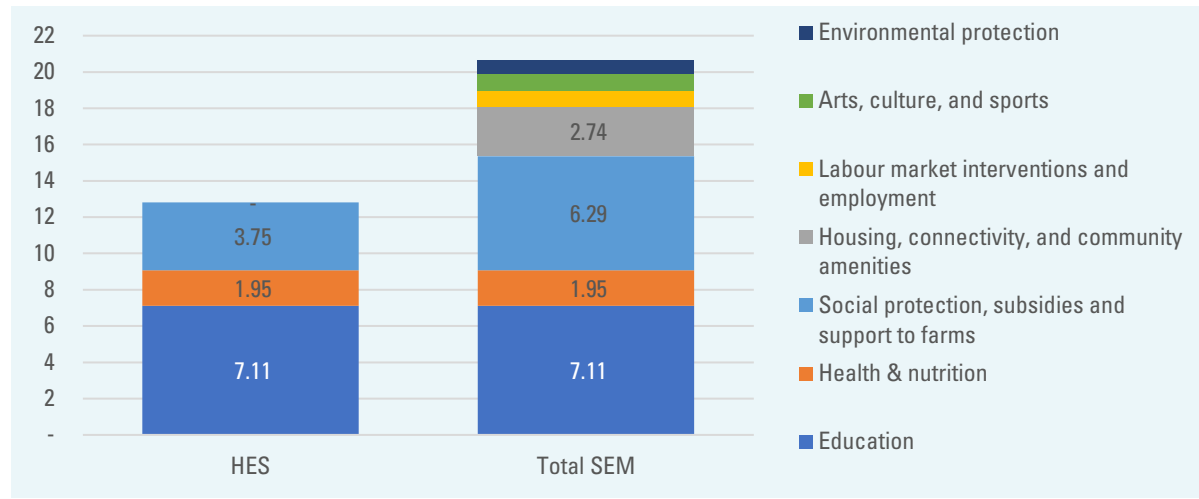
In 2019, public social expenditure per capita in Tunisia is \$691.5, which is higher in peers such as Jordan, Egypt and Morocco (figure 12). This share increased to \$746.5 in 2020 and \$707.1 in 2021 (SEM, 2021).

Figure 10. Public social expenditure on HES, Share of GDP: Tunisia vs. global regions



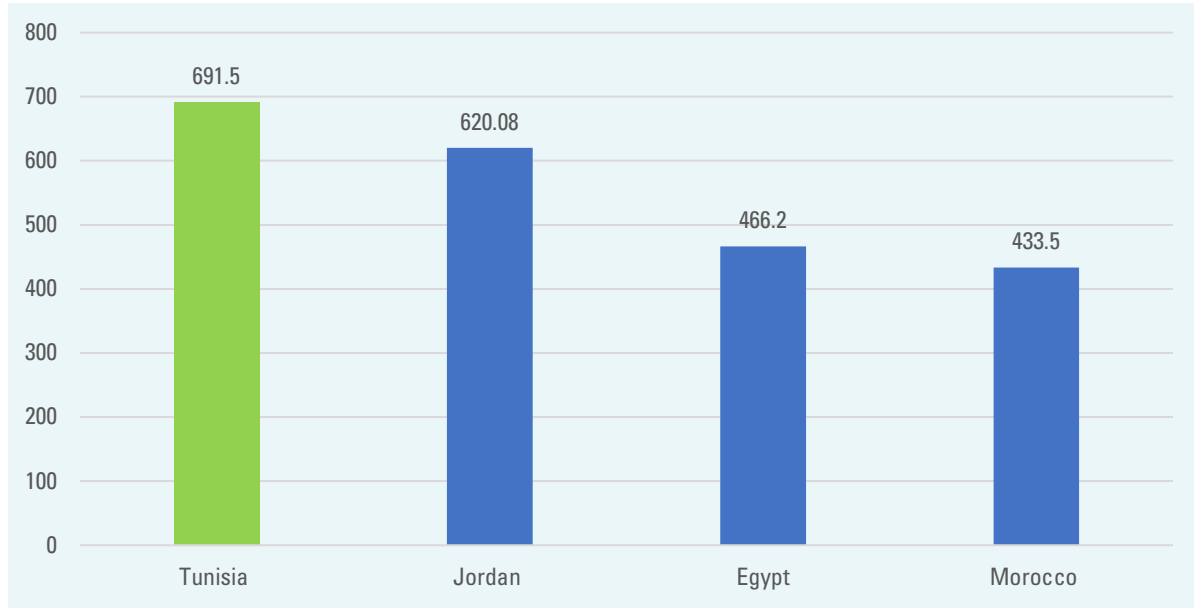
Source: IMF Government Finance Statistics (GFS).

Figure 11. IMF vs SEM’s measure of social expenditure in Tunisia, 2019 (Percentage of GDP)



Source: ESCWA Social Expenditure Monitor and IMF Government Finance Statistics (GFS).

Figure 12. Social expenditure per capita, 2019 (Dollars)



Source: IMF Government Finance Statistics (GFS).

3. Social Expenditure Monitor (SEM) in Tunisia: Overall trends and composition

Public social expenditure has been increasing since 2014, reaching 25.3 billion TND in 2021 or 60.7 per cent of the estimated budget and 21.1 per cent of GDP (figure 13). The increase in social expenditure over the period is expected, considering the demands from citizens aspiring for higher quality of social services, especially after the Tunisian revolution and the pandemic. The national development plan (2016–2020) recognizes the need for prioritizing social expenditures, including poverty reduction, boosting employment and social protection, supporting people with disabilities, improving quality of education and training and expenditure for sports, culture, women and the family. In addition, the 2021 Amending Finance Law and the 2022 Finance Law reflect the consecration of the social role of the State, particularly in terms of directing public investment towards education and health.

Total current social expenditure accounts for 81 per cent of total social expenditure in 2020, leaving little for investments (figure 14). The high

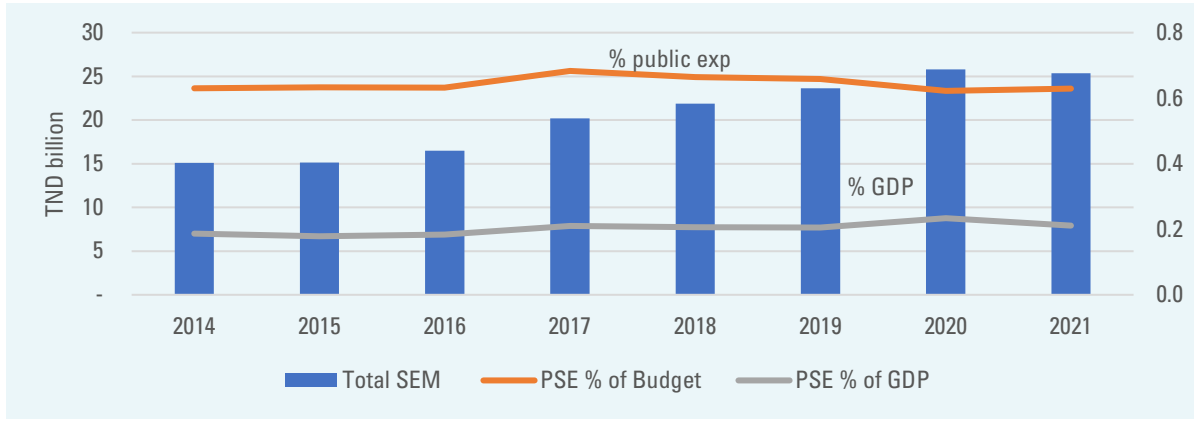
share of current expenditure is due to the wage bill and social public interventions during the COVID-19 health crisis which necessitated hiring additional medical staff and protecting vulnerable population through social interventions.

In terms of social area priorities, the composition of social expenditure reveals an interesting pattern in Tunisia, particularly during the COVID-19 pandemic. Education is the largest share of social expenditure at about 37 per cent in 2021. Combined with housing, social protection and health, they consume 90 per cent of total social budget estimates in the same year. While social protection expenditure has remained stable over time, public health expenditure slightly increased in 2020 due to the pandemic to reach 11.3 per cent of total social expenditure in 2021 (increase of 467 TND million in 2020 and another 129 TND million in 2021 at the central government level)¹⁶ to finance better services by hiring more hospital staff to treat the growing patient population (figure 15).¹⁷

¹⁶ In absolute terms, public health expenditure at the central level grew by 21 per cent in 2020 and 5 per cent in 2021 (estimates).

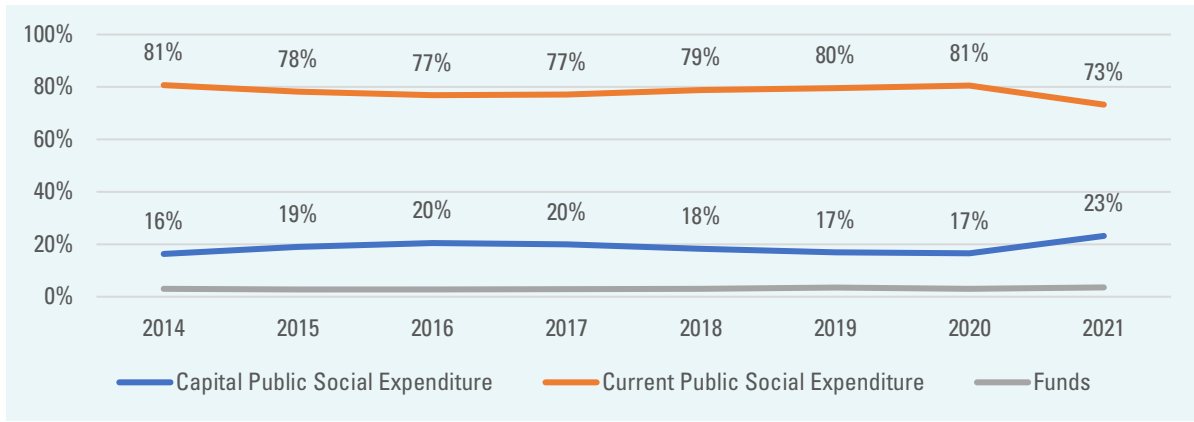
¹⁷ During the COVID-19 health crisis, a satisfactory quality of health services could not be easily provided to patients as hospitals were overcrowded with limited beds and there is a low density of doctors and medical staff, mainly in underprivileged interior regions. Patients were placed on waiting lists for intensive care beds while their condition worsened.

Figure 13. Total public social expenditure (PSE) (As a share of the total budget and GDP)



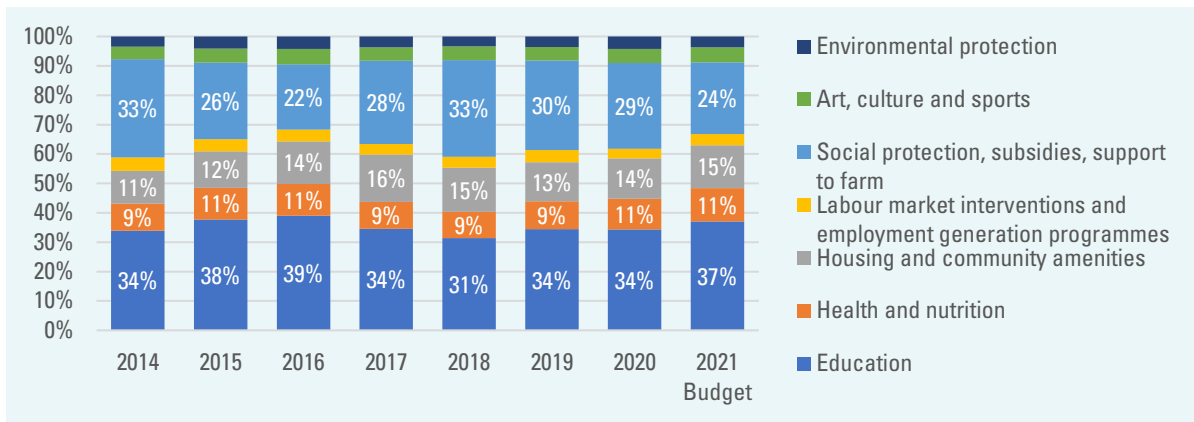
Source: ESCWA Social Expenditure Monitor.

Figure 14. Social expenditure by economic uses



Source: ESCWA Social Expenditure Monitor.

Figure 15. Composition of total public social expenditure (PSE) by dimension, 2014–2021



Source: ESCWA Social Expenditure Monitor.

A. Social Expenditure Monitor in Tunisia: Dimensions and indicators

1. Education

Tunisia is committed to education at each school level to ensure inclusive and equitable quality education (SDG4). Public spending on education has been increasing over time and per pupil expenditure (PPE) in primary education as a percentage of GDP per capita is 17 per cent in 2018, higher than the median PPE in primary for upper middle-income countries, which is 16 per cent. However, the PPE in primary remains lower than the PPE in secondary education.¹⁸ In 2021, Tunisia's education budget was 23.3 per cent higher than in 2020, and 9.3 per cent of the total central budget was allocated to secondary education, while primary and tertiary education budgets received 5.9 and 5.1 per cent of the budget respectively (figure 16) The increase in the share of education expenditures in 2021 at the primary, secondary and tertiary levels could illustrate that more funds were required to arrange distance learning during the pandemic.

However, other areas in education do not receive a large share of the budget, as with early childhood education, post-secondary skill training, education for adults and research and use of technology even though the 2016–2020 development plan highlights the importance of supporting the kindergarten attendance rate and upgrading universities into scientific and technological institutions. Such findings reveal some important areas of attention, in particular early childhood education, as 58 per cent of

children between 3 and 5 years old do not access kindergartens and 11.5 per cent do not benefit from the preparatory year (VNR, 2021). To this end, guaranteeing all girls and boys access to early childhood development and care services and quality preschool education is one of the pillars for achieving SDG4.

Tunisia has long prioritized education at the core of its development strategy by ensuring universal access to basic education. In its 2016–2020 development plan, Tunisia put in place reforms to improve the performance of the sector by restructuring preparatory and secondary education and expanding pre-school education in public schools. Although Tunisia reached an enrolment rate of about 100 per cent for both girls and boys 6–18 years of age,¹⁹ only 44 per cent of children aged three to five go to school while the Net Enrolment Rate (NER) has been disproportionate and decreasing across education levels (99.5 per cent for primary and 56.1 per cent for upper secondary).

The quality of education in Tunisia remains controversial in particular when local and international data show a gradual decrease in the performance of the education system. The Programme for International Student Assessment (PISA)²⁰ and the Trends in International Mathematics and Science Study (TIMSS) ranked Tunisia among the bottom ten. This is evidence of the pressing need to improve the quality of the education system for language and mathematics in communication, writing and problem solving. Furthermore, while there was an improvement in

18 Education Policy and Data Center, National Education Profile 2018 Update: https://www.epdc.org/sites/default/files/documents/EPDC_NEP_2018_Tunisia.pdf.

