TUNISIA

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOWER MIDDLE INCOME

LOCAL CURRENCY: TUNISIAN DINAR (TND)

POPULATION AND GEOGRAPHY

Area: 163 610 km^2
Population: 11.532 million inhabitants (2017), an increase of 1.2% per year (2010-2015)
Density: 70 inhabitants / km^2
Urban population: 68.6% of national population
Urban population growth: 1.6% (2017 vs 2016)
Capital city: Tunis (19.9% of national population)

ECONOMIC DATA

GDP: 137.4 billion (current PPP international dollars), i.e. 11 911 dollars per inhabitant (2017)
Real GDP growth: 2.0% (2017 vs 2016)
Unemployment rate: 15.4% (2017)
Foreign direct investment, net inflows (FDI): 809.7 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 19.7% of GDP (2016)
HDI: 0.735 (high), rank 95 (2017)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

Tunisia is a semi-presidential Republic, whereby the President is the Head of State and is directly elected for a 5-year term. Legislative power is led by a unicameral parliament – the Assembly of Representatives of the People - whose members are elected by universal suffrage for a 5-year term. Since the 2010 revolution, the country has experienced major political changes. These changes subsided somewhat when a new constitution was drafted and then adopted in January 2014 by the Assembly, which had been created in October 2011.

Tunisia is a unitary decentralised country, with a two-tier system of subnational government, composed of regions and municipalities. Decentralisation and local government autonomy are enshrined in the 2014 Constitution, which marked a new era in the decentralisation process. Today, the decentralisation process is recognised as a fundamental basis for the organisation and distribution of power. It aims to increase political, administrative and financial competences for elected local and regional governments so they can become proactive players in planning, implementing and delivering infrastructure and services at regional and local levels. One objective of the decentralisation policy is also to devolve power from the capital to the interior regions and correct economic and social disparities between the wealthier coastal regions and more deprived interior areas of the country.

The Constitution devotes an entire chapter (Chapter VII, articles 131 through 142) to local government, specifying the principles of self-governing local councils, independent administration, and the financial autonomy of the local government units. According to Art. 131, "Local government is based on decentralisation. Decentralisation is achieved through local authorities comprised of municipalities, districts, and regions covering the entire territory of the Republic, and the legal personality as well as financial and administrative independence." Municipal and regional councils are elected through universal suffrage while district councils are elected by the members of municipal and regional councils. The provisions of the Constitution are being implemented.

At regional level, the regional councils are not yet fully self-governing regions but consultative entities attached to the 24 State "deconcentrated regions" called "governorates". Governors in the deconcentrated system (*walis*) are appointed by the central government, and are at the same time presidents of the regional councils. While governors do not have voting rights in regional councils, in practice their advice tends to be systematically followed. Consequently, Regional Councils are both decentralised and deconcentrated entities. In 2016, the governorates were themselves divided into 273 delegations or districts (*iklim*). Yet the constitution does not name or define the attributions of these "district councils", which have not been implemented.

At municipal level, a major step was taken, in April 2018, through the adoption of the Code of Local self-government (*Code des collectivités locales*). The code took effect on 1 January 2019. The new code is an Organic law (no. 48 of 2017) that governs the entire decentralisation process. It repeals the Organic Law no. 75-33 of 14 May 1975 regarding the status of the municipalities and law no. 75-35 of 14 May 1975 regarding the budget of local authorities. The code aims to bring more autonomy to the local governments, both in terms of assigned competencies and financial autonomy.

Following the adoption of the regional and local electoral law in 2018, the first local elections since Tunisia's authoritarian regime was overthrown in a 2011 took place on 6 may 2018. Members of the local councils were elected through a closed-list, proportional representation system with an electoral threshold of 3% (between 2011 and 2017, municipal councillors were appointed by the national government). The local councils are the primary decision-making bodies. The mayor is elected from the members of the municipal council for a five-year term.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	350 municipalities *(Communes)*		24 governorates (Wilayas/ *Gouvernorats/Regions)*	
	Average municipal size: 32 949 inhabitants			
	350		**24**	**374**

OVERALL DESCRIPTION. Following the adoption of the new Code of local self-government, Tunisia has 24 governorates and 350 municipalities.

