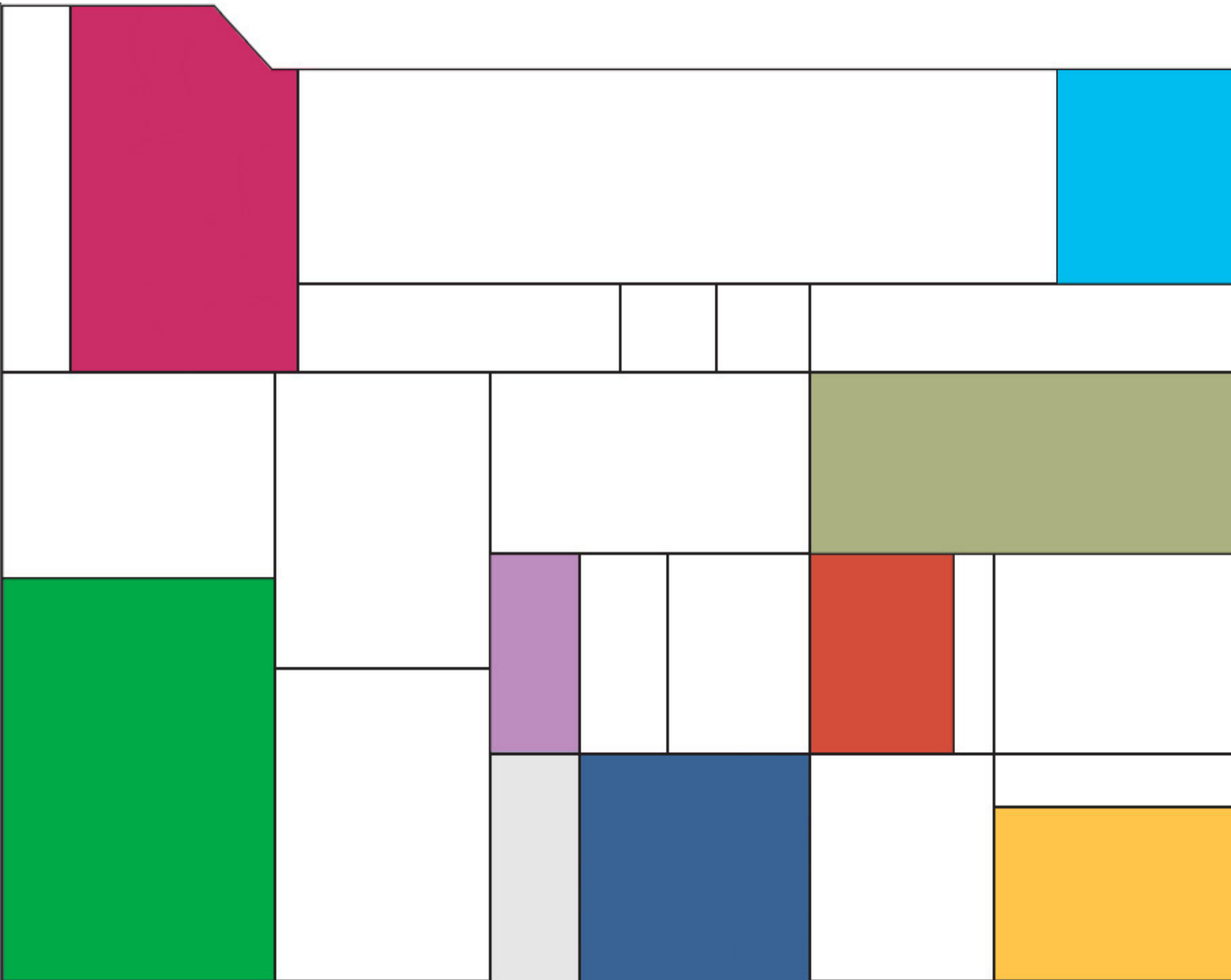




Strengthening Fiscal Transparency for Better Public Governance in Tunisia



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*A Report Prepared by
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Summary

In 2011, the Tunisian people ended a long dictatorship and put forth a very strong demand for democracy, good governance and transparency, to which the new government is seeking to positively and quickly respond. While the 1959 Constitution was suspended, most of the previous laws were retained by the provisional transitional parliamentary regime that was established. The Revolution has brought to light all of the country's macroeconomic weaknesses and has had a significant impact on budget preparation. The new government has nonetheless been able to control its financial and budgetary situation. It should also be noted that the shift in financial governance towards performance-based budgeting (PBB) began some twenty years ago and has accelerated since 2004.

Budgetary Principles and the Budget Concept

Tunisia has gone from using the concept of “budget” to that of “Finance Act” (FA), which encompasses the various legal provisions related to State revenues and expenditures, the modalities of their enforcement and control, as well as the State budget. The incorporation of the budget into the broader economic framework is accomplished by linking together the Economic and Social Development Plan and the economic budget.

Tunisian budget law is governed by the principles of annuality, unity, universality, specification, and accounts balance. Adhering to these principles, the legislative branch controls the executive's compliance with the authorisations granted to it to collect and spend.

Proposals

- Provide, in addition to the Draft Finance Act (DFA), a report on economic, social, and financial prospects. This document would specify the assumptions on which the government is relying for the next four years, thereby increasing the degree of budget transparency and accuracy.
- Draft a report, to be presented by the government to Parliament, which sets the level of compulsory levies over the next two years.

Budget Preparation

Budget preparation is the sole responsibility of the government through its administration, with no information or contribution made by Parliament in the process. In addition, the Draft Finance Act does not present a complete picture of the economic situation and public expenditures, and the excessively narrow definition of expenditure

authorisations limits the government’s capacity to adapt to changes in the socioeconomic context.

Proposals

- Create a budget debate prior to the government’s drafting of the Draft Finance Act in order to examine the main features of policy action, as well as to provide a budgetary multiannual perspective and a complete picture of the country’s economic situation.
- Improve the Draft Finance Act by relying on credible macroeconomic assumptions, in terms of both revenues and expenditures, and by incorporating a realistic level of compulsory expenditures.
- Specify at which level the budgetary principle of specification of appropriations applies in the Draft Finance Act.
- Manage more strictly the time allotted to the question-and-answer session between government and Parliament, and make sure the administration enforces it.