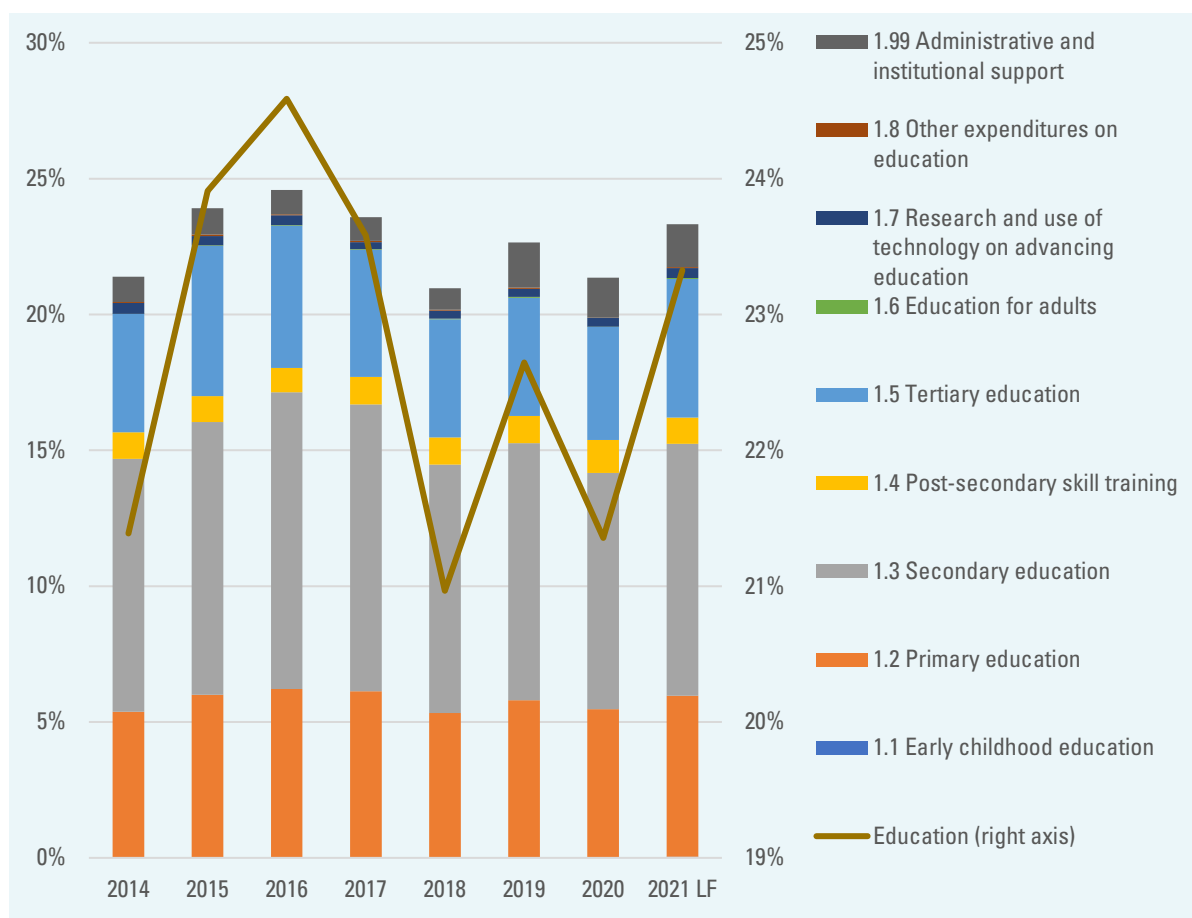
19 Rapport National Volontaire sur la mise en œuvre des objectifs de développement durable en Tunisie, 2021.

20 PISA is the OECD Programme for International Student Assessment. PISA measures 15-year-olds' ability to use their reading, mathematics and science knowledge and skills to meet real-life challenges.

pre-primary education, student to teacher ratios in primary and secondary education did not show a significant decrease over the period 2011–2019. Moreover, since 2010, repetition rates remain relatively high with a large magnitude in secondary education, reaching 20 per cent in the most underprivileged interior regions (World Bank, 2019); dropout rates are also significant (figure 17 and figure 18).

Furthermore, the education sector in Tunisia suffers from a lack of infrastructure quality that would affect the quality of performance indicators and may reveal the ineffectiveness of public expenditure. For example, more than 4,000 schools suffer from the degradation of infrastructure, and facilities are sometimes unavailable for the increasing numbers of students.²¹

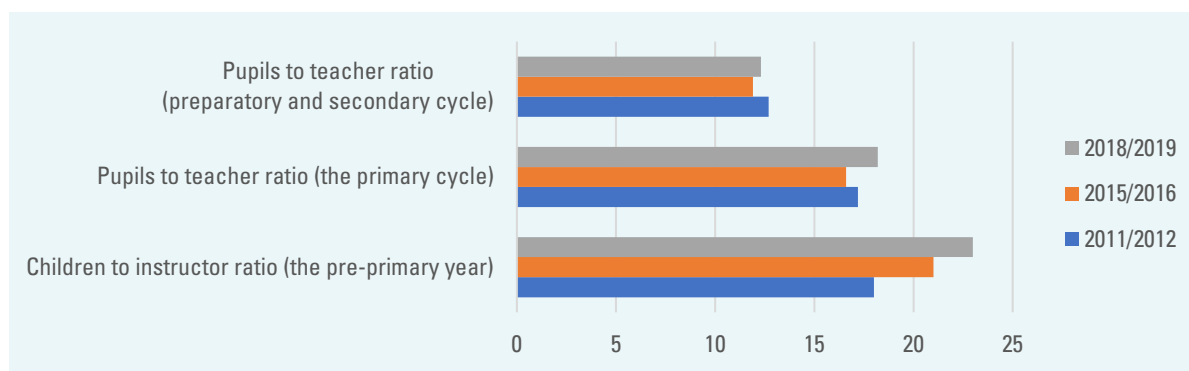
Figure 16. Education spending by component, as a percentage of the central budget, 2014–2021



Source: ESCWA Social Expenditure Monitor.

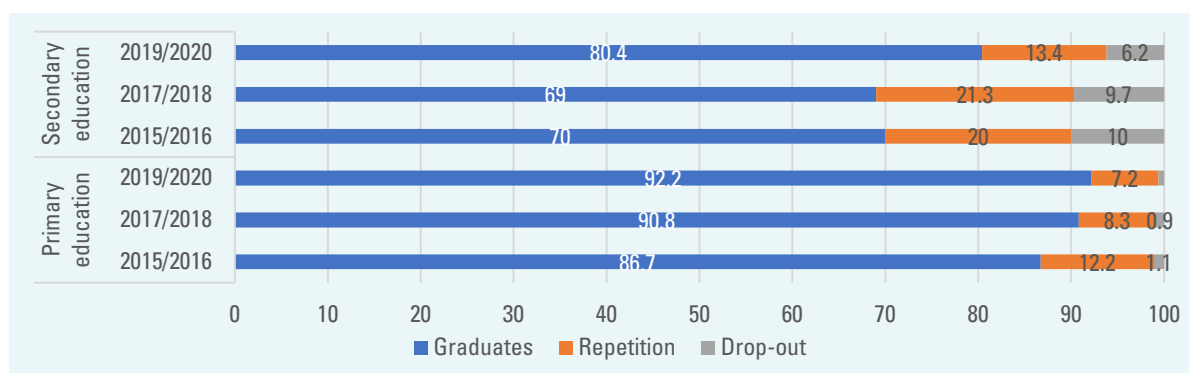
21 www.leconomistemaghrebin.com/2019/10/11/infrastructure-4000-ecoles-situation-difficile/.

Figure 17. Pupil to teacher ratios



Source: Data from Ministry of education of Tunisia.

Figure 18. Repetition and dropout rates in primary and secondary education



Source: Data from Ministry of education of Tunisia.

2. Health and nutrition

Health and nutrition expenditure increased to 7.1 per cent of the total central budget in 2021 against 6.5 per cent in 2020 (1.8 per cent of GDP). The largest proportion is devoted to inpatient and outpatient services mostly dominated by wages while little budget is allocated to other health areas such as public health services, reproductive health care, research, public investments and medical equipment in a time where they are most needed due to the pandemic (figure 19). Under COVID-19, the 2021 budget increased the allocation of spending to health areas in particular for inpatient/outpatient services

(due to the additional hospital staff hired) and public health services.

Health has long been a priority for Tunisia. Article 38 of the constitution provides all citizens with the right to access good quality health care, and the country has been making strong investments in the health sector in terms of access to universal health services and achieving SDG3. However, although Tunisia has been making budgetary allocations to improve health infrastructure (basic health care, hospitals), many challenges persist such as the increasing burden on households of out-of-pocket (OOP) expenses, the low quality of health care services provided, unequal access across

regions to health services and the lack of medical equipment,²² hospital capacities and the availability of beds, oxygen, drugs and vaccines. While the health infrastructure covers almost the entire country, there are still inequalities in the provision of health services between the different regions and the density of physicians and equipment is much lower in the poorest regions.

Excluding the private and paramedical sector where health infrastructure is highly developed, the public health sector is experiencing stagnant investment in infrastructure. The number of basic health centres (primary health care) only increased by 53 over the period 2015–2019 (against 18 during 2011–2014) but district hospitals, regional hospitals, university hospitals and specialized centres did not increase substantially, with only two district hospitals created since 2015. The number of authorized public hospital beds increased by 540 since 2017 (from 21,076 to 21,616 in 2019). However, the number of public beds per 10,000 inhabitants did not meaningfully increase (18.4 in 2017 to 18.5 in 2019).

Despite these weaknesses, Tunisia has succeeded in preventing communicable (CD) and non-communicable diseases (NCD) and reducing infant and maternal mortality. Life expectancy at birth in 2019 increased to 76.5 years against 75 years in 2013. While deaths by communicable diseases, maternal prenatal and nutrition conditions and injury strongly decreased since 2010,

mortality by non-communicable disease slightly increased. Neonatal, infant and under 5 mortality rates per 1,000 live births have been less than the average for upper-middle-income countries and middle-income MENA countries and have significantly decreased, more than in all country income groups and almost all regional peer countries.²³

3. Housing and community amenities

Housing and community amenities expenditures represented 8.5 per cent of the total central budget in 2020 and increased to 9.2 per cent in 2021. However, this represents a decrease from 11 per cent of the total budget in 2017. Urban commuting and rural road connectivity and community development expenditures represent the main areas with 4.5 per cent and 2.4 per cent of the total budget in 2020. However, a modest and stable share was spent on housing and water quality supply over the period 2014–2019 (less than one per cent of the total central budget in 2019) (figure 20).

To protect vulnerable and poor households in disadvantaged areas, Tunisia implemented several initiatives for more socioeconomic inclusion such as the regional development programme '*Programme de développement régional*', an annual programme for the various governorates comprising interventions in drinking water supplies, rural electrification systems, employment and living conditions in

22 Heavy medical equipment remains modest compared to the private sector and has not increased over time. Pharmaceutical products are widely available in both the public and private sectors. MRI units have been relatively stable with a slight decrease (63 in 2019 against 65 in 2017), making the MRI density per 10,000 negligible (0.05 in 2019). However, the private sector has been very dynamic, and it accounts for about 16 per cent of total bed capacity and 76 per cent of advanced technology services and medical equipment (Ayadi, I; Zouari S., 2017).

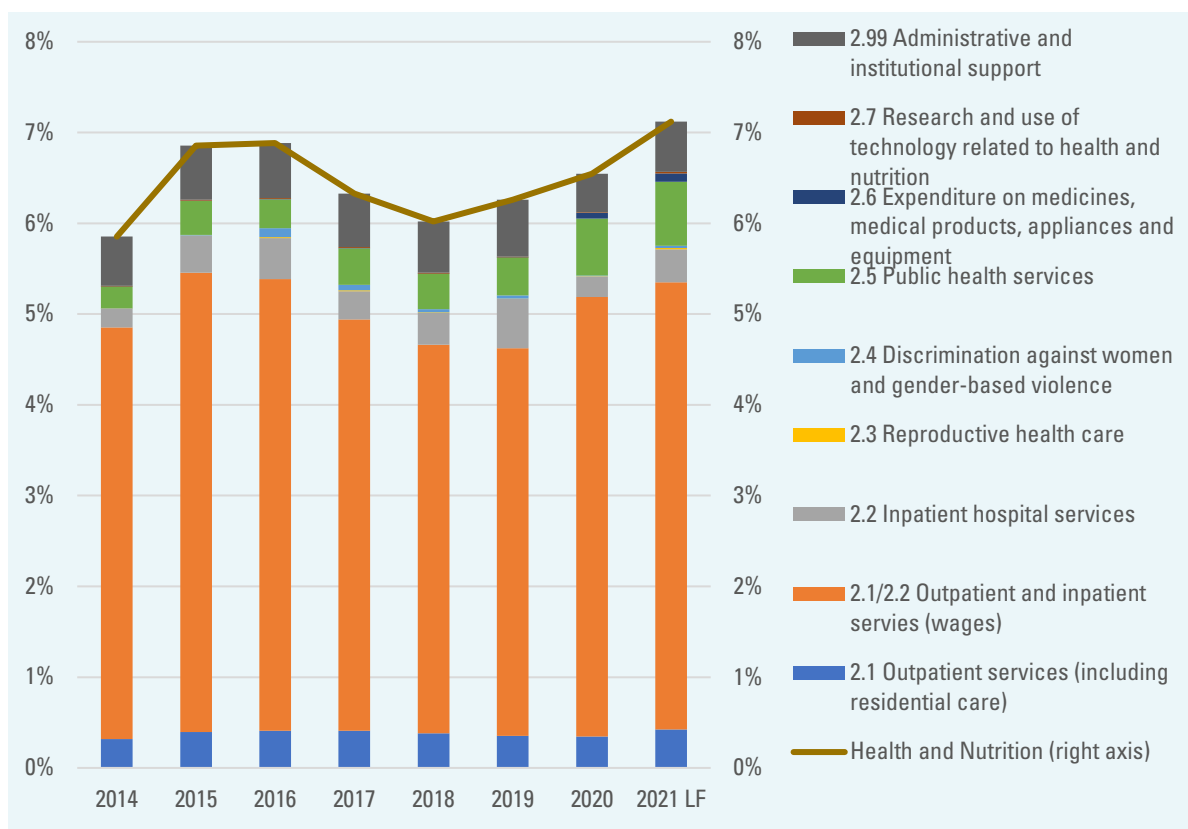
23 World Bank, 2019 and WHO, 2018. <https://rho.emro.who.int/sites/default/files/Profiles-briefs-files/TUN-Health-System-Profiles-2018.pdf>.

rural and urban areas with significant rates of unemployment and poverty.

Despite the improvement in infrastructure sector and increased spending, Tunisia's infrastructure quality ranking²⁴ deteriorated in 2019 (85), compared to 2017 (82) and 2008 (33) due to transport infrastructure (roads, railroads, air and sea) as well as electricity and water (GCI, 2019).

Furthermore, the quality of services related to water and transport have deteriorated due to structural and financial difficulties of service providers as well as regional disparities in access. The water sector for example is facing challenges in term of quality deterioration, large water mobilization, high consumption, large network losses, weak investment efficiency and the adverse impacts of climate change (World Bank, 2019).²⁵

Figure 19. Health and nutrition areas as a share of the total central budget, 2014–2021

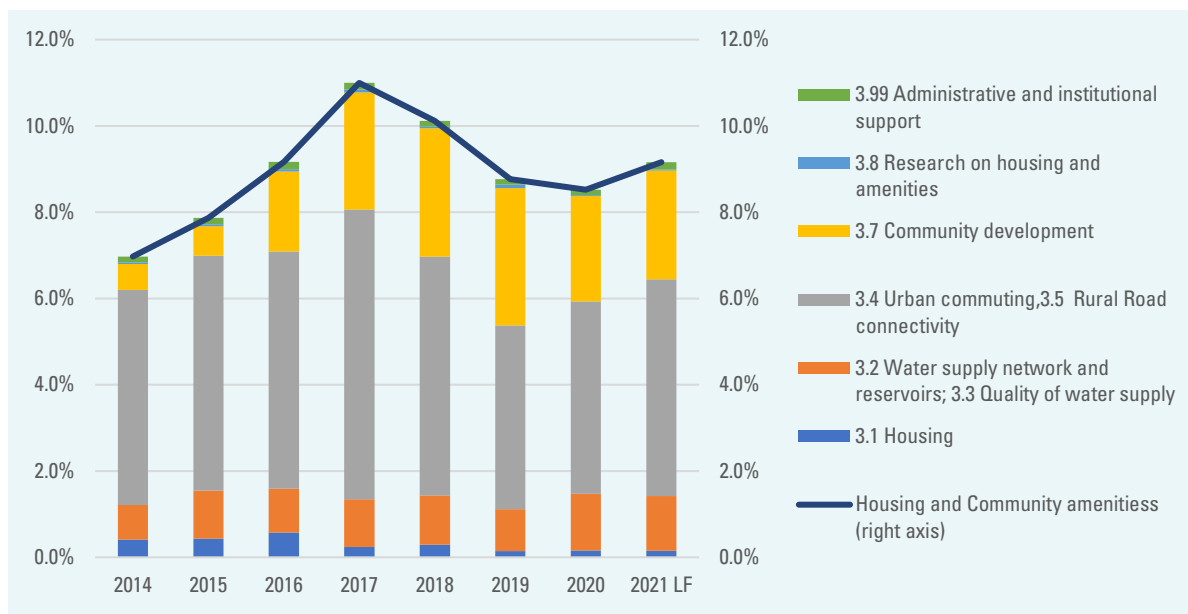


Source: ESCWA Social Expenditure Monitor.