REGIONAL LEVEL. The 24 regions are very diverse in terms of area, demographic size and especially socio-economic development. The smallest region had 111 000 inhabitants in 2016 (Tozeur) while the largest had 1 067 000 inhabitants (region of Tunis). While reducing regional economic and social disparities in Tunisia has been a key objective for many years, activity remains highly concentrated in coastal regions, and inequalities in living standards remain very large by international standards. Since 2011, the government has restated the priority given to regional development, and the Strategic Development Plan 2016-2020 seeks to close the gap through a process of "positive discrimination", which is enshrined in the 2014 Constitution.

MUNICIPAL LEVEL. The territorial reform enacted between 2014 and 2018 resulted in the creation of 86 new municipalities, bringing the total number of municipalities from 264 to 350. In fact, before the reform, more than 50% of the national territory was "non-municipalised". It was thus decided to create these 86 municipalities and expand the territory of several others. On average, Tunisian municipalities are large, having around 33 000 inhabitants in 2016, to be compared to 9 700 in the OECD or 5 900 in the EU28. However, disparities are important, the size ranging from 784 habitants (Beni M'Tir) to almost 638 000 inhabitants in Tunis. However, Tunis, whose size has increased significantly, now extends largely beyond administrative boundaries. The "Grand Tunis" consists of the urban populations in the Governorates of Tunis, Ariana and Ben Arous, accounting for 2.291 million inhabitants, i.e. almost 20% of the national population. The municipality of Tunis is divided into 15 municipal districts. As for the regions, strong disparities exist among municipalities. In particular, coastal municipalities tend to be better-off than inland municipalities.

Two or more municipalities may enter into agreements on matters of common interest in order to carry out projects, deliver services or operate public equipment/facilities. These agreements must be approved by the governor of the region, when the municipalities belong to the same governorate, and by the minister of the interior when the communes belong to two or more governorates.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

Prior to 2019, the competencies of SNGs in Tunisia were regulated by the Organic Law no. 75-33 of 1975, amended in 2006, which assigned limited competencies to the regional councils and municipal governments. This Organic law was repealed by the new Code of Local Self-Government on 1 January 2019. The new Code defines subnational governments' own, shared and transferred competencies. Own competencies of municipalities encompass primarily urban planning and infrastructure projects, most of which were already assigned to them through the Organic Law of 1975. Municipalities have shared attributions in economic development, urban transport, and maintenance of schools and primary health establishments. Transferred competencies include the construction and maintenance of health institutions, educational establishments, cultural works and sports facilities.

The regional level of government is notably responsible for preparing and implementing the regional development plan. Governorates also have shared competences in support of cultural and sport activities, preservation of natural zones, urban transport, and transferred responsibilities for the maintenance and development of public buildings and facilities located in the region, and the strengthening of economic, agricultural and industrial activities of a regional nature.

Greater devolution of responsibilities to regional and local self-governing bodies is gradually planned as part of the regional development strategy.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	REGIONAL LEVEL	MUNICIPAL LEVEL
1. General public services	Internal administration	Internal administration
2. Public order and safety		
3. Economic affairs/transports	Organisation and support of non-urban transport; Urban transports and distribution channels	Construction and maintenance of roads and sidewalks; Municipal markets; Public buildings and facilities; Urban transport and economic development (shared)
4. Environmental protection	Environmental protection	Parks and green areas; Waste management
5. Housing and community amenities	Territorial planning; Elaboration of the regional development plan	Public lighting; Urban planning, Street cleaning
6. Health		Promotion of hygiene; Primary health establishments (shared)
7. Recreation, culture & religion	Culture; Sport; Youth activities	Promotion and management of cultural activities
8. Education		Maintenance of schools (shared)
9. Social protection		

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: regional councils and municipalities.	SNA 2008	Availability of fiscal data: **Low**	Quality/reliability of fiscal data : **Low**

GENERAL INTRODUCTION. Subnational government finance is regulated by Law no. 97-11 of 1997, which promulgated the Local Tax Code, most recently amended in 2015. The governorates are mainly funded by transfers from the central government while tax revenue is only levied at the municipal level. The new 2019 Code of local governments enables municipalities to set taxes and royalties. It grants local governments various rights related to public properties (streets, public squares, green spaces and others).