Budget Review and the Role of Parliament

Under the 1959 Constitution, the Chamber of Deputies and the Chamber of Advisors used to examine and adopt the Draft Finance Act. However, the deadline for the government to submit its Draft Finance Act was not binding, and it often did not meet it. In addition, no timeframe was specified in the Organic Budget Law (OBL) for submitting documents explaining the content of the State budget to Parliament.

The Draft Finance Act was examined successively by Parliamentary committees whose debates were not public, and then during a plenary assembly with debates open to the public and published in the *Official Gazette of the Tunisian Republic*. Television and the press covered these debates. In reality, the Parliament’s work was merely formal. Indeed, the right of amendment only existed in parliamentary committees and only applied to increasing revenues and lowering expenditures.

Under the transitional regime, the legislative and budgetary power is vested in the National Constituent Assembly (NCA). The 2013 DFA was filed late, on 26 November 2012. Moreover, neither the economic budget nor new development plan was sent to the NCA. In practice, the NCA plenary sessions and eight committees are public. The publicity of the plenary sessions is ensured, even though publication of the debates has been irregular. All the deputies have received a copy of the DFA and have been able to participate in the work of all the committees. A high number of amendments have been filed in committees and during the plenary assembly, without the government to systematically declare the unsuitability of the amendments modifying the budget balance. Henceforth, amendment proposals need to come from five members of Parliament to be declared suitable.

Generally, the human and material means to support the Parliament’s examination and evaluation of the DFA remain limited. There is no budgetary committee *per se*, nor any analysis and documentation centre in this area. Public service advisors assist the members of Parliament in each committee but their numbers and resources are limited. No formal budget analysts are employed by the political parties and lawmakers.

Proposals

- Enhance the role of parliamentary committees by giving them more material and human resources; strongly encourage the members of Parliament to participate in these committees through, for example, large pay cuts in the event of non-attendance.
- Inscribe in the law the stipulation that the chairman of the Parliament’s Finance Committee be chosen from among the parliamentary opposition.
- Endow the Chairman of the Finance Committee with the power to demand public administrations to provide him/her all the documents related to their expenditures and to compel response under threat of disciplinary sanctions.
- Ensure that the late filing of the DFA causes a parliamentary debate which could lead to a vote of no-confidence for the government.
- Provide the same mandatory filing date for the DFA and its appendixes.
- Consider giving parliamentary groups the right to propose amendments increasing expenditures.
- Ensure the best possible publicity to parliamentary work by all appropriate means (the press, Internet, radio and television), by providing current and understandable information to citizens; develop a culture of the “duty to inform” within Parliament.
- Publicise the activities of members of Parliament (meetings, activities, etc.).
- Establish a public registry of lobbyists in Parliament.

Government’s Respect of Parliamentary Authority and its Enforcement

The government must respect legislative authority over the budget. It does, however, during the course of budget execution, possess the authority to modify the amounts of appropriations and their distribution by transfers of funds or appropriations.

While specific monitoring of budget execution is not provided for, it nonetheless occurs as part of the overall control of government activity, and is performed through oral or written inquiries, the hearings of Ministers, as well as the consultations of socio-professional groups. The creation of investigative committees is also possible. The Ministry of Finance prepares a monthly report on budget execution, which is published on its website, but this report is not specifically formulated for or addressed to Parliament.

Budget Execution

Tunisian administrations in charge of fiscal management are strong and have a long tradition of respect for the rule of law and for budgetary provisions. They were not, however, able to prevent acts of embezzlement by the former regime. In addition, their operation is sometimes excessively formal.

The existence of two directorates within the Ministry of Finance – one for operations and the other for development – seems largely outmoded. For its part, the directorate of public accounting is an impressive institution with high quality agents and a vast territorial network, which will have to evolve with respect to the changing needs of the

country and the population. In addition, accounting positions are attached to other directorates, such as Customs.

Proposals

- Merge the directorates of operations and development into a single entity.
- Reflect on the implications of having different types of accounting positions that are sometimes attached to different directorates, and consider how to geographically locate them so as to better track needs.

Execution Operations

The administrative and accounting stages of spending are distinct. But the current utility of the decree on the apportionment of appropriations, which restates the provisions of the Finance Act, appears limited: it provides no details on the content of the appropriations, or on the identity of the authorising officers (*ordonnateurs*) responsible for the use of appropriations.

Proposals

- Break down the appropriations voted by Parliament into the detailed budget nomenclature.
- Attribute each appropriation line to a given authorising officer (*ordonnateur*)
- Publish rapidly the Decree on the apportionment of appropriations, for instance, within 15 days of the publication of the Finance Act.

“Fiscal Regulation”

In Tunisia, where the power of authorising expenditures is decentralised to the benefit of sectoral ministries, it is essential that the Ministry of Finance possess real fiscal regulation powers. This includes: a commitment plan tied to the cash flow plan; careful Control of Public Expenditures that respects and enforces the regulations within the ministry; and possibilities for suspending commitments, even through the cancellation of appropriations, in cases of sudden drops in revenues.

The Modification of Appropriations during the Fiscal Year

Tunisian budget law includes several options to modify, during the fiscal year, the apportionment of appropriations. These options are complex and burdensome, and could be avoided by improving budget preparation and increasing the transferability of appropriations. Moreover, the global reserve and ministerial reserves of non-allocated funds are considerable; these are used far too often to cover unforeseen expenditures as a result of either a political decision or of management difficulties.

Proposal

- To protect the integrity of the parliamentary vote, legally place ceilings (based on a fixed percentage of total approved appropriations) on the transfers, deferrals, and cancellations of appropriations the government is allowed to perform.

Transitioning from Cash-Based Accounting to General Accounting

Tunisia is currently using cash-based accounting. Such system does not allow the monitoring of events over time so as to be able to draft syntheses of the assets situation and measure outcomes. To overcome these obstacles, the country is preparing to switch to general accounting, in particular through the implementation of performance-based budgeting (PBB).

Proposals

- Guide the reform of the public accounting system towards the development of an accounting system that gives decision-makers the means to assess the exact position of the state of public finances. PBB constitutes an important aspect of such reform.
- Establish as soon as possible a general accounting system by allocating sufficient human and material resources.
- Put in place an accounting system that ensures consistency with new IAS/IFRS international accounting standards.