24 Global Competitiveness Index 2019 covers 141 economies, the Global Competitiveness Index 4.0 measures national competitiveness—defined as the set of institutions, policies and factors that determine the level of productivity.

25 World Bank, 2019. Public Expenditure Review.

Figure 20. Housing and community expenditure as share of the total central budget, 2014–2021



Source: ESCWA Social Expenditure Monitor.

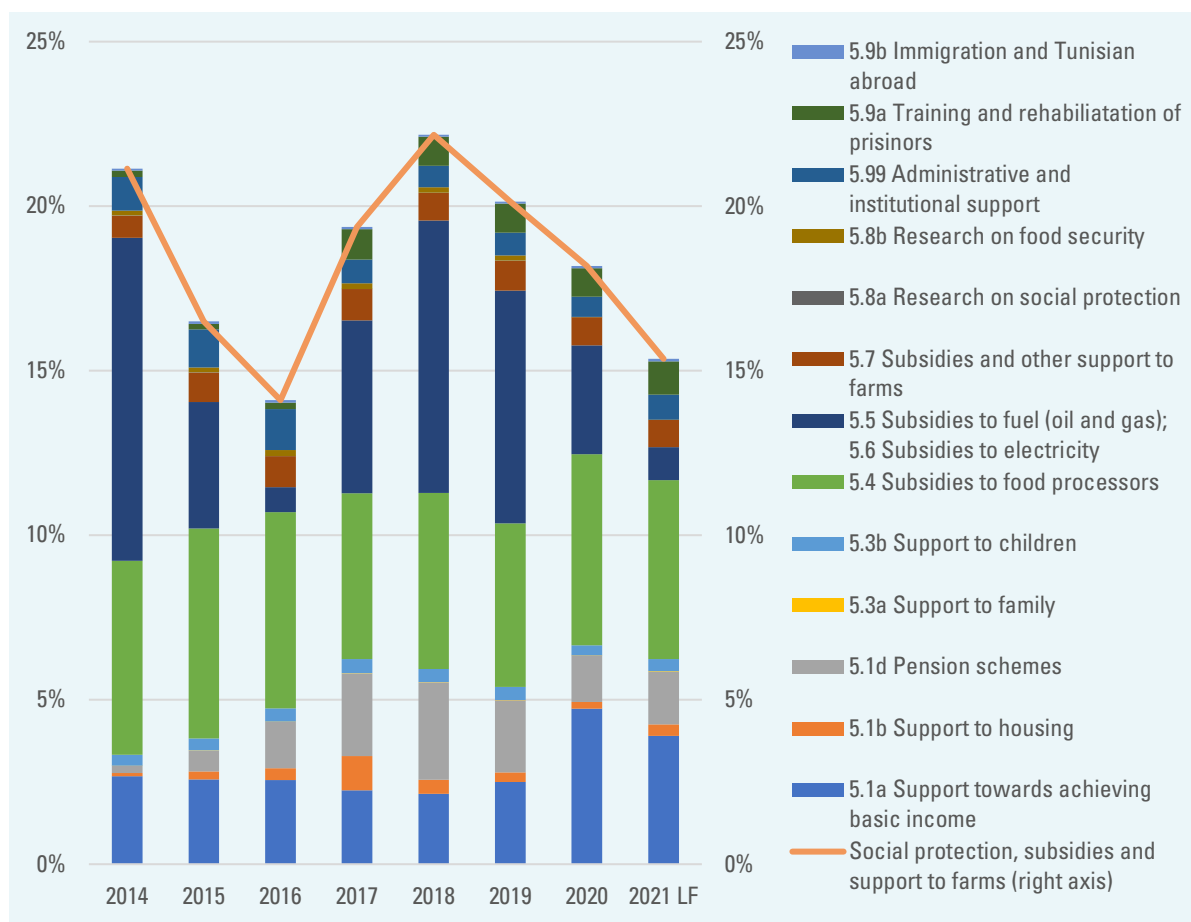
4. Social protection, subsidies and support to farms

As a share of the total budget, social protection and food security expenditure decreased to 18.2 per cent in 2020 against 22.2 per cent in 2018. This large decrease is explained by the significant fall in energy subsidies from 8.3 per cent in 2018 to 3.3 per cent of the total budget in 2020. In addition to energy subsidies, food subsidies and basic income support remain the highest shares of social protection interventions, representing 5.8 and 4.7 per cent of the total central budget in 2020, an increase in spending compared to 2019 due to the COVID-19 pandemic and public measures to protect vulnerable population

(cash transfers and free medical assistance) (figure 21). However, many other areas have been left behind such as support for housing, family, children and research on social protection, each of which receives less than 2 per cent of the total budget.

Social protection and food security are essential for protecting vulnerable populations through cash transfers and support for basic income, food subsidies, support for families, women, children and persons with disabilities. The third component of the national development strategy (2016–2020) focuses on the need for more social inclusion and justice with a total overhaul of the social protection system and universal benefits.

Figure 21. Social protection, subsidies, support to farms as a share of the total central budget, 2014–2021



Source: ESCWA Social Expenditure Monitor.

5. Labour market interventions and employment generation programmes

Labour market interventions and employment generation programmes are essential to ensure social inclusion for young people by providing decent job opportunities which will contribute to economic growth. However, the budget allocated only 2 per cent in 2020 for all labour market interventions, against 2.7 per cent in 2019. Among these expenditures, nearly all or 1.7 per cent is allocated to employment generation programmes including monitoring and follow up while expenditure on grants and

other incentives to the private sector and SMEs, female employment and training and upskilling remain insignificant (figure 22).

In conjunction with this low public expenditure, the labour market in Tunisia is facing many challenges in particular a high unemployment rate and low job creation due to low economic growth. Unemployment affects higher education graduates and in particular women. Furthermore, challenges persist to easily integrate young people aged 15–24 (unemployment rate 42.8 per cent) with low levels of schooling (young people who are

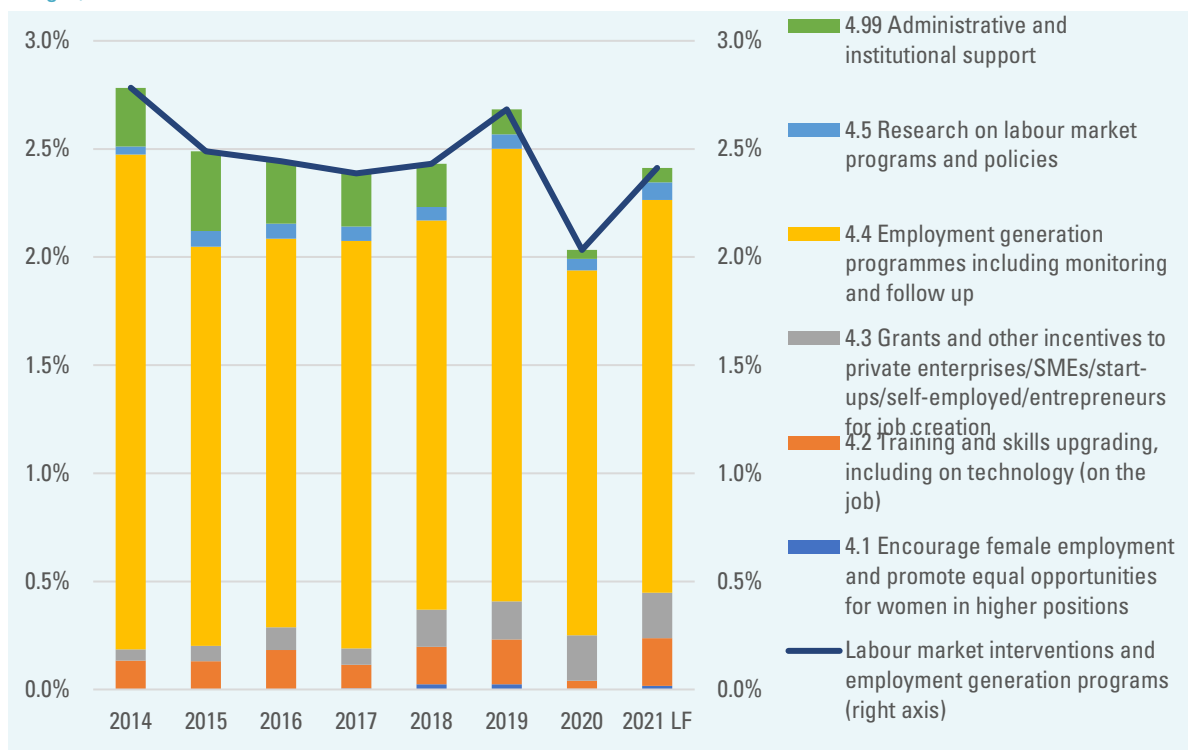
not in education, employment or training NEET) even though Tunisia has implemented several labour market and vocational training policies²⁶ as well as an employment fund that aims to ensure quick integration of young people and ready access to the job market.

Given these facts, more social spending is needed for the labour market and to improve the effectiveness of interventions and programmes.²⁷ If the fiscal environment is still fragile and employment funds cannot absorb the large number of unemployed, Tunisia needs

to focus and spend more on other areas, in particular training and upskilling including in technology to facilitate entry into the private job market.

Furthermore, figure 23 shows an inverted U-shaped curve between tertiary education spending and the unemployment rate. Although unemployment remains mainly structural in Tunisia, in the long run, the more Tunisia spends on tertiary education, the lower the unemployment rate among higher education graduates.

Figure 22. Labour market interventions and job creation programmes indicators as a share of the total central budget, 2014–2021

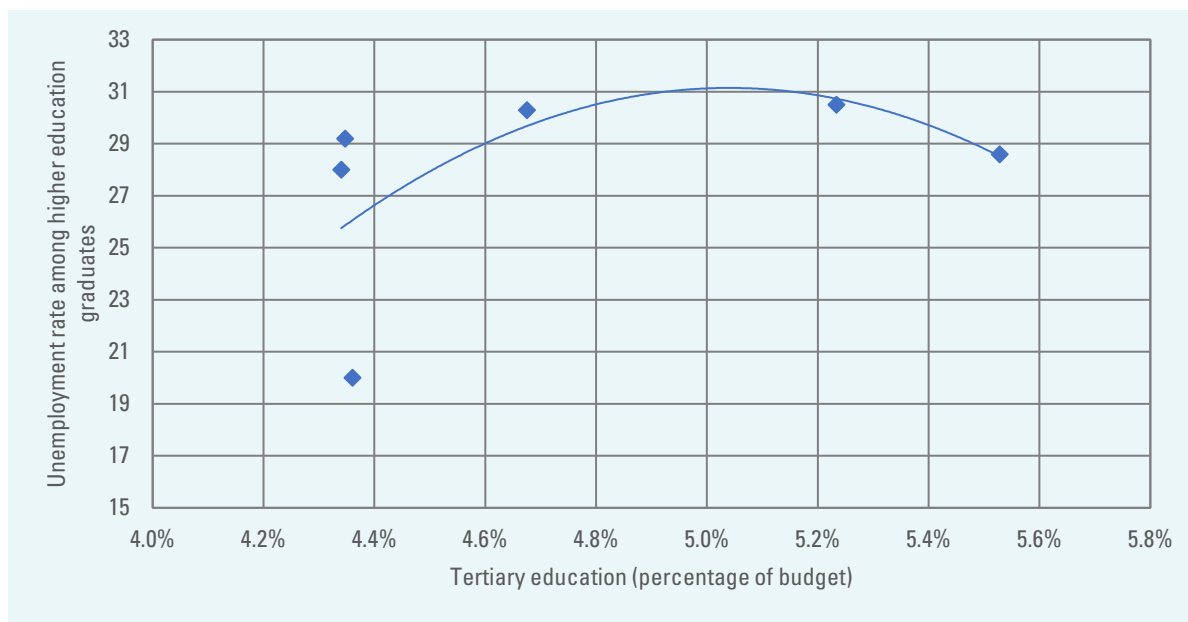


Source: ESCWA Social Expenditure Monitor.

26 For instance, The KARAMA dignity contract programme, the Professional Life Initiation Contract (CIVP), the Civil Service Contract (CSC), the Small Business Promoters Support Program, Strat up Act, the Adaptation Action Program for Improving Employability.

27 It is important to analyse the effectiveness of State interventions in the form of active employment programmes in a context of scarce budgetary resources. The cost of the programmes compared to the limited number of beneficiaries, and especially the number of participants who have been successfully integrated into the labour market, show that the programmes are quite inefficient.

Figure 23. Tertiary education spending and unemployment rate among higher education graduates



Source: ESCWA Social Expenditure Monitor and National Institute of Statistics.

6. Art, culture, and sports

Spending on art, culture and sports remained very low, stable and mostly allocated to administrative and institutional costs which do not improve human capital and young people's well-being. In 2020, the central budget allocated only 3 per cent to overall art, culture and sports activities, with cultural facilities and events, sports and physical education facilities and services, promoting physical education benefiting more than other components (figure 24). Although these programmes target a wide population, more spending on arts, culture and sports would benefit children and young people by developing their creativity, helping them achieve their full potential and giving rise to talents in disadvantaged regions in Tunisia. Combined with education, this would contribute to improving human development.