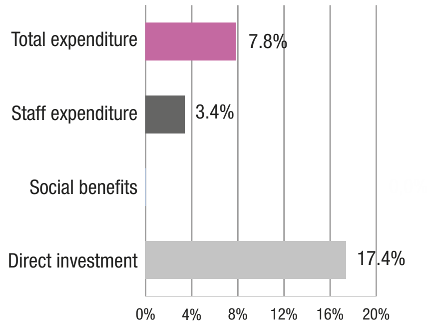
TUNISIA

UNITARY COUNTRY

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE
Total expenditure	**241**	**2.1%**	**100%**
Inc. current expenditure	97	0.8%	40.4%
Staff expenditure	58	0.5%	24.0%
Intermediate consumption	30	0.3%	12.4%
Social expenditure	0	0.0%	0.0%
Subsidies and current transfers	0	0.0%	0.0%
Financial charges	4	0.0%	1.5%
Others	6	0.1%	2.5%
Incl. capital expenditure	144	1.2%	59.6%
Capital transfers	81	0.7%	33.7%
Direct investment (or GFCF)	62	0.5%	25.9%

% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)



EXPENDITURE. In 2016, SNG expenditure reached 2.1% of GDP and 7.8% of general government expenditure, against 1.6% and 4.3% in 2012. This level is well below the OECD average of unitary countries in 2016 (9.2% of GDP and 28.7% public expenditure) as well as the EU28 average (15.5% of GDP and 33.4% of public expenditure).

DIRECT INVESTMENT. Capital expenditure (59.6%) outweighs current expenditure (40.4%), as SNGs are key players in public investment. The share of direct investment in SNG expenditure is also marked, and above the OEDC and EU28 averages (respectively, 10.7% and 8.7% of SNG expenditure in 2016). It shows that SNGs have few management responsibilities in areas requiring substantial current spending. It also shows that SNGs play more of an investment role. However, SNG involvement in public investment is low, well below the OECD average for unitary countries (50.7%) and the EU28 average (51.6%). The share in GDP is also small: 0.5% vs 1.7% in the OECD and 1.4% in the EU28. SNG investment in Tunisia is primarily dedicated to municipal waste management, road construction and maintenance and sewage systems. The decree 2014-3505 sets the framework for the new system of financing of local investments, through loans and subsidies.
Stimulating investment is a major objective of the government, as indicated in the 2016-2020 Development Plan, and development agencies are being set up in each governorate. There are currently three regional development offices, which each manage four governorates, and one commission in charge of the remaining ones, including Tunis. The 2015 law on public-private partnerships (PPP) gives local governments the power to enter directly into PPPs as a means of boosting the local economy and developing social infrastructure projects.

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

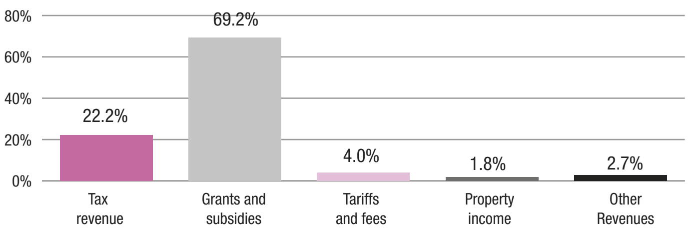
Municipal solid waste management, road construction and maintenance account for a large share of total municipal spending (recurrent and capital). In Tunisia, little spending on social protection is decentralised and most basic services are managed by public agencies, at the deconcentrated governorate level: water, transport, electricity, education and health.