Budget Monitoring

The constellation of various technical accounting systems represents a significant risk factor. As Tunisia implements PBB, it must also continue to set up an information system which makes it possible for the country to have an accounting system based on the principles of general ledger accounting.

Proposals

- Assess the risks caused by the existence of numerous technical accounting systems.
- Continue the implementation of an information system that enables the operation of an accounting system based on the principles of general ledger accounting.
- Ensure compatibility between the various information systems.

Budget monitoring reports are produced by the Central Bank of Tunisia. The Budget Review Act (BRA) is intended to indicate whether authorisation laws are actually executed and to measure the gap between what was planned and authorised and what was actually done. The preparation time of the BRA was tightened but is still relatively long. The last Budget Review Act dates back to the 2009 fiscal year. It is published. Having long been confidential, annual reports of the Court of Auditors are now published.

Proposals

- The Court of Auditors and the administration should provide the means for bringing the drafting of the BRA to one year.
- Provide in the programming of parliamentary work enough time, and an appropriate time slot, for the review of the BRA; the plenary session of this review could be broadcast by the media.
- Publish the general account of the State and the certification report of the BRA established by the Court of Auditors.
- Give the Court of Auditors the means to monitor its observations on the BRA.

Assessing Expenditure Management

Generally, public expenditure management is solid and largely computerised, and the Aid to Expense and Budgetary Decision system (ADEB) is efficient. Tunisian public administrations have also already incorporated many reforms: the integration of international donors' fund management into national procedures has already been implemented; the shift toward multi-annuality began a long time ago with the differentiation of commitment appropriations and payment appropriations for investments; the expenditure chain has been streamlined, especially in terms of the controls exercised by the Control of Public Expenditures, which now accepts global and provisional commitments and is opening up to modulated control; finally, a shift towards performance management has been considered but is not yet truly used.

But some difficulties affect the commitment procedure (commitments of non-global expenditures can cause difficulties at the time of final settlement; the absence of binding commitment makes it possible to hide a part of the public debt). Above all, the expenditure chain remains burdensome and its productivity could be improved without degrading security.

Integrated control within the expenditure chain still includes some imperfections, despite recent progress. Some controls exercised by the Control of Public Expenditures and by the public accountant seem unnecessarily redundant. Moreover, the control of budget settlement, including that involving "services rendered", does not seem closely enough linked with the holding of stock records. Finally, internal control, to be developed within the sectoral ministries, remains embryonic.

Proposals

- Modernise further the traditional process of budget execution.
- Firmly encourage the authorising officers (*ordonnateurs*), at the risk of seeing the expenditure commitment rejected by the Control of Public Expenditures, to produce all the evidence required.
- Set mandatory but reasonable deadlines for the payment of State expenditures; consider imposing compensation with increased interest rate in the event of delay; provide the required mandating of the expenditure on the basis of a court decision issued in a summary manner.
- Adopt as soon as possible the decree pertaining to payment terms of public spending.
- Merge, when possible, the validation and authorisation processes.
- Make the budgetary commitment of the expenditure before its legal commitment.
- Evaluate the specific expenditure channels to determine which ones deserve special treatment.

Meeting the Challenge of « Programme » Management

For the past few years, Tunisia has accepted the idea of shifting to performance-based budgeting, structured around programmes and oriented towards improving performance. Yet, while the doctrine, the methods, and tools of “performance management” have been the object of significant investment, nothing has been introduced in an effective and operational manner.

The changing role of the actors in the expenditure process

By becoming a “programme manager”, the authorising officer (*ordonnateur*) would enjoy greater flexibility in the use of his/her appropriations due to the transferable and interchangeable nature of the appropriations; in addition, he/she would also progressively enjoy more freedom in managing staff, real estate, and public procurement. He/she would develop a type of management control that would enable him/her to control more closely outcomes in relation to means.

If the Control of Public Expenditures would reduce its *ex ante* control over the means, it would have to return to invest in *ex post* controls of the outcomes. It would no longer only focus on appropriations and the regularity of expenditure, but could, in particular, be given the responsibility of monitoring and increasing the reliability of indicators. These developments would lead it to become as much an advisor as it is a controller, without taking the risk of co-management and role confusion.

The public accountant’s control burden would then be lighter, especially in terms of the task of allocation to specific line items. The accountant would establish a new relationship with the “authorising officer-manager”.

Proposals

- **Gradually develop internal control units, beginning with the departments responsible for the most important programmes.**
- Give the authorising officer (*ordonnateur*) more flexibility in the use of appropriations through the transferability and fungibility of appropriations; grant him/her more freedom to manage staff, real estate, and procurement.
- Provide the authorising officer with the adequate means to oversee budget management, expenditure flow, and management control and analysis. This would result in sharing some resources in the ministerial administrative and financial departments and allocating sufficient human and material resources to each head of these departments. All of this would involve internal oversight services. The officer will have to develop his/her own management control.
- Grant the secondary authorising officer (*ordonnateur secondaire*) with a satisfactory status and with recognition as such.
- The advisory role of the Control of Public Expenditures to the authorising officer should be strengthened by, for example, providing for more regular information exchange than today.
- The Control of Public Expenditures should also start exercising an *ex post* control of the outcomes. It should focus on outcomes and reinforce its evaluating capacity (of the economy, the efficacy and efficiency of public expenditures).
- Make the Control of Public Expenditures an active player in the budget process. It would then participate in the budget discussion and negotiation process between the head of budgeting and the sectoral ministry, helping the former to understand the demands of the latter.
- **Create the conditions for changing the role of the accountant: assessing the needs for change, developing new procedures and tools (especially in the area of new technologies and information systems), as well as training programs and change programmes.**
- **Establish adequate means for forging closer ties between the authorising officer and the accountant (creation of a common culture, information exchange).**
- Modernise the burden of the legal proceedings for authorising officers by more clearly defining the conditions of their liability before the Court of Fiscal Discipline.
- Clarify the legal conditions for giving public accountants a debit balance, a disclaimer, or a forgiveness of debt on the balance sheet in order to make them really effective. On the one hand, decisions on debit balances should be made faster and more frequent, and, on the other, the conditions for disclaimers and debt forgiveness should be explained and enforced.
- Initiate a discussion on the financial controller's liability regime.
- Develop internal control within the spending ministries.
- Develop a partnership between the Control of Public Expenditures and the accountant to reduce redundant controls, which are unnecessary in view of the line-item allocation, the availability of appropriations, and the link between the settlement of the accounts and stock records.