7. Environmental protection

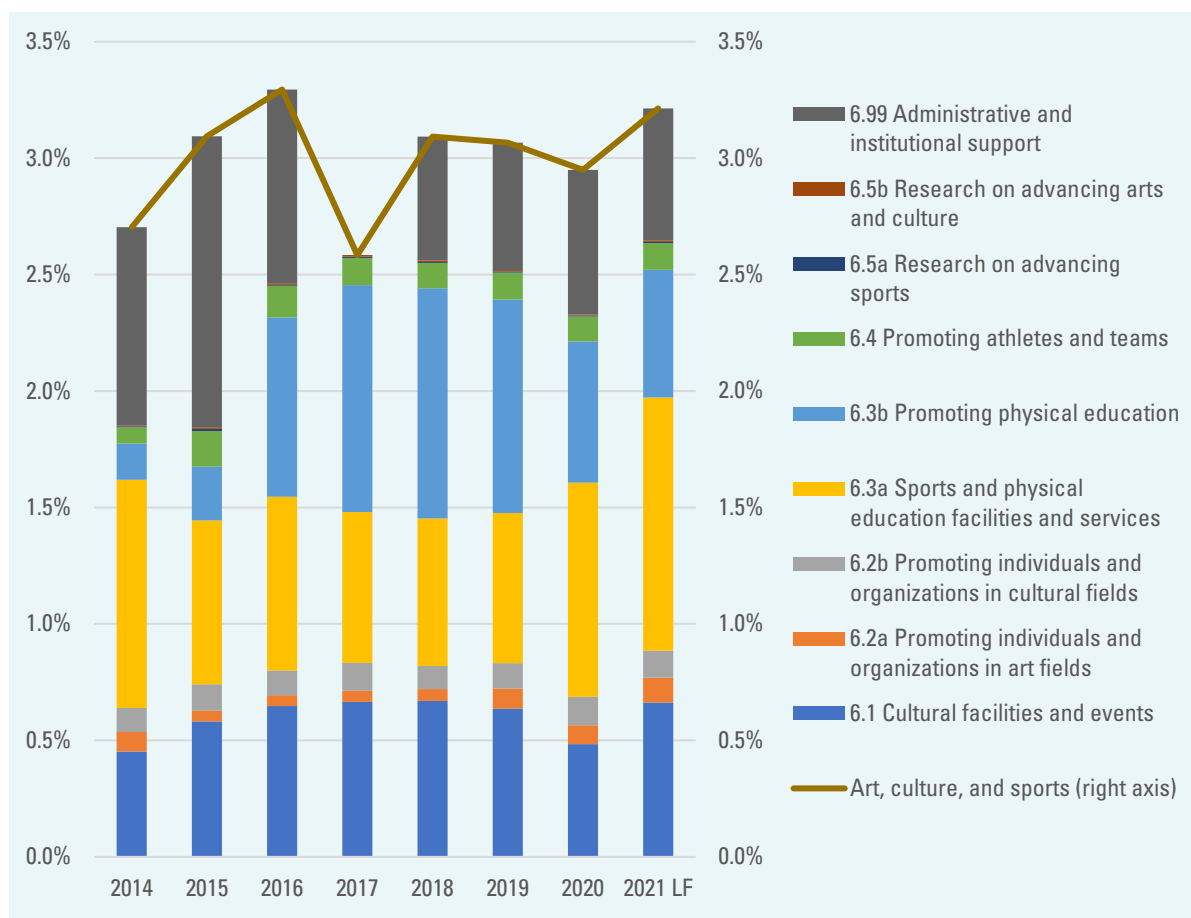
Environmental protection is important to many other dimensions, in particular health. Unsafe water and poor sanitation and hygiene increase deaths and illnesses, particularly among children. Improving health in Tunisia requires several environmental policies to mitigate the adverse impact of pollution, such as strengthening the water supply and sanitation projects and informing the population of possible sources of pollution including those of indoor air pollution as well as their impact on health, in particular in children (VNR, 2021).

The protection of the environment also requires significant financial resources to ensure a good quality of life and sustainable development and mitigate the adverse effects of climate change. However as shown in figure 25, social expenditure allocated to

environmental protection in Tunisia is very limited, at an average of 2 per cent of the total budget, even though environmental issues and risks are serious in Tunisia as in the rest of the world. This small share of the budget is mainly distributed to combating desertification and

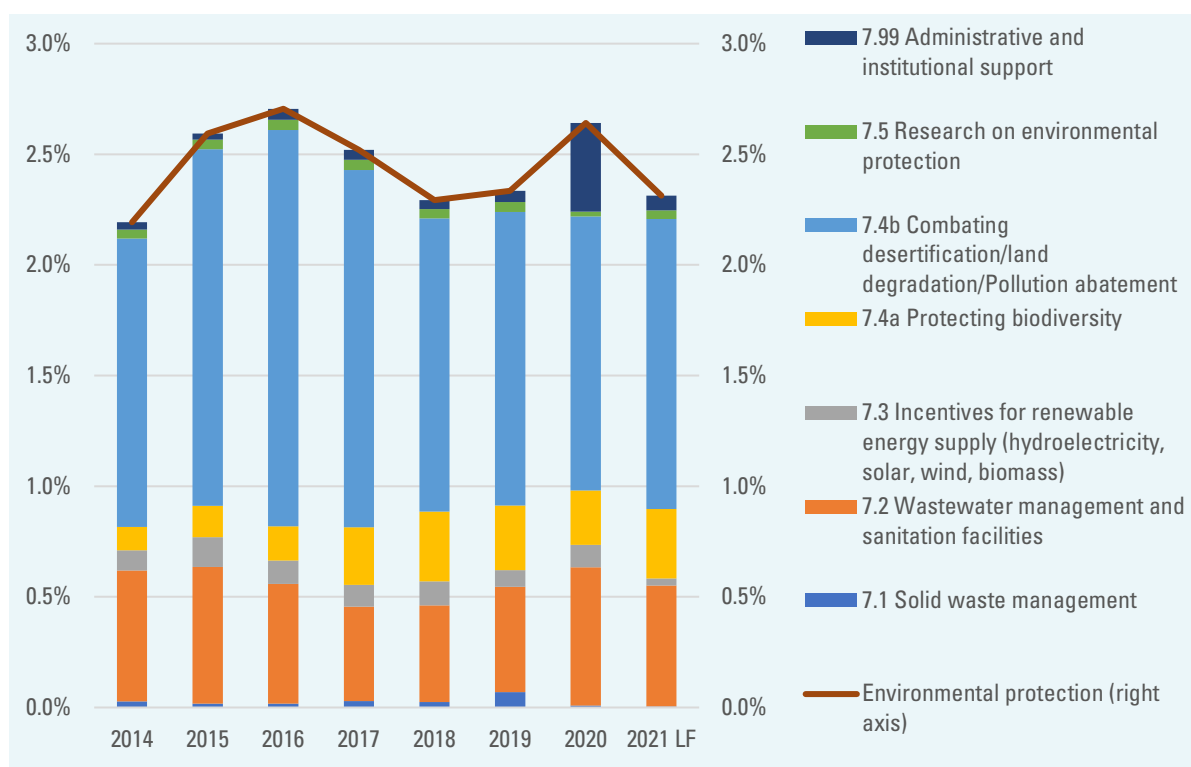
land degradation, while other indicators accounted for only a small share of expenditures. These findings illustrate the necessity to undertake social investments in environment protection to protect the welfare of Tunisians.

Figure 24. Art, culture, and sports expenditure as a share of the total central budget, 2014–2021



Source: ESCWA Social Expenditure Monitor.

Figure 25. Environmental protection as a share of the total central budget, 2014–2021



Source: ESCWA Social Expenditure Monitor.

B. Social Expenditure Monitor: Major highlights and challenges

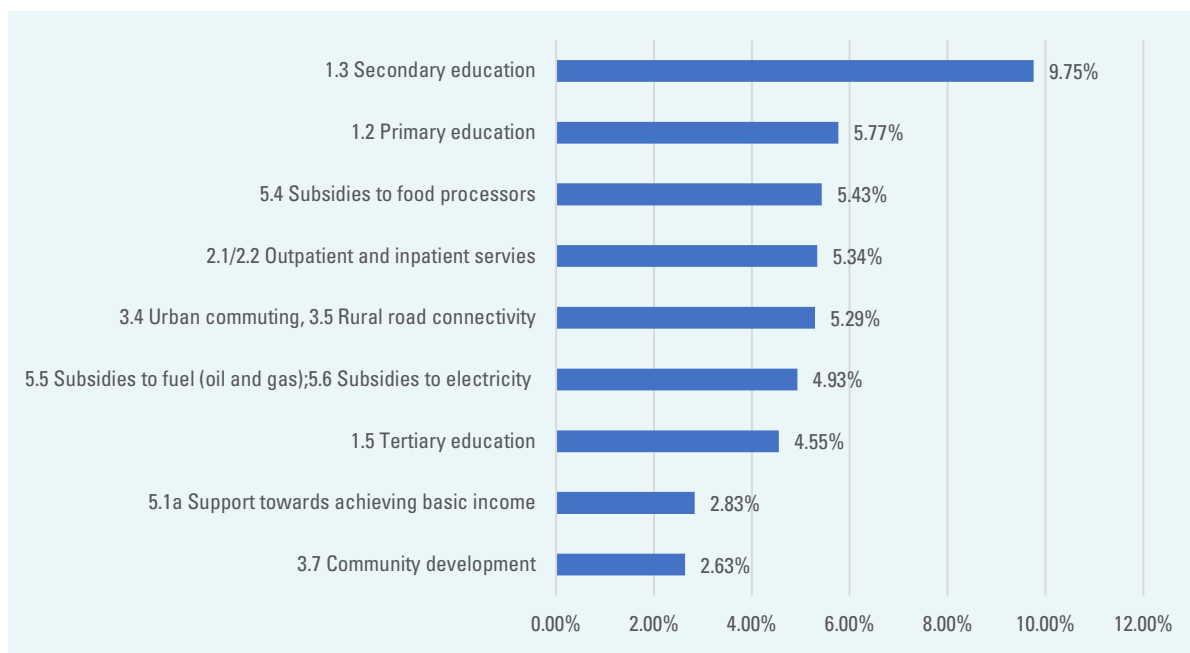
1. Top areas of budget allocations: Which areas are deprived?

Education, subsidies (oil, gas, electricity and food), urban commuting and rural road connectivity and health (inpatient/outpatient) are in the top ten areas in terms of allocations from the central budget. but only a small share has been devoted to basic income support (figure 26). This reflects social planning in Tunisia, which prioritizes education, health, social

protection and infrastructure, the main pillars for boosting economic growth and developing human capital.

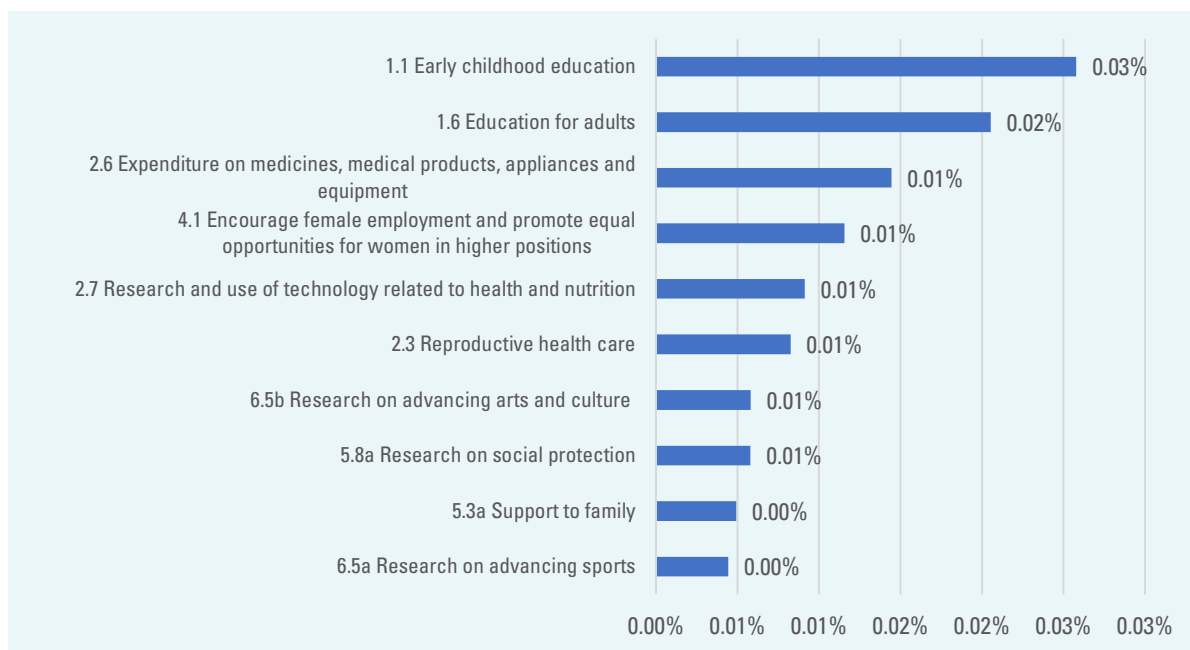
While the previous social pillars are important, there is also a need to focus on other neglected areas that would contribute to economic growth, human development and the SDGs. At the bottom of the list, medicines and equipment, reproductive health care, encouraging female employment and equality, early childhood education and adult education receive a negligible share of the budget, which could be strengthening social exclusion and leaving behind marginalized populations (figure 27).

Figure 26. Top ten areas of spending as a share of the total government budget, average 2016–2020



Source: ESCWA Social Expenditure Monitor.

Figure 27. Bottom ten areas of spending as a share of the total government budget, average 2016–2020



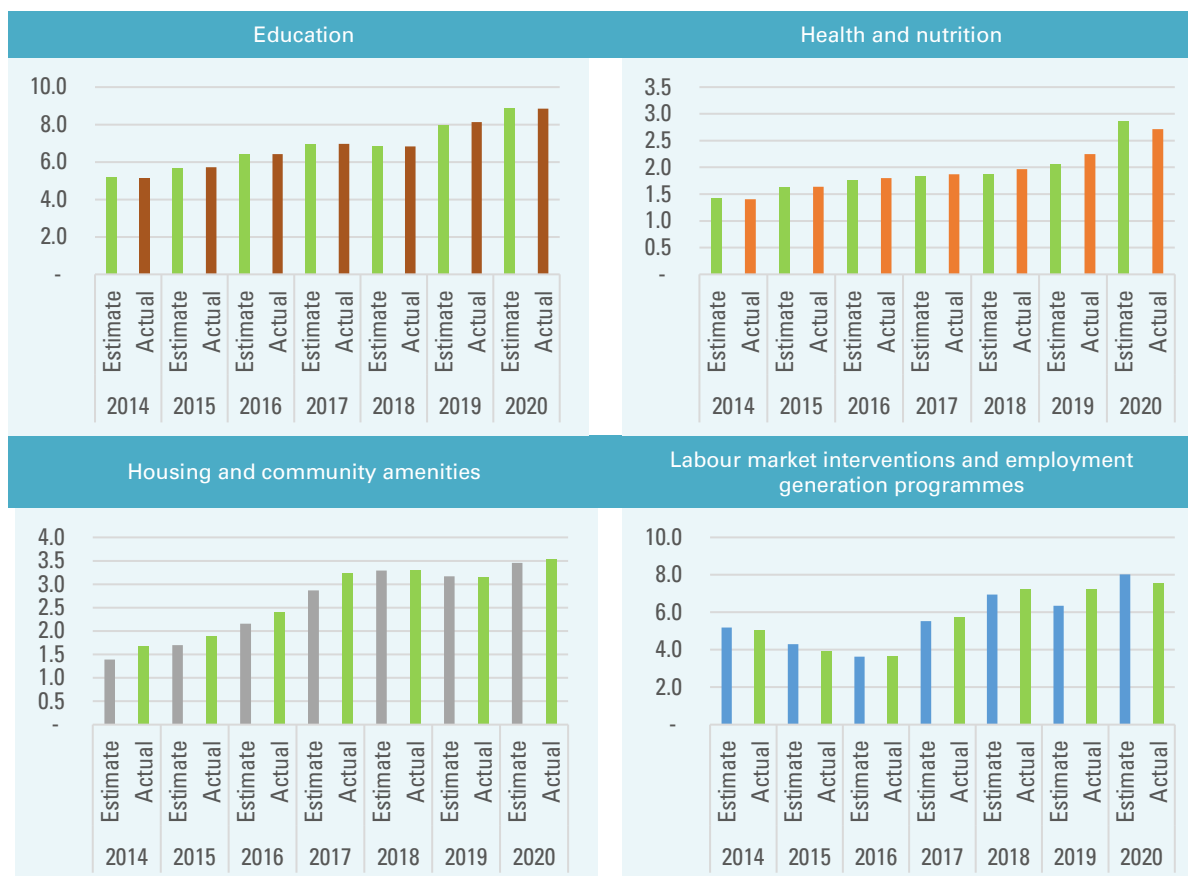
Source: ESCWA Social Expenditure Monitor.

