

TUNISIA

UNITARY COUNTRY

AFRICA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - **LOWER MIDDLE INCOME** Local currency - **Tunisian dinar (TND)**

POPULATION AND GEOGRAPHY

AREA: **163 610** km²

POPULATION: **11.116** million inhabitants (2014),
an increase of 1.1% per year (2010-14)

DENSITY: **68** inhabitants/km²

URBAN POPULATION: **66.6%** of national population

CAPITAL CITY: **Tunis** (17.8% of national population)

Sources: OECD, World Bank, UNDP, ILO

ECONOMIC DATA

GDP: **125.8** billion (current PPP international dollars)
i.e. 11 312 dollars per inhabitant (2014)

REAL GDP GROWTH: **2.7%** (2014 vs 2013)

UNEMPLOYMENT RATE: **15.3%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **1 005** (BoP, current
USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **22%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.721** (high), **rank 96**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL*	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
264 162 MUNICIPALITIES (COMMUNES) AVERAGE MUNICIPAL SIZE: 42 110 INHABITANTS	-	24 REGIONAL COUNCILS* (CONSEILS RÉGIONAUX)*	288

* Not yet fully self-governing regions but consultative entities attached to "deconcentrated regions" (governorates). However, a decentralisation process is on-going.

MAIN FEATURES OF TERRITORIAL ORGANISATION. Tunisia is a constitutional republic with a two-tier system of local government, composed of 24 regional councils and 264 municipalities. The regional councils are not yet fully self-governing regions but consultative entities attached to the 24 State "deconcentrated regions" called "governorates" which are themselves subdivided into 264 delegations. 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. Following the 2011 January Revolution, a new Constitution came into force in Tunisia in January 2014, opening a decentralisation agenda (article 14, Chapter VII) with a strong commitment towards the empowerment of SNGs. 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 in order that they become proactive players in planning, implementing and delivering infrastructure and services at regional and local levels. A draft bill on decentralisation and local elections is being discussed.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. To date, regional councils have very few responsibilities. They elaborate regional development and coordinate national programmes that are decided at ministerial level. Municipalities also have limited responsibilities. They are responsible for some administrative services, construction and road maintenance, street cleaning and lightning, waste collection, drainage, environmental protection, urban parks, some cultural and sports facilities, food markets, etc.

SUBNATIONAL GOVERNMENT FINANCE

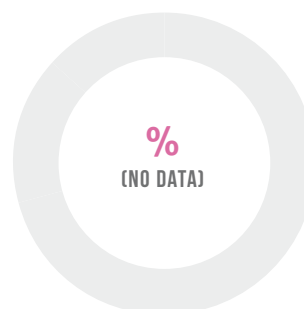
EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	1.6%	4.3%	100%
CURRENT EXPENDITURE	0.8%	-	49.7%
STAFF EXPENDITURE	0.5%	3.7%	29.2%
INVESTMENT	0.8%	30.3%	50.3%

Tunisia is still a centralised state with SNGs playing a minor role in the economy and the provision of public services. Moreover, there has been a downward trend in the relative weight of municipal expenditure between 2002 and 2012. SNGs also have a minor role in investment although investment represents half of their budget and 30% of public investment. In fact, SNGs are more "paying agents", investing on behalf ministries and specialised agencies under their supervision ("*tutelle*" structure).

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE

- GENERAL PUBLIC SERVICES
- DEFENCE
- SECURITY AND PUBLIC ORDER
- ECONOMIC AFFAIRS
- ENVIRONMENTAL PROTECTION
- HOUSING AND COMMUNITY AMENITIES
- HEALTH
- RECREATION, CULTURE AND RELIGION
- EDUCATION
- SOCIAL PROTECTION



Municipal solid waste and street networks (both construction and maintenance) account for nearly 80% of total municipal spending (recurrent and capital). Little spending in the area of social protection is decentralised.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2012)	2.1%	6.5%	100%
TAX REVENUE	0.4%	2.0%	20.0%
GRANTS AND SUBSIDIES	1.6%	-	75.8%
OTHER REVENUES	0.1%	-	4.2%

The main source of funding comes from central government transfers which represented 76% of SNG revenue in 2012 while tax and other non-tax revenues accounted for 24% of SNG revenue. Regional councils have no tax revenue and are mainly funded by transfers. An important reform of subnational finance was undertaken in the framework of the decentralisation process.

TAX REVENUE. Municipal taxes include taxes on industrial and commercial activities (53% of tax revenues), property taxes (rental value tax on housing paid by owners and the tax on unbuilt land, both representing 15% of tax revenue i.e. less than 0.1% of GDP), hotel tax and market tax.

GRANTS AND SUBSIDIES. Transfers from the central government to SNGs are organised mostly through the Common Fund for Local Authorities (*Fonds Commun des Collectivités Locales* or FCCL), a fund created by the Law 75-36 of May 1975 and funded through the national budget since 1988 to provide annual general purpose grants to support operating budgets. According to the FCCL law, 82% of FCCL resources are transferred to SNGs while the remaining 18% is kept as fund reserves. Municipalities receive 86% of SNG share and the regional councils, 14%. The allocation to municipalities is done annually according to a formula (10% distributed to all municipalities; 45% allocated according to municipal population; 41% allocated according to past years' property tax revenue; 4% aim at equalising municipal revenues). Other transfers to municipalities include capital transfers to finance investments on a case-by-case basis from sectorial ministries. These capital grants are also usually linked to municipal borrowing from the Municipal Development Fund (CPSCS, see below).

OTHER REVENUES. Other SNGs revenues include revenue from properties (rents) and from user charges and tariffs (in particular on marketplaces). Municipalities draw around 10% of their current revenue from municipal property.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	-	-

In order to finance local investments, municipalities can contract loans from Municipal Development Fund (*Caisse des Prêts et de Soutien aux Collectivités Locales*, CPSCS), a separate entity under the authority of the Ministry of the Interior and the Ministry of Finance which provides SNGs with access to credit but also to central government funding for financing municipal investments (loans and capital grants). Investments projects are analysed from a financial perspective by central authorities before approval.

The financial state of numerous municipalities is considered to be of concern, with high levels of outstanding debt resulting both from the loans contracted from the CPSCS and for non-payments to suppliers. 30 municipalities are in a chronic state of over-indebtedness.

A joint- study of:



Sources: IMF (2013) Government Finance Statistics • Institut national de Statistiques de la Tunisie (2013) Annuaire statistique de la Tunisie 2008-2012 • World Bank (2015) Note d'orientation sur le financement des collectivités locales • World Bank (2014) Program Appraisal Document on a Proposed Loan to the Republic of Tunisia for the Urban Development and Local Governance Program • Turki S.Y. and Verdeil E. (2013) La décentralisation en Tunisie, Lebanese Center for Policy Studies • UCLG (2015) Observatory of democratic governance in the Mediterranean, Tunisia • Anja Linder (2013), Key Challenges and Opportunities for Budget Transparency in Tunisia, IBP Policy Note • Portail des collectivités locales de Tunisie : <http://www.collectiviteslocales.gov.tn>.