Proposals (*continued*)

- **Transform the control mechanisms of all actors from a means-based to a outcomes-based approach.**
- Develop a methodology and its accompanying practical guide, know-how, and a culture of outcome measurement by assessing needs and making appropriate investments.
- **Assign to the Control of Public Expenditures** the responsibility to control indicators and make them more reliable.
- Develop procedures and reference manuals to contribute to the establishment of internal control.
- Organise effective training: the establishment of an internal control is based on both recognition of one's role and processing techniques.
- Change the tasks of the Court of Auditors by strengthening its capacity to assess performance and by improving its skills in this area.

The Timing and Social Support for the Reform

Tunisia's new constitution will set the framework for the reform of the OBL and the Public Accounting Code. Finally, the administrative documentation and implementation programmes should be prepared and issued.

The reform needs to involve the men and women who implement it, and their collective representatives, by engaging in dialogue in the departments where they work and through social dialogue. It is also necessary make certain these changes are consistent with: the General Status of the Employees of the State, local governments, and public administrative institutions; the special status of each specific profession; specific accounting regulations.

Proposals

- Establish a full and prioritised timetable of the reform and the measures to implement; this timetable would set intermediate steps in the reform.
- Ensure compliance with the hierarchy of standards (Constitution, OBL, Public Accounting Code).
- Ensure compliance with the social and statutory rights of the public officials involved in the reforms.
- Provide codes of ethics adapted to the various functions and their developments.

External Controls

In part because of its very limited resources, the delegated monitoring by the High Committee of Administrative and Financial Control (HCCAF) of the observations and recommendations made by the Court of Auditors, the general control bodies, and the sectoral inspectorates, appeared ineffective.

General Controls

Tunisia possesses three administrative general controls: the General Control of Public Departments, the General Control of Finances, and the General Control of State property and Land Affairs. They respectively report to the Head of Government, the Minister of Finance, and the Minister of State Property and Land Affairs. They have horizontal competences, which are very large and close to each other; they also use similar methods and have a small staff. In addition, in the case of two of them, their reporting to an operational ministry reduces their independence.

Ministerial Inspectorates

Directly reporting to their respective ministers, 16 general inspectorates and 3 inspectorates employ approximately 170 inspectors. In their operations, the ministerial inspectorates and general inspectorates face issues related to their being divided into different entities, having a limited staff, and being subordinate to the minister.

Jurisdictional Controls

The Court of Auditors exercises legal and conformity control functions. In addition to its prerogatives associated with controlling the finances of political parties, it serves as the depository of the assets declarations of elected officials and civil servants who are subject to this requirement. The Court annually reports to the President of the Republic and to the legislative authorities on the results of its work and makes recommendations.

The Financial Disciplinary Court is a financial authority that rules on issues of mismanagement by authorising officers. But the President of the Republic, ministers, State secretaries, members of Parliament and presidents of municipal councils are not subject to its authority. The number of convictions issued by it has remained very limited and was only about minor cases.

Proposals

Building a new external control architecture

- **Foster a culture of internal control and auditing**, based on international practices and standards through, for instance, an audit charter setting the auditors' tasks and establishing training programmes designed to raise the awareness of all the civil servants to the challenges of internal control.
- **Create a general auditing service.**

Merging the General Control of Public Departments, the General Control of Finances, and the General Control of State Property and Land Affairs into a single permanent auditing body, in charge of the following tasks: auditing any public organisation and providing advice on management. This general audit service would report to the executive branch according to the distribution of powers determined by the country's future constitution.

- **Valorise the roles of the ministerial inspectorates.**

To this end, it would be useful to consider possible mergers between inspectorates and general inspectorates whose scope of activity is similar, and to guarantee to each member of these bodies the right to personally address the Audit Committee.

Proposals (continued)

- The establishment of an Audit Committee

The Tunisian authorities should consider creating an Audit Committee responsible for the following tasks: coordinating the planning of audit assignments and following up on the recommendations made in the audit reports.

This Audit Committee, whose function would be to guarantee the audit itself and to coordinate its action, would ensure a harmonious and autonomous selection of audit assignments. This committee would be composed, according to professional standards, of internal and/or external experts, and would report to the highest level of the State. The creation of an Audit Committee would facilitate bringing current practices more in line with international professional standards.

Change the Court of Auditors

- Fully inscribe it within the new constitution

It is important that the Court of Auditors has the largest possible organisational and financial autonomy. To accomplish this, it would be possible to enshrine this institution within the Constitution, and to give Parliament the power to appoint its members, thereby enhancing its independence, especially from the executive branch, and allowing it to better fulfil its mission. At the same time, the judicial character of the Court of Auditors could be reaffirmed in the new constitution.

- Develop a closer working relationship between the Court of Auditors and Parliament

It would be useful to allow Parliament to ask the Court to conduct investigative and control assignments, and to reserve parliamentary work sessions for examining the Court's reports and a plenary session for its annual report.

- Powers, competences, methods

Allowing the Court of Auditors to perform its tasks according to professional standards and practices would imply providing its staff (judges and clerks) with all the necessary skills and functional specialisation.

- Better inform

Confer to all its work the level of publicity required for good transparency, by adopting a policy of systematically publishing all its work in a clear manner suited for the general public.

- Broaden the role of the Financial Disciplinary Court.

To this end:

- more systematically bring action before the Court;
- broaden its jurisdiction *ratione personae* to national and local elected officials;
- consider stricter sanctions and automatically publish its decisions.

Access to the Administrative Documents of Public Agencies

To respond to popular demand, the new government has enacted Decree-Law No. 2011-41 of 26 May 2011 pertaining to access to the administrative documents of public agencies. This legal document asserts the citizens' right to have access to the information

held by public agencies and promotes the proactive dissemination of fundamental information by the administration. It lays administrative decisions before the administrative judge.

To meet all the challenges this Decree-Law raises, the government has established a very ambitious Action Plan on access to information, and is considering the creation of an independent administrative authority to enforce the law on access to the administrative documents of public agencies.