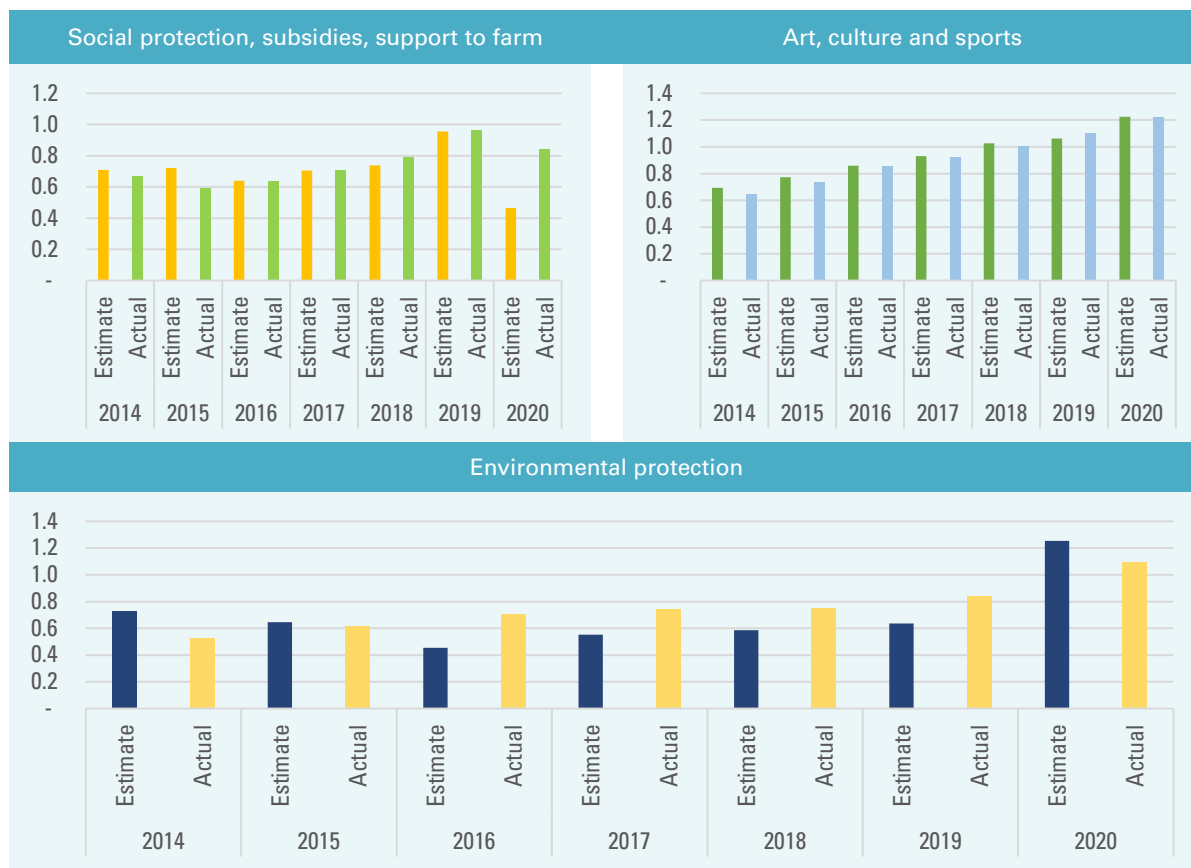
2. Budget expenditures: Estimates vs. actual by SEM dimensions/indicators

At the central government level, public social expenditure execution (actual vs. estimates) has mostly been at or above 100 per cent (figure 28). Budget execution is a full process of monitoring, adjusting and/or reprogramming and reporting spending during a fiscal year that can indicate in which social dimension the budget has been fully or partially executed or where there is a need to complement the initial budget in order to finance the Government's needs. This is particularly important for public investments where execution may be hampered by a weak performance in public investments management (PIM), requiring good governance

coupled with strong public sector institutions in planning, allocating and implementing investments. Recently during the COVID-19 pandemic, actual spending has been slightly higher than estimates for some social dimensions. Gaps between estimated and actual expenditures have been mostly observed in health and nutrition, labour market interventions, social protection and environmental protection. Such increases in actual expenditure were part of the additional needed spending as stated in the complementary budget. Besides, there is still some under-execution of public investment expenditures in Tunisia that may jeopardize the quality of service delivery and the allocation of public investment to the most productive projects.

Figure 28. Actual/estimated social expenditure by dimension, TND billion





Source: ESCWA Social Expenditure Monitor.

3. Budget expenditures: Lack of adequate research and development activities

Overall, the central budget allocates little (less than 1 per cent) to social research activities (figure 29). The budget allocated to R&D is quite low despite the importance of the existing technological infrastructure (technology hubs, etc.). This poor performance is largely explained by the limited financial means. Tunisia has strong human capital, with a sizeable proportion of the population that is qualified for research and innovation activities. However, research and development activities are not just limited to industry and are required for all social dimensions such as education, health, infrastructure, labour market, social

protection, arts, culture and sports and environmental protection. However, further progress could be made in some areas to build resilient infrastructure and improve the technological capacities of downstream sectors.

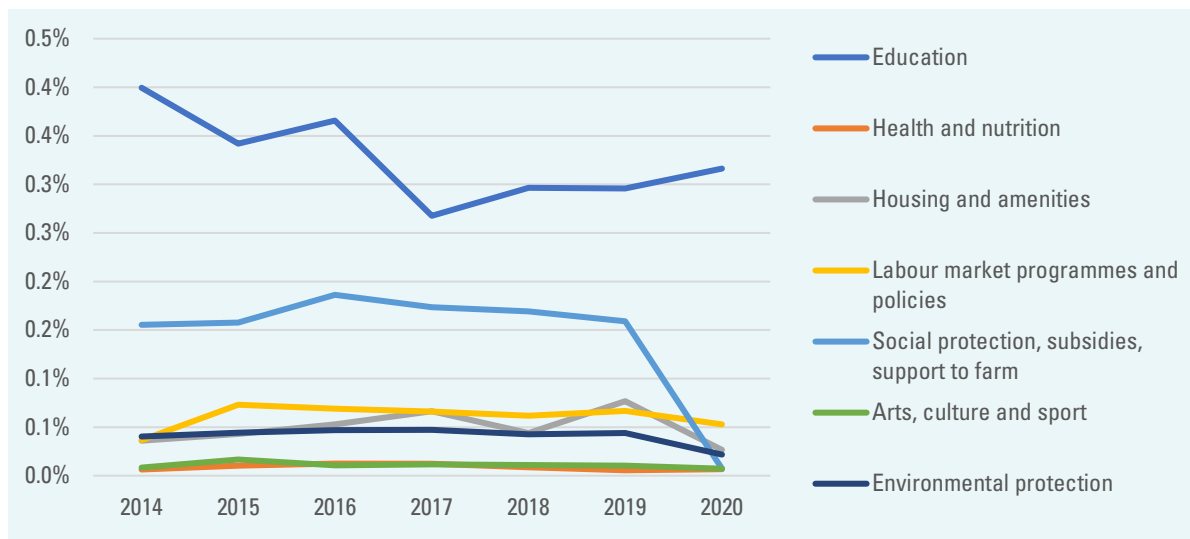
4. Budget expenditures: Administration of public social services

Administrative costs are all expenditures on the administration, formulation and implementation of general policies related to a specific social dimension. Across all social dimensions and years, administrative costs accounted for more than 4 per cent of the total central budget (figure 30) but have been

relatively flat over the years. Administrative costs of education, social protection and arts, culture and sports consume more than the

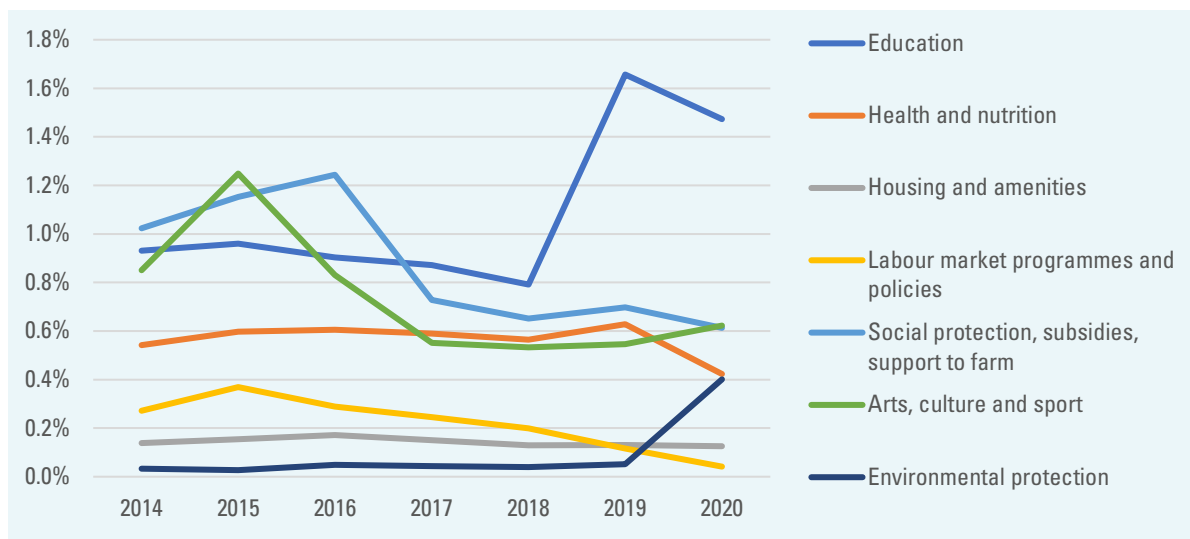
other sectors such as labour market interventions, housing and commuting amenities as well as environmental protection.

Figure 29. Budget expenditures for research activities by dimension, 2014–2020 (As a share of the total budget)



Source: ESCWA Social Expenditure Monitor.

Figure 30. Administrative expenditure by dimension, 2014–2020 (As a share of the total budget)



Source: ESCWA Social Expenditure Monitor.

4. Social Expenditure Monitor in Tunisia by beneficiary population

A. Main beneficiaries: Who gets how much?

To better understand the distribution of social expenditure, the SEM offers an innovation by classifying expenditures across the main beneficiaries:²⁸ children, young people and adults; older persons; persons with disabilities, sick people and survivors; socially-marginalized people or those at risk of social exclusion, refugees and immigrants; households benefitting from financial or in-kind support; and the community at large.

Most budget expenditures on social programmes in Tunisia target households/families, children, young people and adults and to a lesser extent vulnerable populations such as older persons, persons with disabilities, specific vulnerable and marginalized groups and women (figure 31). About 15 per cent of the budget (5.993 billion TND) target children including those in primary and secondary education in 2020, and a similar amount is allocated to households/ families. The share of social expenditure accruing to young people and adults is about 9 per cent of the budget (3.688 billion TND). Women, persons with disabilities, and socially marginalized persons and those at risk of social exclusion are

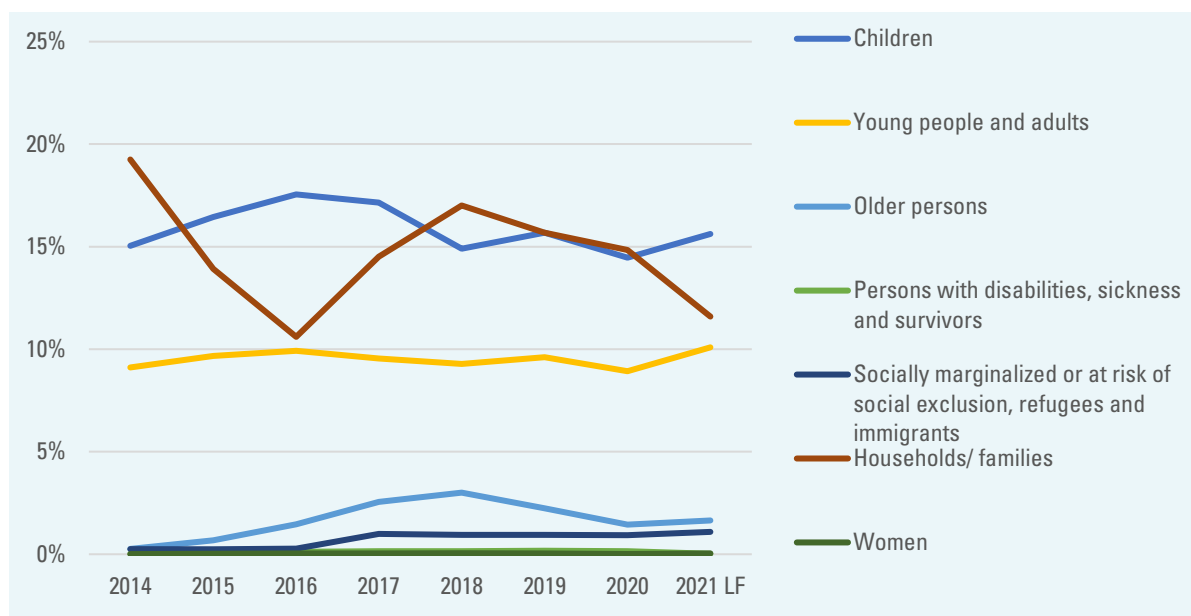
targeted by a small share of the budget (less than 1 per cent).

Nevertheless, Tunisia has made significant progress in improving sustainable development outcomes such as primary and secondary enrolment rates, significantly closed gender gaps in education, improved achievements in health and improved the overall human development index in the past decades.

Out of 165 countries, Tunisia is ranked 65 in the SDG Index. While there are positive gains toward achieving the SDGs, Tunisia has significant challenges in improving public services in several areas, including quality of education, decent jobs for young people and women, public health services and supporting vulnerable populations, in particular women victims of inequality and violence, rural women, the elderly and people with disabilities (VNR, 2021). All of these areas require expanded public financing. When little is spent on them, they are at risk of social exclusion, threatening the achievement of the SDGs. Efficient targeting of social policies and expenditures to needy populations must be considered to make budgets more effective to benefit the poorest and the most vulnerable.

28 The classification of expenditure by beneficiary population is based on tagging the budget line to the main beneficiary that benefits directly from the expenditure policy. Certain expenditures may indirectly benefit different population age-groups within and across households or within and across communities, but such disaggregated data are unavailable to undertake equity analysis.

Figure 31. Social expenditure as a share of the total central budget, by main beneficiaries



Source: ESCWA Social Expenditure Monitor.

Note: Social expenditure targeting the entire population are excluded from the figure.

B. Distribution of expenditure across beneficiaries by service class

The budget targets different beneficiaries through social programmes from different government entities. Taking children for example, they are mainly targeted by expenditures on primary and secondary education. There are also programmes by other government entities that support children, such as the social protection, health or others. In this section we will analyse this composition for each beneficiary group, including children, young people and adults, women and households/families.