% GDP | % SNG EXPENDITURE

SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERMENT REVENUE (SAME REVENUE CATEGORY)
Total revenue	**242**	**2.1%**	**6.4%**
Tax revenue	54	0.5%	2.2%
Grants and subsidies	168	1.4%	
Tariffs and fees	10	0.1%	
Property income	5	0.0%	
Other revenues	7	0.1%	

% SNG REVENUE



OVERALL DESCRIPTION. In 2016, SNGs in Tunisia were primarily financed through intergovernmental grants, which amounted to 69% of their total revenues, well above the OECD average for unitary countries (48.8%) and above the EU28 average (44.1%). Other local revenue came from tax revenues, tariffs and fees for the use of services, and property income. Tax revenue (levied only by municipalities) accounted for 22% of SNG revenue in 2016, to be compared to 38.7% in OECD unitary countries and 41.1% in the EU28. The reforms associated with the new Code of local self-government are expected to bring more own-source revenues to SNGs in the future. Regional councils represent 9.7% of current revenues of SNGs in 2016, against 90.3% for communes, but they represent two-thirds of capital revenues (72% in 2016 against 27.4% for communes), coming mainly from equipment grants from the State.

TAX REVENUE. Tax revenues essentially go to municipalities, as there are no specific taxes payable to the governorate regional councils. The share of tax revenue in SNG revenue has increased significantly since 2012 (+58%), with the introduction by the 2013 Fiscal Law of significant changes to the municipal tax system, such as the increase of the TCL and TIB bases. In 2016, tax revenue accounted for 2.1% of GDP and 2.2% of public tax revenue, much below the OECD average for unitary countries (4.7% of GDP and 19.8% of public tax revenue) and the EU28 (6.4% of GDP and 24.0% of public tax revenue).
Municipal taxes include, notably, the tax on industrial, commercial and professional establishments (TCL), the property tax on buildings (TIB), the property tax on undeveloped land (TNB, with a tax rate of 0.3% set by decree), the hotel tax (rate of 2% also set by decree), and the tax on entertainment (rate of 6% set by decree). In 2012, the maximum tax limit of the TCL was removed, which incurred an increase of fiscal resources for the major cities of Tunisia, and Tunis in particular. The property and real estate taxes on built and undeveloped land are still under-exploited, due to census defects combined with low collection rates (around 20% of the amounts are effectively raised). Overall, property taxes accounted for around 15% of SNG tax revenue, 3% of SNG revenue and 0.1% of GDP (to be compared to 1.1% of GDP in the OECD in 2016).
Local governments have very low autonomy over tax bases and rates. Municipalities cannot create new taxes or fees, but they can, in some cases, set the tax base. They have some leeway on the TIB reference price and the TNB tax base, which they can set within limits set by national decree, yet this has been scarcely used as most communes set the price within the lowest range. Decrees enacted in 2017 reviewed the tax bases of many local taxes. Taxes are collected by deconcentrated state services.

GRANTS AND SUBSIDIES. The system of intergovernmental transfers in Tunisia is regulated by Art. 135, 136 and 141 of the 2014 Constitution, which states that the devolution of competences to SNGs must be accompanied by corresponding transfers of resources. Grants are thus a prime source of revenue for regional councils, as they represented 96% of their revenue in 2016, against 45% for municipalities.
SNGs first receive lump-sum grants from the Common Fund for Local Authorities (*Fonds Commun des Collectivités Locales* - FCCL). The FCCL was established by law no. 75-36 of May 1975 and has been funded through the national budget since 1988. The Fund provides annual general-purpose grants to support operating budgets of SNGs, in particular municipalities, which are entitled to 86% of the transfers while the regional councils receive 14%. 82% of FCCL resources are transferred to SNGs while the remaining 18% is allocated to other beneficiaries. The fund allocation is based on a formula which takes into account a base value (10% of the total share for municipalities and 25% for regional councils), the size of the municipal population (respectively 45% and 75%), the municipality's property tax collection in the previous fiscal year (37%) and a remaining 8% aiming at equalising municipal revenues. Transfers from the FCCL are dedicated to the operating budget of SNGs, to finance current expenditures only. Due to severe regional imbalances, approximately 18 municipalities capture 50% of the total resources.
Other transfers include equipment grants through the Municipal Development Fund (or *Caisse des Prêts et de Soutien aux Collectivités Locales*), as well as capital transfers from sectorial ministries to finance investment programs on a case-by-case basis, which constituted up to 22% of transfers to regional councils in 2016.
A new equalisation mechanism, the Cooperation Fund of Local Authorities (*Fonds de Coopération entre les Collectivités Locales*), was introduced by the 2013 Fiscal Law. This Fund is composed of resources from the TCL and the surtax on electricity consumption. It is divided between municipalities, regional councils and the Capital City of Tunis according to criteria based on population and resources.