Proposals

- Ensure the implementation of the Action Plan on open access to information. In particular, it would be useful to ensure the respect of the progressive spirit of the Decree-Law by enforcing the application of the concept of administrative document, and of the exceptions to this right to open access in the area of budgetary and financial information.
- It would be useful to facilitate access to associations and journalists and guarantee the confidentiality of sources of the latter.
- Assess the treatment by the Administrative Court of the appeals presented before it on denied requests to access documents held by public bodies; it would be desirable, in particular, to examine the use of summary proceedings.
- Prepare for the establishment of an independent administrative authority to ensure the implementation of the legislation on access to documents held by public bodies and make recommendations to the government. To do this, it would be advantageous to establish international cooperation, leading to a twinning partnership with a foreign authority that has extensive experience in this field.

The Limitation of Risks to Integrity by Elected Officials and Public Officials

Tunisian law was, in particular, inspired by the desire to protect the rights, property and public funds from the weaknesses of men and women responsible for managing them on both an administrative and financial level. It has provided codes of ethics and requirements to publish the assets of public officials, notably through a declaration of assets for key elected officials and certain civil servants.

But all persons subject to the declaration do not meet their obligations (genuine content of the declaration, updating). On one hand, too many people are subject to this requirement, and on the other, the President of the Republic, members of elected bodies, such as the Chamber of Deputies and municipal councils, and the leaders of political parties, are not. In addition, the Court of Auditors is not legally empowered to carry out checks to ensure the accuracy of information contained in submitted declarations, and it does not have the material and human resources needed for this mission. Apart from the compulsory resignation, failure to report results in no disciplinary, financial, and criminal sanction. Finally, the declaration only applies to assets and does not cover the people's other interests.

Most of these deficiencies are well understood by Tunisian authorities that have, with the assistance of international bodies, considered improvements to make to the

legislation. The following proposals therefore constitute contributions to this ongoing work.

Proposals

- Establish a declaration of assets and interests.
- Strengthen penalties for breaches of the obligation to declare: expand the cases of compulsory resignation, establish fines and prohibitions on running for state or local elective office.
- Require candidates for the Presidency of the Republic to declare assets and interests; mandate that all national and local elected officials submit a declaration.
- Create an independent administrative authority responsible for maintaining and controlling assets and interests declarations. It would have significant powers of investigation and could use, as much as necessary, the assistance of the tax and customs administration.

International Principles of Budget Transparency

Several international organisations have established guidelines highlighting the fact that the budget process, the information contained in the budget, and the information attached to it and pertaining to its execution, are essential to an open and accountable financial management.

The concept of transparency in the international sphere has several meanings and refers to different actors. Fiscal transparency must be adapted to the users of information, whose needs differ, due to the nature of the decisions they need to make. It needs to meet generic criteria (relevance, accuracy, objectivity, adaptation to its context, readability, reliability, timeliness, accessibility).

The number and content of the budget reports vary by country: preliminary reports to the Finance Act or other background reports supporting the formal Draft Budget or Finance Act; national planning documents; formal budget documents – the annual budget act or finance act, the “budget in brief”, and citizens’ guides to the budget. There are also assessments of the budget prepared by independent fiscal institutions, as well as supplementary or amended budgets. They are accompanied by reports on budget execution, year-end financial reports, and reports from the National Audit Institution. Some countries provide budget updates prior to elections and reports on the long-term sustainability of the budget and national debt.

One needs to be able to identify the production processes, the institutional arrangements, and the actors involved in the process. Budget transparency is central to the proper functioning of a public finance management (PFM) system and it interacts with its other elements.

Evaluation of the Transparency of Tunisian Public Finances in the Light of International Principles

Historically, Tunisia’s institutions and finances have been subject to evaluations by international institutions. Some evaluations conducted between 2008 and 2012 were

favourable. However, it seemed useful to view the Tunisian government's budget and public finances in the light of OECD Best Practices in this area.

International Evaluations of Tunisia's Budget Transparency

The 2008 assessment of Tunisian public finance management (PFM), which was prepared following the PEFA method, and the 2004 World Bank Assessment of Tunisia's financial accountability, have given Tunisia a satisfactory grade in the area of budget transparency, at all levels. The 2008 PEFA Assessment has shown that, in terms of the adequacy of the information included in the budget documents, Tunisia provided seven out of the nine elements expected. Budget documentation is detailed. The 2008 PEFA Assessment has also indicated that four out of the six budget reports expected were made available to the public.

Conversely, the 2012 Open Budget Survey, which for the first time covered the situation in Tunisia, gave it a mark of 11 out of 100 for budget transparency, and considered that the country provided insufficient information to the public in its fiscal statements.

Budget Transparency in Tunisia in the Light of the OECD Best Practices in this Area

In 2002, the OECD established a guide on best practices for budget transparency in OECD member countries. The first part lists the principal budget reports that governments should produce and describes their general content. The second part outlines specific disclosures to be contained in the reports. This includes both financial and non-financial performance information. Part 3 highlights practices for ensuring the quality and integrity of the reports.

The evaluation has shown that the preparatory documentation, provided with the Draft Finance Act and related to the enacted law, is vast and of good quality in Tunisia. It is also relatively accessible to citizens, although the financial administrations' websites require improvement. Transparency of the year-end financial documentation requires, however, substantial improvements.

Similarly, some budget reports are never written, remain confidential, or are not updated. In addition, some accounting principles, such as those involving the certification of document accuracy by the minister or the head of the financial administration, and certain types of information, such as those related to clarifications of or changes in expenditures and revenues, are not mentioned in the financial statements. Above all, it should be noted that a lot of information relative to the budget execution is not published. Moreover, Parliament does not have all the means necessary to fulfil its tasks efficiently, nor does it possess the tradition of exercising all of its budgetary and control powers.

Introduction

Over the past several decades, Tunisia has made ongoing efforts to develop an effective system of good fiscal governance. This system was unable, however, to prevent the serious injury inflicted on its public finances, which was one of the key causes of the Dignity Revolution. The country now faces the task of bringing about improved budget transparency within a context characterised by highly constraining macroeconomic circumstances and rapid institutional change.