Children. Children represent the main beneficiary of education expenditures, particularly from public education systems. They also benefit from certain social protection spending targeted at children.²⁹ Primary and secondary education expenditures dominate expenditure targeting children, which represents a successful experience of universal access to free education with total gender equality. Thirty-eight per cent of total expenditure for children is allocated for primary education and 60.3 per cent for secondary education in 2020 (figure 32). However, early childhood education does not receive very much from the budget and remains an area

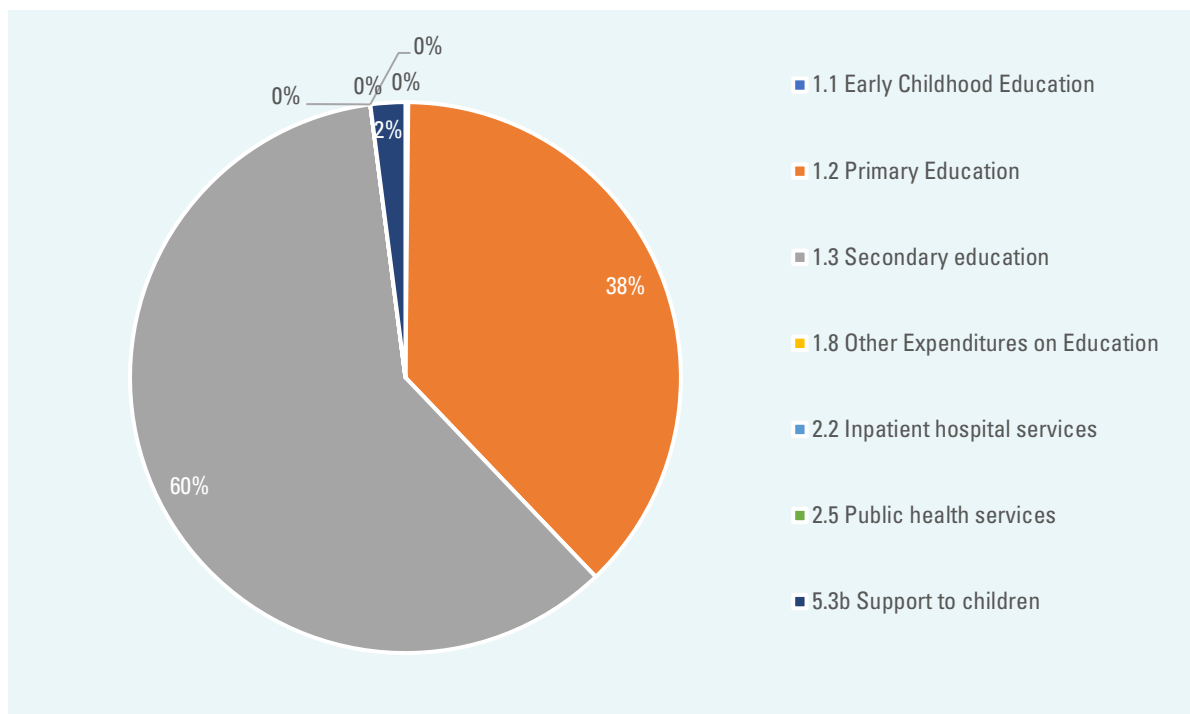
²⁹ Children may also profit from benefits to households/families, but intra-household distribution of benefits are not available, which makes it difficult to disaggregate certain benefits to children exclusively.

for improvement. Furthermore, children also face challenges in health and other areas related to different SDGs (1, 2, 3, 16),³⁰ including child poverty, outpatient health services, mental health and persons at risk of and/or victims of violence. These challenges call for greater attention to improving in these critical areas. During COVID-19, Tunisia has reinforced its support to children by providing a transfer of 30 dinars per month for each child under the age of 6 according to the 2021 budget law.

Young people and adults. Out of total actual spending on social programmes targeting young people and adults, 45 per cent is for

tertiary education and almost 20 per cent is for employment generation (figure 33). At the same time, 14 and 10 per cent of total spending are allocated for post-secondary skill training and promoting sport and physical education, respectively. While these areas are important for young people to facilitate their integration in the job market in a context of scarce job opportunities and high unemployment, only a small share is spent on training and upskilling or grants and other incentives to support entrepreneurship and job creation within private enterprises/SMEs and self-employment and facilitate a smooth transition from school to the job market.

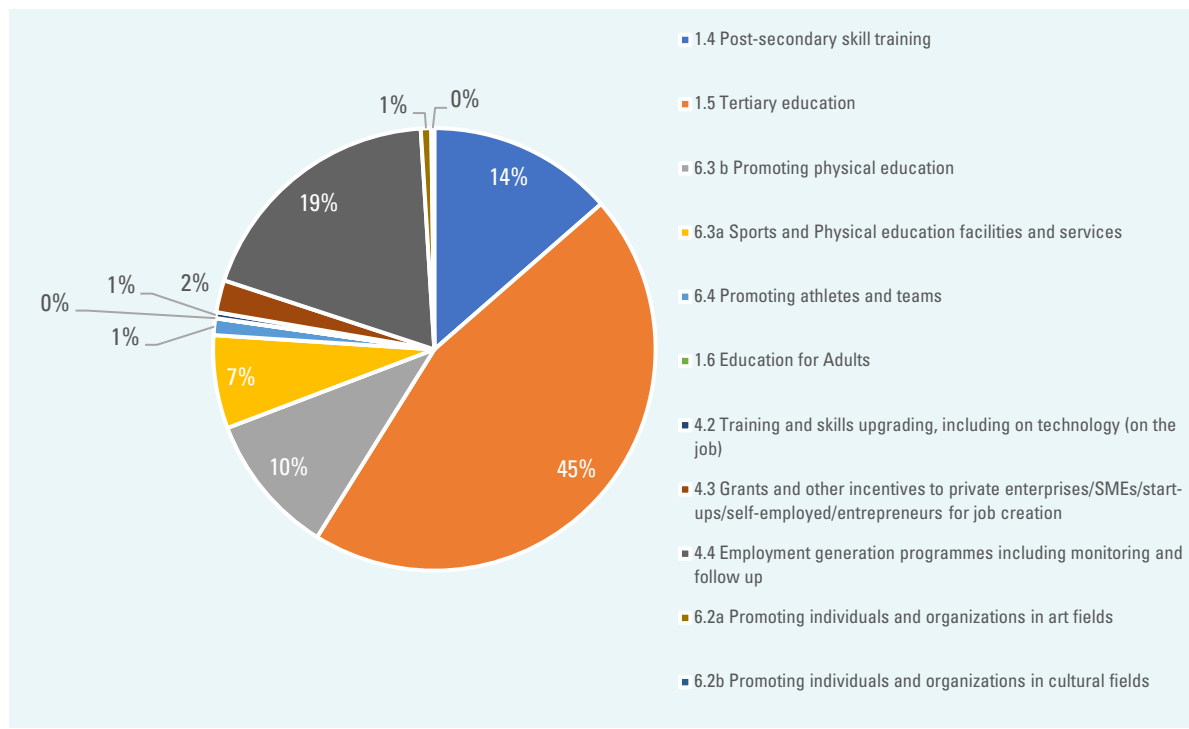
Figure 32. Social spending targeting children is driven mainly by primary and secondary education, 2020



Source: ESCWA Social Expenditure Monitor.

30 UNICEF, 2020, Analyse de la situation des enfants en Tunisie [unicef.org/tunisia/media/2986/file/SITAN-11-2020.pdf](https://www.unicef.org/tunisia/media/2986/file/SITAN-11-2020.pdf).

Figure 33. Social spending targeting young people and adults is driven mainly by tertiary education and employment generation programmes, 2020



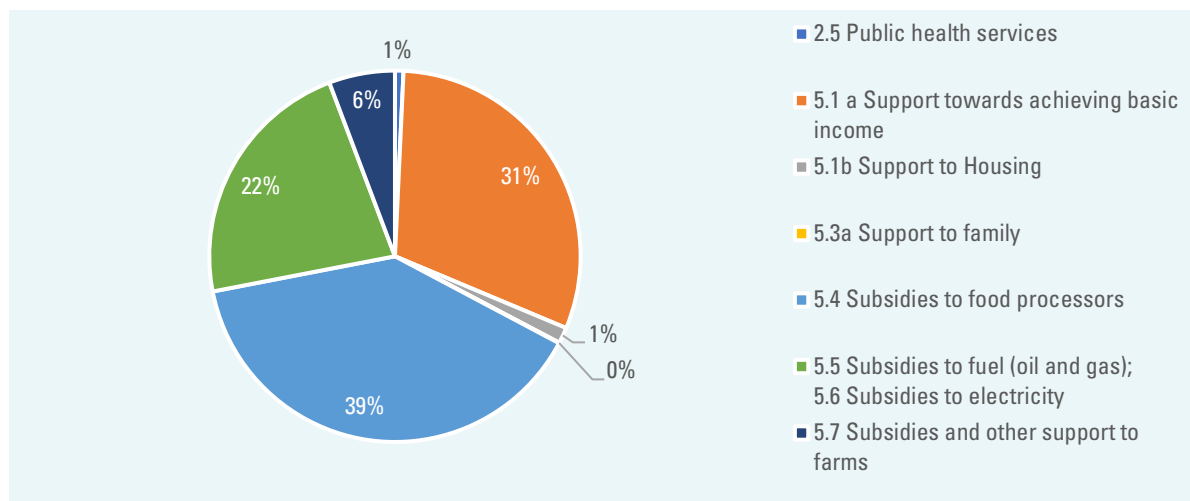
Source: ESCWA Social Expenditure Monitor.

Greater investment in young people in different areas such as education, health, employment, social protection and culture will boost economic development, in particular since 24.5 per cent of the population in Tunisia is under the age of 29 due to rapid demographic changes. Given the macroeconomic and demographic challenges, Tunisian young people may feel socially excluded. Subsequently, the uncertain environment may increase the probability of brain drain or lead to overconsumption, physical inactivity and addictive behaviours with all their negative consequences (VNR, 2021).

Households/families. Social protection and food security have been among the main areas of social spending in Tunisia through fuel and food subsidies, cash transfers and health and social insurance. At the central government level, almost 40 per cent of total actual spending targeting households/families goes to subsidies to food processors, 31 per cent to basic income support and 22 per cent to energy subsidies (figure 34). Other small expenditures also target households in particular through support for housing, public health services and farms. The lack of clear targeting mechanism and reporting is however a barrier to identifying the type of household or actual beneficiary within the household.³¹

31 In the context of public social expenditures, households/families are used interchangeably due to the lack of adequate distinction in policy targets.

Figure 34. Social spending targeting households/families is driven mainly by subsidies to food processors and support towards achieving basic income, 2020



Source: ESCWA Social Expenditure Monitor.

On the topic of basic income support and support for vulnerable populations, Tunisia has implemented well-developed social programmes such as the National programme to support needy families 'Programme National d'Aide aux Familles Nécessiteuses' (PNAFN) and cash transfers, free medical assistance 'Assistance Médicale Gratuite' (AMG1 and AMG2), care for persons without family support, persons with disability and people who are unable to work and retirement pensions (VNR, 2021). Such social security interventions targeting households/families, in particular vulnerable ones, are essential to alleviate poverty, achieve basic income and provide access to basic health services and housing.

The PNAFN for example is totally financed by the government budget and included 73,000 families. The total funds were initially estimated at TND 6.4 million, but there was a gradual increase in the number of beneficiaries and in the amount of the grant in order to cover the largest possible number of families. In 2019, the programme

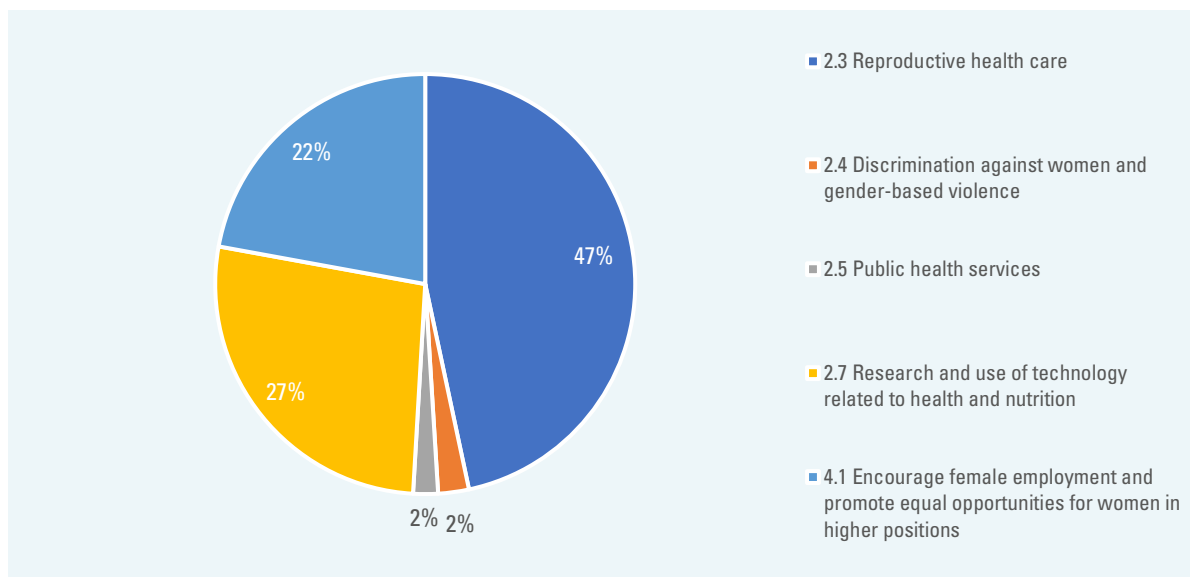
covered nearly 260,000 families, i.e. 8.8 per cent of Tunisian families and 7.8 per cent of the population, and 2 per cent of school-age children in Tunisia also receive a monthly scholarship of 10 dinars (\$3.6). In 2019, families received cash transfers of 180 dinars per month (\$64.8), which increased to 200 dinars under the 2022 budget. The scope of cash assistance to families and individuals at risk was expanded during COVID-19:

- Families covered by PNAFN receive three additional entitlements: two entitlements of 60 dinars (\$21.6), and one of 50 dinars (\$18).
- Families covered by the low-fee health care programme received two exceptional payments, each of 200 dinars (\$72).
- It was also decided to provide another batch of exceptional support to the same groups, with the addition of poor or low-income families who are not covered under the national programme to support needy families or the free health care programme, funded by the World Bank.

Women. Public social expenditure³² targeting women remains small as a share of the total budget and is mostly allocated to reproductive health care (47 per cent of total spending on women) as well as encouraging female employment (22 per cent) and some interventions in the labour market and job creation (figure 35). However, even limited, other expenditures target women such as for discrimination against women and gender-based violence and public health services. Although Tunisia is ranked 4th in terms of gender equality in the Arab region,³³ the literacy rate for Tunisian women is 72 per cent, 36 per cent of parliamentary seats in 2014 were held by women

and more women than men graduate from universities in scientific fields (VNR, 2021), female graduates are still facing challenges such as a high unemployment of 40 per cent on average since 2011 compared to 18.3 per cent among men. There are more opportunities for urban women, while rural women are still victims of material and moral exploitation as well as the lack of social and health coverage and the lack of safe means of transport. More social policies are needed that target these beneficiaries to ensure access to economic resources, decent work, better and safe working conditions and equal wages for all women and men, including young people and people with disabilities (VNR, 2021).

Figure 35. Social spending targeting women is driven mainly by reproductive health care, 2020



Source: ESCWA Social Expenditure Monitor.

32 The expenditure refers to those programmes targeted to women only. However, women may also benefit from expenditures to programmes related to young people and elderly, and also to household/families.

33 http://www3.weforum.org/docs/WEF_GGGR_2020.pdf.

5. Efficiency of public social expenditure in Tunisia

Tunisia has recently performed well in the Human Development Index (HDI), which increased to 0.740 in 2019 from a value of 0.716 in 2010. Tunisia ranked 95th in the index out of 189 countries in 2019. Furthermore, the Inequality-adjusted HDI (IHDI) also improved to 0.596 in 2019, which was higher than the average of Arab States (0.531) and the global average (0.587). However, inequality did affect the IHDI and resulted in a 19.5 per cent loss in HDI (table 2).

In Tunisia, 0.8 per cent of the population (92,000 people) are multidimensionally poor while an additional 2.4 per cent are classified as vulnerable to multidimensional poverty (276,000 people). The breadth of deprivation (intensity) in Tunisia, which is the average deprivation score experienced by people in multidimensional poverty, is 36.5 per cent. The MPI, which is the

share of the population that is multidimensionally poor, adjusted by the intensity of the deprivations, is 0.003.³⁴

A. Output efficiency/input efficiency

Budgeting performance is a function of how efficiently expenditures are allocated across different areas to achieve optimal outcomes. A set of indicators relating to inputs and outputs are considered to assess efficiency, using a Data Envelope Analysis (DEA).³⁵ While the SEM includes seven dimensions, the following analysis focuses on the five sectors of education, health, housing, social protection and environmental protection as output data is unavailable for labour market interventions and arts, culture and sports.