OTHER REVENUES. SNGs collect a variety of user charges and fees, including licensing fees on beverage outlets, a series of tariffs applied to marketplaces, parking fees, building permits, etc. SNGs can set the tariffs of some of these charges within limits set by the central government. SNGs collect rents from public properties. In 2012, property income accounted for 2% of SNG total revenue while tariffs and fees contributed to 1% of total revenue.

SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
Total outstanding debt				
Financial debt*				

* Currency and deposits, loans and bonds

FISCAL RULES. Art. 14, 20, 26 and 30 of the Budget Law 2007-65 require that local governments have balanced budgets on an annual basis. In case of non-compliance, Art. 30 states that there may be individual sanctions. An independent body, the *Institution Supérieure de Contrôle*, is in charge of monitoring and auditing the local budgets, but its efficiency is limited by the lack of standardised accounting. A General Code of Conduct for Public Officials was released in 2014 to improve the delivery of public services at all levels of government.

DEBT. Local borrowing is authorised only to finance investment projects ("Golden Rule"). Loans for investment and capital goods are taken out from the Municipal Development Fund or *Caisse des Prêts et de Soutien aux Collectivités Locales* (CPSCL), under the authority of the Ministry of Local Affairs and of the Environment. The loans are granted upon the approval and thorough analysis of central authorities. In 2016, the CPSCL loans to local governments amounted to approximately 91.36 million Tunisian dinars (TND), a reduction of approximately 8% compared to 2015 (TND 99.30 million in 2015). As of 2017 however, the total municipal debt amounted to TND 150 million, obtained not just through the CPSCL, but also other private and public institutions. The Public Expenditure and Financial Accountability (PEFA) report on a sample of seven municipalities also points to the limited monitoring and evaluation of loans. In 2016, the Tunisian government took out a TND 100 million loan from the African Development Bank with the aim of remediating the financial insolvability and structural indebtedness of 65 municipalities and thereby reinforcing their creditworthiness.

SNGWOFI
World Observatory on Subnational Government Finance and Investment

Lead responsible: OECD
Last update: 02/ 2019

www.sng-wofi.org

Socio-economic indicators: World Bank // UNDP // UN Desa // ILO // Institut National de Statistiques de Tunisie (INS)
Fiscal data: Dafflon B. and Gilbert G. (2018), L'économie politique et institutionnelle de la decentralisation en Tunisie, état des lieux, bilan et enjeux – AFD // Tunisian Ministry of Finance // OECD (2018) Subnational Government in OECD countries: key data (brochure and database).
Other sources of information: Dafflon B. and Gilbert G. (2018) L'économie politique et institutionnelle de la decentralisation en Tunisie, état des lieux, bilan et enjeux - AFD // S. Yerkes and M. Muasher (2018) Decentralisation in Tunisia : Empowering Towns, Engaging People, Carnegie Endowment for International Peace // World Bank (2018) Tunisie – Evaluation PEFA 2015-2016 // OECD (2018) OECD Economic Surveys: Tunisia 2018 // ITCEQ and ILO (2017) Tunisian government's five-year plan // POMED project on Middle East Democracy (2018) Tunisia's Municipal Elections - The View from Tunis // Caisse des Prêts et de Soutien aux Collectivités Locales (2016) Etats financiers arrêtés au 31/12/2016 et extrait du rapport du commissaire aux comptes