Ongoing Efforts to Develop a System of Good Fiscal Governance

Over the past several decades, Tunisia has made considerable efforts towards the establishment of institutions and a legal system capable of ensuring democracy and the proper management of its public finances. The Constitution of 1 June 1959 laid the foundations of budgetary law and provided for some conventional mechanisms of fiscal democracy by granting Parliament the powers to review and approve budget laws, as well as to control their execution. Along these same lines, the country possesses a very large body of budget and financial legislation, such as the Public Accounting Code, promulgated by Law No. 73-81 of 31 December 1973 and Law No. 67-53 of 8 December 1967 on Organic Budget Law (OBL), which has been amended several times, including by the Organic Laws No. 96-103 of 25 November 1996 and No. 2004-42 of 13 May 2004, as well as by Law No. 68-8 of 8 March 1968 pertaining to the organisation of the Court of Auditors. This legislation has also been based on strong principles, such as that of the separation of authorising officers and accountants. At the same time, Tunisia has bestowed itself with well organised administrative entities, especially in the financial domain, staffed with dedicated and skilled agents who are subject at every step of the way to multiple controls performed by specialised and highly effective bodies.

All of this has permitted the country to develop its economy and its society, while both meeting the needs of its population and producing a culture of public financial management based on a resource-based approach and a model of command, fiscal discipline and control. Immediately apparent is the fact that this system, designed as it was to protect the State's financial security and limit excesses, has largely served its purposes, even though significant diversions have taken place and it has become less efficient.

The Search for Greater Efficiency

For about twenty years, the Tunisian State and public administration have been engaged in an ambitious financial modernisation project. To overcome the rigidity of the system of public finances, a 1996 decree authorised ministers to establish performance-based management units for the achievement of specific projects. Another decree of 23 November 2003 established a unit responsible for preparing for the management of a performance-based budget over a five-year period. For its part, the Organic Law of 13

May 2004, amending the OBL, moved towards the implementation of performance-based management based on the appropriation of funds by programmes and missions. This shift, which reflects sensitivity to concerns surrounding the profit motive of public action, aims for the best overall allocation of available resources. Henceforth, Article 11, paragraph 2 of the OBL provides that “finance act may authorise the appropriation of funds by programmes and missions.” According to the act, “programmes include appropriations for an activity or a set of homogeneous activities placed under the responsibility of each head of administration in order to achieve specific objectives and results that can be evaluated” and “missions include a series of programmes contributing to the implementation of a strategy of national interest.”

But it seemed necessary to move further in this logic, like other countries, with the preparation of a real and universally applied performance-based budgeting (PBB) approach. The implementation of this reform began in 2007. Pilot ministries have been designated and some have accomplished, in a short time, a remarkable job of mapping (breaking down the budget into programmes) and of defining objectives with performance indicators¹. The goals of establishing genuine PBB are to increase the efficiency of public policy, and to support the pace of projected development within the context of economic and financial balances. They also lead to better allocation of resources with respect to agreed upon guidelines and priorities, and to improving the performance of public expenditures and the clarity of budget targets.

The Injury Inflicted on Public Finances Was One of the Key Causes of the Dignity Revolution

Despite the quality of financial management mechanisms, embezzlement and massive diversions were carried out under the presidency of Zine el-Abidine Ben Ali. These have affected vast areas of the State, the public administration, and society in a variety of ways described in the *Report of the National Commission of Investigating Corruption and Wrongdoings*, whose analysis was completed by the OECD’s report *OECD Integrity Review of Tunisia: The Public Sector Framework* (OECD, 2013). These wrongdoings, made possible by the confusion of powers to the benefit of President of the Republic and his entourage at the expense of the legislative and judicial branches, have given fresh impetus to the need to reform the system of governance of Tunisian public finances.

While it is difficult to say with any certainty, a number of causes of the Dignity Revolution can nonetheless be identified: demands for better social conditions, rejection of dictatorship, weariness in the face of embezzlement and the misuse of public resources, anger about the damage done to public integrity and fiscal rules. All of these factors thus obligate the public authorities to take steps to ensure democracy and fight effectively against all kinds of abuses involving the public finances. They also imply the necessity of ensuring budget and public finance transparency.

This duty to bring about greater budget transparency means “full disclosure, in a timely and systematic way, of all budgetary information” (OECD, 2002). Budget transparency is characterised by “clear information for the public on the structure and functions of government, the aims of fiscal policy, public sector accounts and fiscal projections” (Kopits and Graig, 1998).

The Task of Improved Budget Transparency within a Rapidly Changing Institutional Context

The Constitutional and Legal Situation in the Transition Period

Following the revolutionary movement that overthrew the corrupt regime of Zine el-Abidine Ben Ali, the Decree-Law No. 14-2011 of 23 March 2011 pertaining to the provisional organisation of public authorities put an end to the previous constitutional order. The first provisional government after the Revolution managed the affairs of the State and organised the election of a National Constituent Assembly. Upon taking office, it elected a President of the Republic, a Head of Government, and its own president. It also adopted a provisional organisation of public authorities and its own rules of procedure. At the time of writing, it was working on drafting a new constitution, which would be the basis of Tunisia's new democratic institutions.

The Current Legal Framework

Article 27 of the Constitutional Law No. 6-2011 of 16 December 2011 on the provisional organisation of public authorities acknowledged the suspension of the Constitution of June 1959 and ended its effects. This Law established a temporary parliamentary regime. The succinct quality of the provisions of this Law means, moreover, that the procedural rules of the National Constituent Assembly play a key role in the functioning of government.

The institutional framework is temporarily governed by the Constitutional Law of 16 December 2011. The main institutions are the National Constituent Assembly, the President of the Republic, the Government, local governments, the judiciary, including the Court of Auditors and the Administrative Court, the Electoral Commission, and the Central Bank of Tunisia.

The National Constituent Assembly prepares the constitution, exercises legislative power, elects its own president and that of the Republic; it controls government activity (Articles 2-8 of the Constitutional Law No. 6-2011 of 16 December 2011). The President of the Republic represents the Tunisian State, signs and promulgates the laws, and is the top commander of the armed forces (Articles 9-14).

The government, under the leadership of the Head of Government, exercises executive powers, with the exception of the prerogatives delegated to the President of the Republic (Articles 15-19).

The judicial branch is independent. The National Constituent Assembly will adopt the Organic Laws that reorganise the judicial system, restructure the Supreme Judicial, Administrative, and Financial Councils, and lay down the foundations for a reform of the judiciary that will bring it into line with international principles regarding judicial autonomy. The Administrative Court and the Court of Auditors continue to exercise their responsibilities in conformity with the laws and regulations in force (Articles 22-23)².