Table 2. Human Development Index

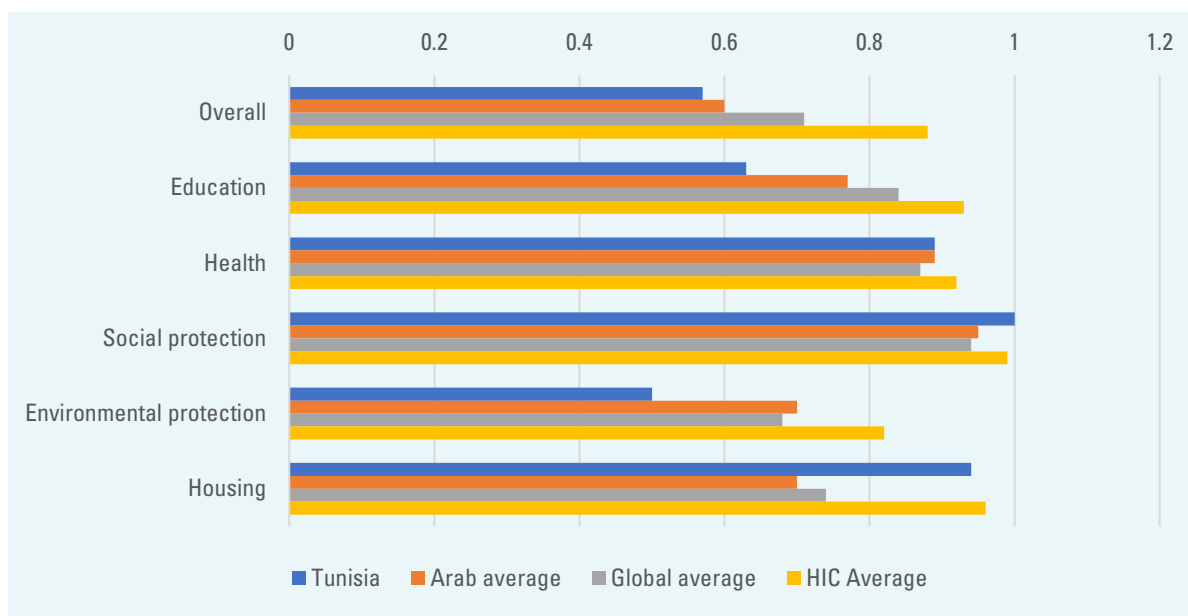
	2010	2019
Human development index (HDI)	0.716	0.740
Inequality-adjusted HDI (IHDI)	0.535	0.596
Overall loss in HDI due to inequality (per cent)	25.3	19.5
Human Capital Index (HCI) (scale 0–1)	0.53	0.52
Gross national income (GNI) per capita (constant 2017 PPP\$)	9,750	10,414

Source: UNDP data portal.

34 Human Development Report 2020 The Next Frontier: Human Development and the Anthropocene, Briefing note for countries on the 2020 Human Development Report, Tunisia, 2020 <https://hdr.undp.org/sites/default/files/Country-Profiles/TUN.pdf>.

35 Input and output variables for assessing the efficiency of social expenditure are available in the annex (see Gaska and others, 2021).

Figure 36. Overall and sectoral efficiencies



Source: ESCWA Social Expenditure Monitor.

The output efficiency of overall social expenditure on improving the Inequality-adjusted Human Development Index (IHDI) is 0.57, slightly below the Arab regional average efficiency score (0.60) and well below the global average efficiency score 0.71 (figure 33). Education performance, in terms of expected years of schooling, is a large contributor to the low efficiency of overall social expenditure while Tunisia has better performance in terms of overall public social protection, housing and health, where efficiency scores are close to benchmarks (figure 34). Nevertheless, the detailed breakdown of social services and their association with social expenditure shows significant efficiency gaps in areas within social protection and health compared to global benchmarks.

B. Policy simulations based on efficiency scores

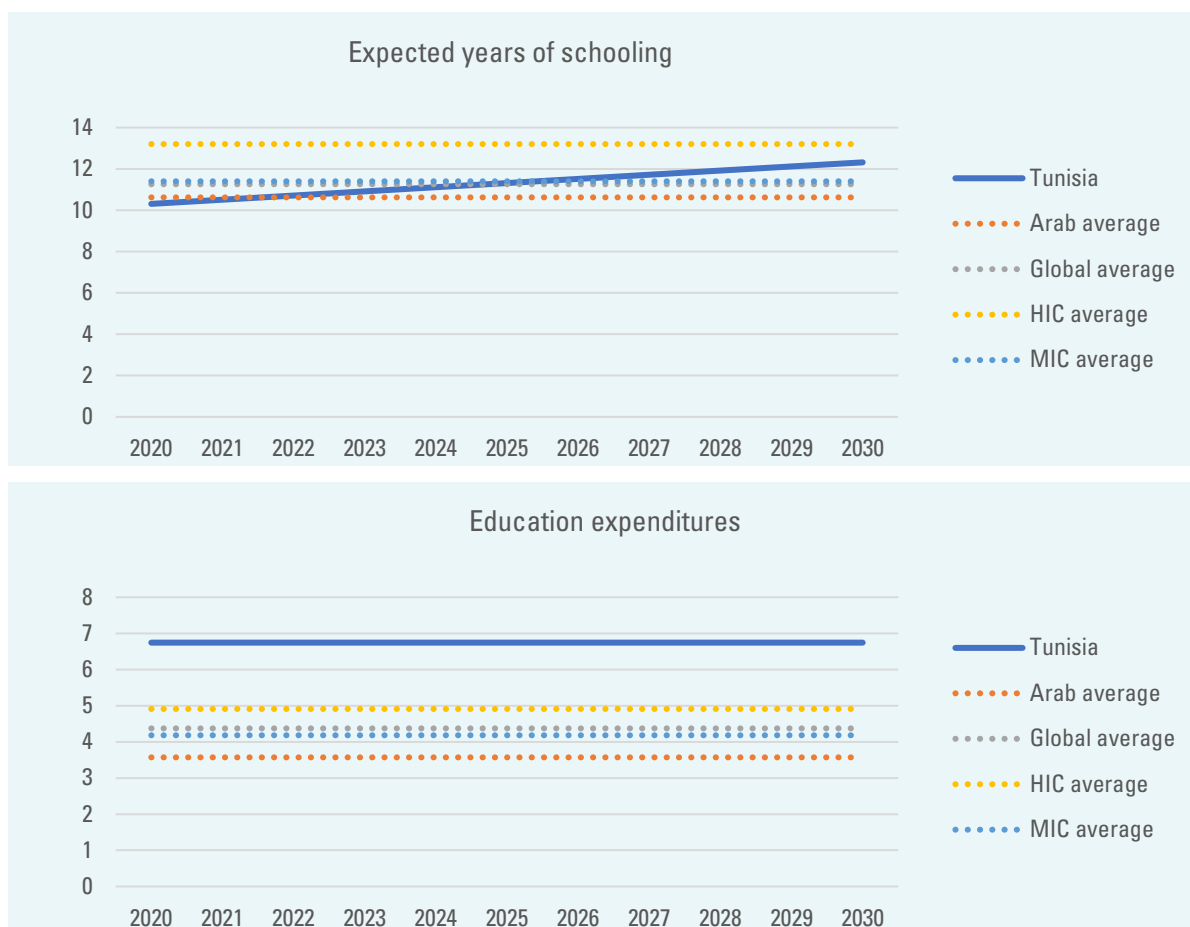
If Tunisia holds total social expenditure unchanged and improves its efficiency to match the global average, its IHDI would increase by 15 per cent (from 0.580 to 0.668). If the level of social expenditure was raised to the global mean of 16.6 per cent of GDP in combination with improved efficiency, its IHDI would increase further to 0.675. This improvement would raise Tunisia's ranking from 77th to 60th out of 152 countries. Alternately, if efficiency was increased to match the HIC average and the IHDI kept unchanged, Tunisia could reduce total public social expenditure by 12 per cent, an annual savings of TND 3.1 billion. Improving overall social expenditure has a positive impact in any

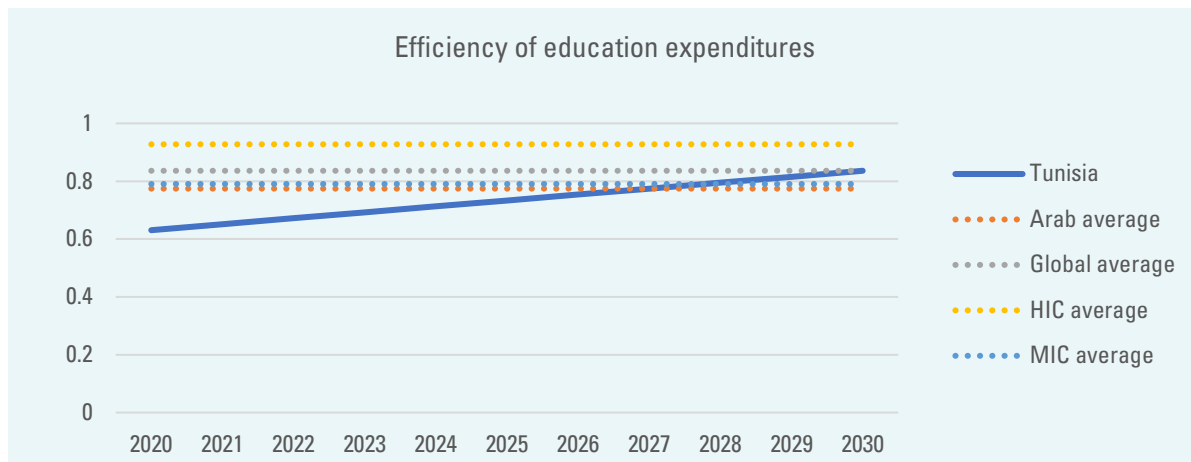
situation, but without improvement in efficiency, the effect is limited. If Tunisia increased its total expenditure on HES by 13 per cent to match the global average of 16.6 per cent of GDP, its IHDI score would increase from 0.580 to 0.586.

At the sectoral level, improving efficiency in education expenditures could save nearly 2 billion TND for Tunisia, without any change in outcome. Tunisia has a high expenditure on education, at an average of 6.7 per cent of GDP, which exceeds the average education expenditure as a share of GDP in HIC and MIC countries (4.9 per cent and 4.2 per cent, respectively), as well as the global average of 4.3 per cent. If Tunisia kept the same

level of overall education expenditure and improved its efficiency to match the average efficiency of MIC countries, its expected years of schooling would increase by expected years of schooling could increase by more than one and a half years, from 10.3 to 11.9 years (figure 37). If Tunisia increased its efficiency in education to match the global average, its expected years of schooling would increase by 19 per cent (from 10.3 to 12.3) with unchanged expenditure. If the education efficiency was increased to match the global average and the expected years of schooling was kept unchanged, then Tunisia could reduce education expenditures by 27 per cent, or TND 2 billion (figure 38).

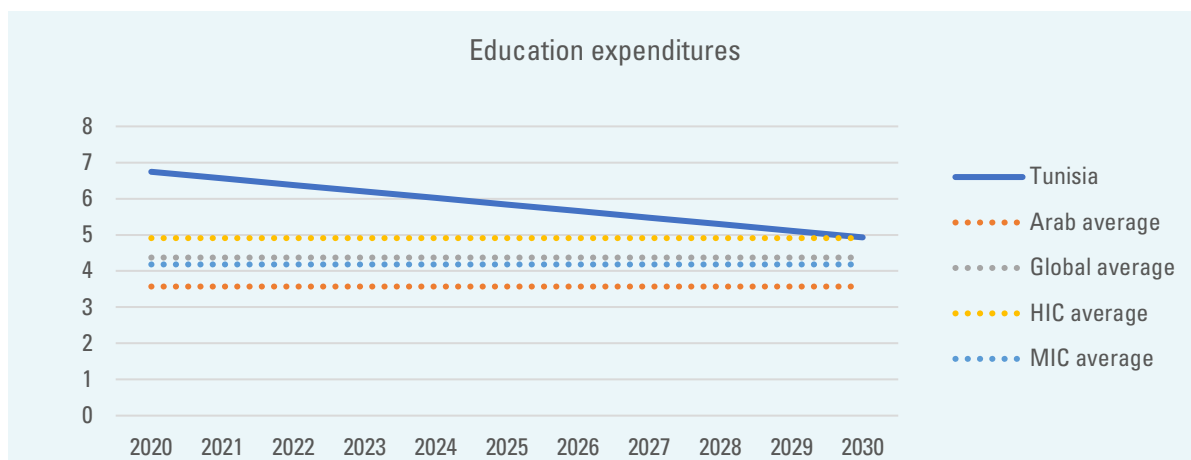
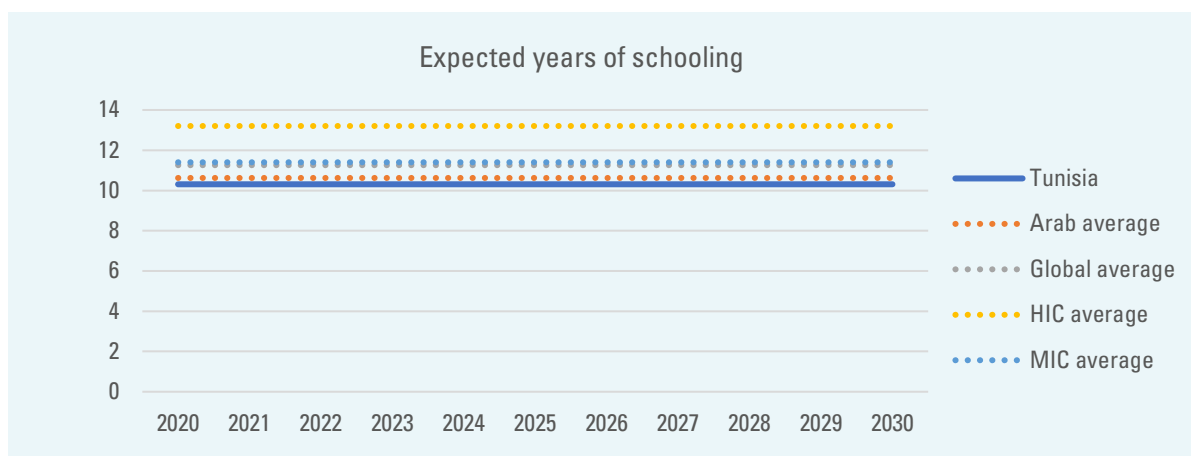
Figure 37. Policy simulation: Improving efficiency in education expenditure increases expected years of schooling in Tunisia to top levels globally

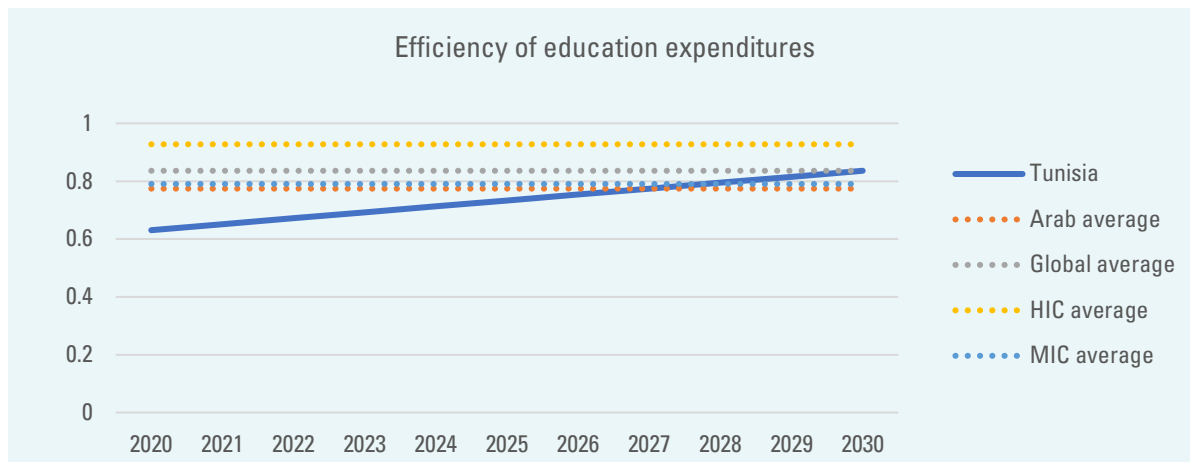




Source: ESCWA Social Expenditure Monitor.

Figure 38. Policy simulation: Improving efficiency reduces educational expenditure without affecting expected years of schooling





Source: ESCWA Social Expenditure Monitor.

In health, an increase in efficiency to match the HIC average would allow Tunisia to maintain its current life expectancy while reducing its present level of health expenditures by 4 per cent, or TND 80 million. On overall social protection, Tunisia is on the “efficiency frontier” for expenditure, given its achievements in reducing undernourishment. There are gaps in performance regarding the coverage of older persons getting social support, however. If efficiency improved to

match the high-income country average, Tunisia could cut social expenditure on older persons by 26.5 per cent, an annual savings of TND 257 million, without reducing pension coverage.

On environmental protection, by increasing efficiency to the high-income country average, Tunisia could reduce expenditures by 41 per cent or TND 333 million without a negative impact on environmental outcomes.

6. Medium-term budget planning and allocation across sectors for more efficient spending

Public spending sustainability and quality improvement can only be achieved in the medium term with better targeted, more efficient and more equitable spending. This requires better monitoring of the public budget especially for social expenditures to ensure coherence in planning, strategies and programme implementation. A budgetary rule setting a ceiling on spending could be used, with medium-term targets for investment in social and physical infrastructure. To improve the effectiveness of public investment, the Government needs to avoid spreading its resources between too many different ministries and should set out consistent selection criteria given the national context (OECD, 2018).

Traditional annual budgets fail to achieve macroeconomic stability, efficient allocations of resources and efficient service delivery due to the lack of a comprehensive medium-term budget framework. The budgeting process has long been based on an annual perspective, which complicates efforts to develop, prioritize, implement and assess sound public policies in line with the national development plan within a medium-term macroeconomic framework. With fiscal policy increasingly being framed in a medium-term context, guided by debt sustainability analysis, multiyear fiscal targeting

and in some cases permanent fiscal rules, medium-term expenditure frameworks (MTEFs) will establish a formal link between broad fiscal policy objectives and budgeting, which can strengthen the credibility of both.³⁶

In Tunisia before 2019, budgeting frameworks were based on the 2004 organic budget law under which public finance management was focused only on inputs and uses rather than the costs of achieving social policy objectives and the Sustainable Development Goals (results-based budgeting or RBB). However, since 2014 and the last public expenditure and financial accountability (PEFA) assessment, Tunisia has made significant progress and innovations in setting up the MTEF and RBB framework for better allocative efficiency of its resources with improved coverage of sectoral strategies, reconciliation of top-down and bottom-up approaches in the MTEF and clear interlinkages between the MTEF and annual budgets.

The new 2019 organic law³⁷ introduces major fiscal management innovations to the 2004 budget law, by implementing a multiyear budgeting approach based on performance and accrual accounting. The new law provides several significant fiscal transparency improvements in: principles of accuracy and

36 World Bank, 2013. Beyond the annual Budget, Global experience with Medium-Term Expenditure Framework.

37 Loi Organique du Budget No. 15 of February 13, 2019.

transparency, budget policy debate in July of each year; budgeting and monitoring of resource uses in budget laws; accrual and management accounting systems, sectoral MTBFs (medium-term budgetary frameworks) and MTEFs; monitoring of borrowing and financial transactions; mid-year budget execution report; annual performance plans (APPs) with budget laws and annual programme reports (APRs) with Finance Discharge bills (*loi de règlement*); financial position of public corporations including transfers from the Government; estimates and monitoring of tax expenditures; regional distribution of

investment; and the expansion of the Parliament's right to receive information (IMF, 2016).

The main advantage of the Tunisian MTEF is to ensure that the Government is able to efficiently allocate resources over the medium term (3 years) to cover its financing needs in line with national and inter/intra-sectoral strategies and public policies. It provides greater accountability, operational performance, clarity and flexibility for officials to manage their programmes by providing a medium-term tool for monitoring the performance of public policies.³⁸

38 GBO website <http://www.gbo.tn/fr>.

Key Findings

1. The limited fiscal space and inefficiency of spending are among the main challenges to achieving Tunisia's growth goals, inclusive recovery and development aspirations. Although the current account deficit narrowed in 2020 due to a decline in imports, it remained significant, and the fiscal deficit and public debt increased sharply.
2. Tunisia has had a high fiscal deficit since 2010 and the response measures to mitigate the impact of COVID-19 have led to an increase in social and health spending which increased the fiscal deficit (excluding grants) to 9.6 per cent of GDP in 2020, expected to decrease to 8.3 under the 2021 budget law. Similarly, the public debt increased sharply to 77.8 per cent of GDP in 2020, was estimated to have risen to 85.6 per cent in 2021 and is projected to decrease to 82.6 per cent in 2022, mainly driven by external borrowing.
3. According to the Social Expenditure Monitor (SEM), total public social expenditure as a share of GDP was 21.1 per cent in 2021, compared to 23.4 per cent in 2020. Total public social expenditure as a share of total central government expenditure increased slightly to 62.9 per cent in 2021, against 62.2 per cent in 2020.
4. Around 81 per cent of social expenditure was current expenditure in 2020. This reveals insufficient expenditure on building essential infrastructure or investing in more productive sectors that contribute to growth and human development (such as building schools, hospitals, roads).
5. Education expenditure increased to 34.3 per cent of total social expenditure in 2020 and remained the largest share of total public social expenditure, followed by social protection, subsidies and support to farms at 29 per cent. The large share of social protection is mainly explained by expenditure on basic income support and food subsidies. Public expenditure on other social policy areas such as social assistance and social insurance for vulnerable populations, support for children and families and support for farms was low.
6. The pattern of public expenditure also shows that spending on health and nutrition and housing (as a share of total social expenditure) has been relatively stagnant over the past decade. Strikingly, public expenditure on labour market interventions and employment generation programmes, environmental protection, and arts, culture and sports remained insignificant. More investment is needed towards these critical social policy areas to accelerate inclusive and sustainable development.
7. The breakdown of social spending across the seven social policy areas under SEM reveals the country's spending pattern and identifies room for potential recalibration towards neglected areas. For instance, the bulk of spending on education targets primary and secondary education, leaving other crucial areas of education such as early childhood education and post-secondary skill training in need of spending.
8. Spending on crucial health indicators such as outpatient services, reproductive

- healthcare, discrimination against women and gender-based violence has been largely insignificant.
9. The bulk of the expenditure on housing, connectivity and community amenities was oriented mainly towards urban commuting and rural connectivity, community development and water supply networks and reservoirs, while housing received among the lowest share of spending and remains a key challenge for Tunisia.
 10. Labour market interventions and employment generation programmes have received low shares of public expenditure over the past years. Employment generation programmes including monitoring and follow-up received the highest share of 1.7 per cent of the total budget in 2020 while training and upskilling, including on technology (on the job), research on labour market programmes and policies, female employment, grants and other incentives to private enterprises/start-ups for job creation have received the smallest shares of public spending on the labour market, at a time when Tunisia is facing high unemployment and demand for jobs, particularly among young people and women.
 11. Arts, culture and sports is one of the social policy areas which has received the lowest allocation of public expenditure over the past decade. Expenditure on research and development activities remained insignificant at less than 1 per cent of the total annual central budget, which limits innovation, research and development, which are essential for the development of human capital and dynamic economies.
 12. In terms of targeting populations groups, households/families received a large share of the total budget at 14.8 per cent in 2020 due to various social interventions including cash transfers, subsidies and basic income support during the pandemic. Similarly, children were the target group of 14.5 per cent of the budget given the significant expenditure on primary and secondary education. However, expenditure on early childhood development remained insignificant.
 13. Specific social programmes for young people and adults accounted for 8.9 per cent of public expenditure in 2020, mainly resulting from the Government's allocations to labour market interventions and employment generation programmes (grants and other incentive to SMEs and private job creation and training and upskilling), and art, culture and sports.
 14. Social expenditure targeting older persons, women and specific vulnerable populations (persons with disabilities, sickness, survivors, the socially marginalized or at risk of social exclusion, refugees and immigrants) received the bare minimum from social programmes, highlighting the need to better target social expenditure towards these disadvantaged groups.
 15. In terms of the efficiency of social spending in achieving inclusive human development, proxied by the Inequality-adjusted Human Development Index (IHDI), Tunisia's score is 0.57, strikingly below the efficiency frontier. Similarly, the efficiency score is less than the Arab region average of 0.60 and the global average of 0.71. The low efficiency of overall social expenditure is a manifestation of inefficiencies in education and environmental protection while Tunisia performs significantly better in social protection (score of 1) and housing and health.
 16. Policy simulations suggest that if Tunisia held total social expenditure unchanged and improved its efficiency to match the high-income country average, its score on the Inequality-adjusted Human Development

- Index would increase by 34 per cent, from 0.58 to 0.668. If the level of social expenditure was raised to the global mean of 16.6 per cent of GDP in combination with improved efficiency, its score would further increase to 0.675. This would raise Tunisia's world ranking on the index from 77th to 60th out of 152 countries.
17. At the sectoral level, improving efficiency in education expenditures could save nearly TND 2 billion without any change in outcome. Tunisia has high expenditure on education at 6.7 per cent of GDP, exceeding the average of high- and middle-income countries (4.9 per cent and 4.2 per cent, respectively) as well as the global average of 4.3 per cent. If Tunisia kept the same level of overall expenditure and improved its efficiency to match the average efficiency of middle-income countries, expected years of schooling could increase by 15 per cent, from 10.3 to 11.9 years. If Tunisia matched the global average for efficiency in education spending, its expected years of schooling would increase by 46 per cent, from 10.3 to 12.3, with unchanged expenditure. Meeting the global average could also reduce education expenditures by 27 per cent or TND 2 billion while maintaining current expected years of schooling.
 18. Guided by the vision of improving a public financial management system (PFM), Tunisia has succeeded in implementing several planning and budgeting reforms to enhance the effectiveness of social expenditure, ensure the most effective and efficient use of resources and enable it to support the fiscal policies it needs. Before 2019, public finance management in Tunisia was focused only on inputs and uses rather than the costs of achieving social policies objectives based on results-based budgeting.
 19. After 2019 and to improve fiscal stability, public expenditure efficiency and delivery, major innovations in terms of fiscal management were adopted to improve fiscal transparency, accuracy, budgeting and monitoring of resource uses in budget laws, sectoral MTBFs and MTEFs, monitoring of borrowing and financial transactions, mid-year budget execution reports, annual performance plans (APPs) with Finance Discharge bills (*loi de règlement*); balance sheets of public corporations including transfers from the Government; estimates and monitoring of tax expenditures; regional distribution of investment; and the expansion of the Parliament's right to receive information.

Annex 1. Summary of strengths and weaknesses of PFM in Tunisia, PEFA 2016

Pillar	Indicators	Rating (2015)
I. Budget reliability	1 Aggregate expenditure outturn	B
	2 Expenditure composition outturn	D+
	3 Revenue outturn	D
II. Transparency of public finances	4 Budget classification	C
	5 Budget documentation	B
	6 Central government operations outside financial reports	C+
	7 Transfers to subnational governments	D+
	8 Performance information for service delivery	C+
	9 Public access to fiscal information	D
III. Management of assets and liabilities	10 Fiscal risk reporting	C
	11 Public investment management	A
	12 Public asset management	D+
	13 Debt management	B+
IV. Policy-based fiscal strategy and budgeting	14 Macroeconomic and fiscal forecasting	B
	15 Fiscal strategy	D+
	16 Medium-term perspective in expenditure budgeting	D
	17 Budget preparation process	C+
	18 Legislative scrutiny of budgets	C+
V. Predictability and control in budget execution	19 Revenue administration	B
	20 Accounting for revenue	D+
	21 Predictability of in-year resource allocation	B+
	22 Expenditure arrears	C+
	23 Payroll controls	C+
	24 Internal controls on non-salary expenditure	A
	25 Internal audit	D+
VI. Accounting and reporting	26 Financial data integrity	C+
	27 In-year budget reports	C+
	28 Annual financial reports	C+
	29 External audit	D+
	30 Legislative scrutiny of audit reports	D+

Source: Tunisia, Public Expenditure and Financial Accountability (PEFA) 2016.

Annex 2. Input and output variables for assessing the efficiency of social expenditure

	Input variable	Output variable
Social expenditure	Total social expenditure	Inequality-adjusted HDI
Education	Overall education expenditure	Expected years of schooling
	Pre-primary, primary, and secondary education	Pupil-teacher ratio, primary
	Tertiary education	Pupil-teacher ratio, tertiary
	R&D education	Harmonized test scores
Health	Overall health expenditure	Life expectancy at birth, total years
	Outpatient services	Mortality from CVD, cancer, diabetes or CRD between exact ages 30 and 70
	Hospital services	Mortality rate, infant per 1,000 live births
	Public health services	Prevalence of anemia among pregnant women
Housing and community amenities	Overall housing and community amenities expenditure	Population living in slums, percentage of urban population
Social protection	Overall social protection expenditure	Prevalence of undernourishment
	Older persons	Proportion of population above statutory retirement age covered by benefit
	Sickness and disability	Proportion of population with severe disability covered by benefit
	Family and children	Prevalence of anemia among women of reproductive age percentage of women ages 15–49
Environmental Protection	Overall environment protection expenditure	Environmental Protection Index (EPI)

Source: Gaska and others, 2021.

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Public social expenditure underpins the well-being and economic potential of individuals and entire societies. Fiscal space and sustainability pressures have been mounting in the Arab region, including Tunisia, emphasizing the need to invest in structural transformation, human development and the Sustainable Development Goals (SDGs). However, a key challenge in the region is the ability to target public expenditure in line with fiscal sustainability and social development priorities. It is not just a mere increase in total public expenditure that would necessarily improve social and human development outcomes, but if expenditures can be mapped to key social development priorities and beneficiaries, by aligning to the SDGs where possible, the impact on social and human development outcomes would be much clearer. Without a proper tool to map public social expenditure in its entirety, the current way of managing expenditure to meet aspirations is unsustainable and risks failing to achieve the SDGs.

A comprehensive mechanism that monitors social expenditure, such as the Social Expenditure Monitor (SEM), helps ensure a more efficient and effective budget allocation towards achieving the socioeconomic priorities and SDGs. Using the SEM, this policy paper analyses the major trends and patterns of social expenditure allocations in public budgets of Tunisia and assesses their efficiency. The paper recommends important policy conclusions such as improving monitoring and governance of social programmes to improve the equity, efficiency and effectiveness of social policy; enhancing fiscal space for increasing social expenditures in critical areas of social policy such as quality education, health and ecological transitions that improve resilience to systemic shocks; reprioritizing allocations to critical social policy areas with balanced mix of expenditures towards improving human development, human capital and economic growth; and modernizing the public transfer system in order to ensure transparency, efficient and quality service delivery, and better target needy and vulnerable populations.