The Laws of the Transition Period Have Only Partly Modified the Previously Existing Legal Order

Article 27 of the Constitutional Law of 16 December 2011 declares “the annulment of all laws incompatible with this act and with the Decree No. 14-2011 of 23 March 2011 pertaining to the provisional organisation of the public authorities. Remaining in effect are the legal codes that do not conflict with the present act”. This Article thus guarantees the continuity of the State and of the core of previously existing legislation, such as that related to public finances and the budget.

This situation of transition had some important effects on the preparation, adoption, and execution of the Tunisian State’s Finance and Budget Act for 2012 and 2013. In effect, the transition has altered political directives and the work timetable of both the administration and the legislature, as well as the conditions under which laws are examined and adopted. The evolving nature of the situation, which has posed some significant difficulties, has been taken into account as much as possible in the writing of this report.

The institutional transition has been accompanied, since 2008³, by instability at the top of the Tunisian Ministry of Finance, another circumstance that has tended to complicate the administration’s work, while the macroeconomic context has been deteriorating and remains precarious.

An Increasingly Constraining Macroeconomic Context

The Tunisian economic model, based largely on State intervention, has produced robust economic growth, but has benefited a minority of the population and has caused high unemployment and serious inequalities

Between 2004 and 2010, Tunisia witnessed a period of substantial economic growth indicated by the following figures: 5.2 % in 2004; 5.6 % in 2006; 6.2 % in 2007; down to 4.5 % in 2008; and 3.1 % in 2009 and 2010⁴. The economic model, which rested upon strong State intervention in the economic sectors for low-value exports and using unskilled labour, thus appeared to be effective. The State promoted the development of the offshore sector by offering a range of incentives, and by exercising strict control of the domestic market through price regulation, rigorous management of rate changes, and control of capital and interventions in the banking system. Such measures thereby allowed it to direct finance capital towards strategic sectors, including tourism.

This model produced several years of strong growth and stability, but this growth was characterised by strong economic and social disparities between different regions, and its economic benefits were not equally shared by all sectors of the population. Throughout this period, the combination of insufficient economic growth and a tight labour market resulted in high unemployment (13% in 2010), most notably among youths (about 30% in 2010) (International Monetary Fund, 2012).

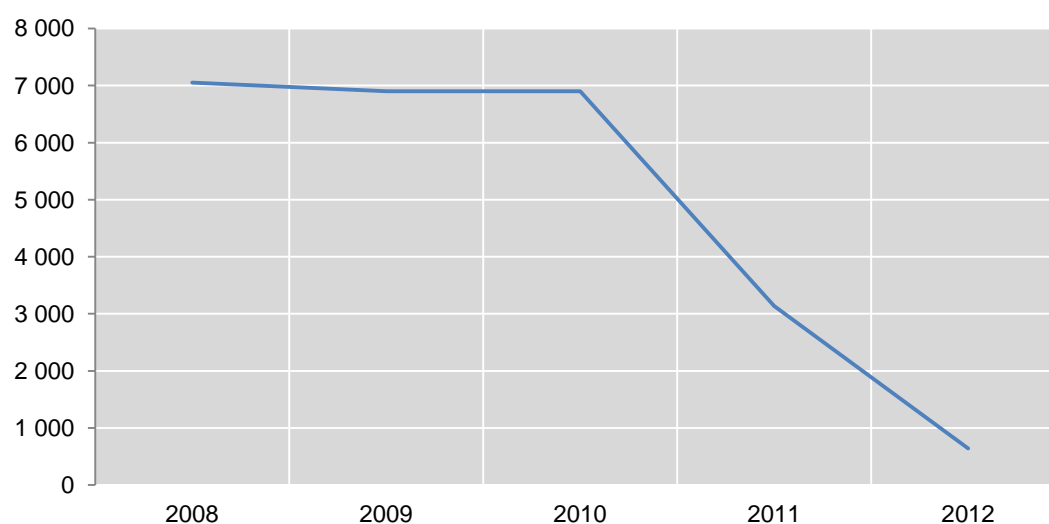
Tunisia Seemed to Have Overcome the Crisis of 2008 and 2009

From the economic standpoint, in 2008 and 2009, Tunisia appeared to have overcome the crisis. Its real GDP rose 3.7% in 2010, in spite of the recession in Europe, the destination of the vast majority of its exports and the source of some three-quarters of its tourists. Other macroeconomic indicators also improved, leading to small decreases in the country's public and external debt in relation to the GDP.

However, social upheaval and the sentiment about political uncertainties in the aftermath of the 2011 Revolution caused a slowdown in production and the disaffection of numerous tourists. These circumstances have also contributed to a strong decrease in direct investments, both domestic and foreign, and the closing of certain foreign-held companies. Meanwhile, the Revolution in Libya, one of Tunisia's main commercial partners, reduced demand for Tunisian exports and forced numerous Tunisian workers in Libya to return to their country. As a result, the real GDP contracted by 2.2% in 2011, despite the pro-growth fiscal policy pursued by the new government, which supported a 6.1% increase in domestic consumption by, among other things, increasing aid to households and to the Amal ("Hope") programme targeting unemployed youths.

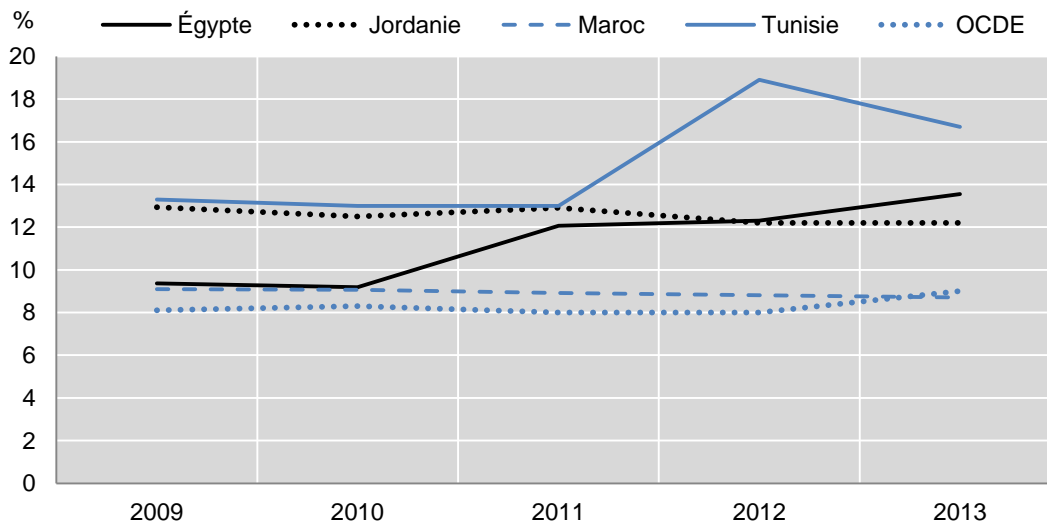
The decrease in both tourist spending and the inflow of direct foreign investments (DFI) contributed to a current account deficit representing 7.3% of the GDP and a 20% drop in the country's reserves, bringing them down to USD \$ 7.5 billion, the equivalent of 3.8 months of imports. The slowdown in production and the return of Tunisian workers from Libya worked together to push the unemployment rate up to 18.9 % of the active population (42% among youths) (African Development Bank, Government of Tunisia, United States Government, 2013).

Figure I.1. Revenues Generated from Tourism



Source: Ministry of the Interior and of Local Development.

Figure I.2. The Changing Unemployment Rate



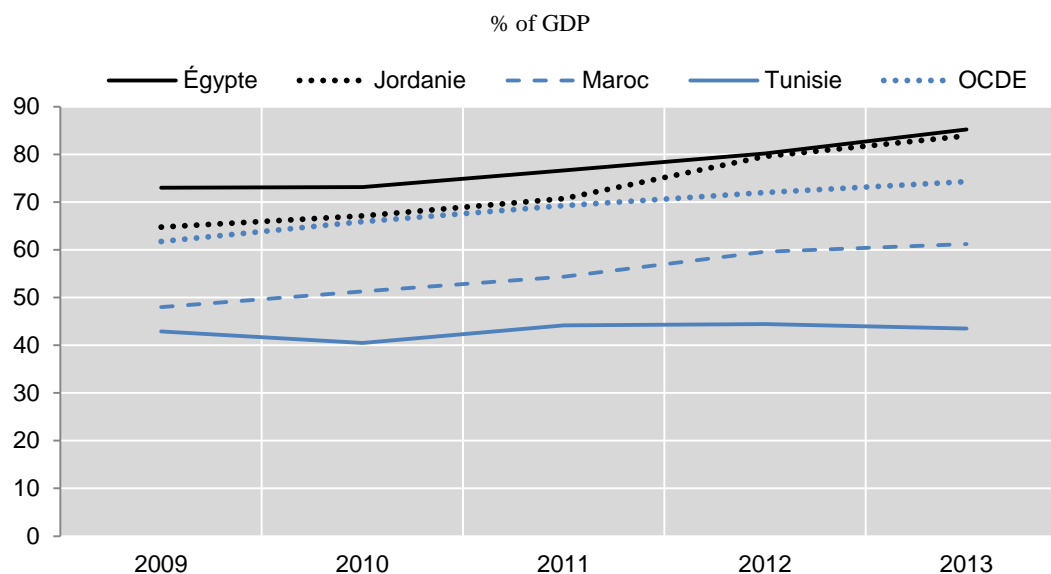
Source: International Monetary Fund (2013), *World Economic Outlook Database*, April, www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx; OECD Database.

In 2012, the Tunisian Economy Showed its Resilience

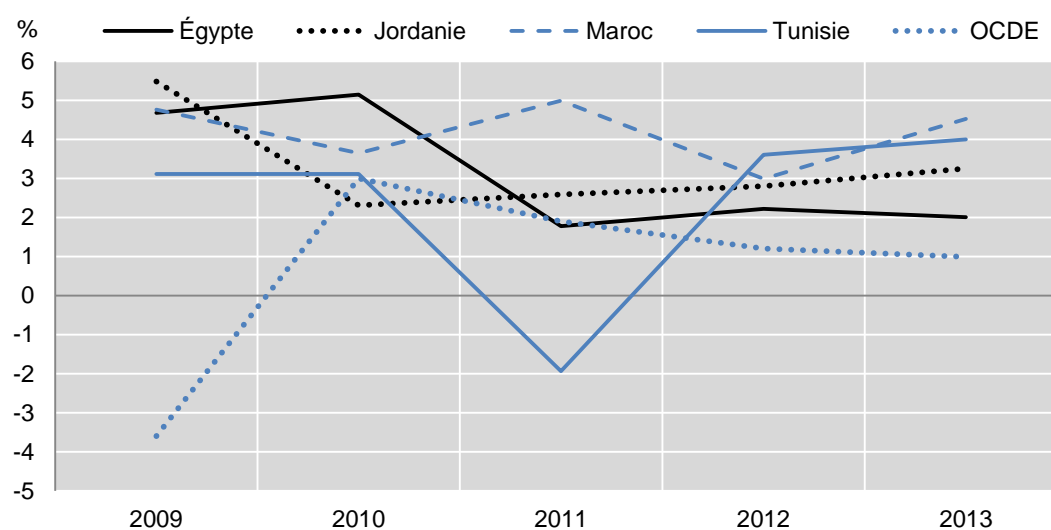
Due, in part, to favourable results in the manufacturing and agricultural sectors, the gradual resumption of FDI, and a strong fiscal stimulus programme, the growth in Tunisia's GDP reached 3.5%, in line with the objective defined by the Finance Act for 2012.

This change, however, did not totally reassure international stakeholders. In May of 2012, the credit rating agency Standard and Poor's downgraded Tunisia's long-term debt rating to BB, thereby relegating the country to the category of speculative borrowers. In September of 2012, the credit rating agency Moody's Investors maintains its Baa3 rating of Tunisia's sovereign debt with a negative outlook. It was in this context that, on 12 January 2013, the national authorities and the International Monetary Fund (IMF) came to an agreement to grant Tunisia an overdraft credit facility of up to \$1.75 billion USD (International Monetary Fund, 2013b). This agreement would finance an economic programme guided by the Tunisian authorities aiming at protecting the country's fiscal and financial stability, promoting a more robust form of growth benefiting the greatest number of people, and attacking the banking sector's most serious deficiencies.

In exchange for this financial assistance, Tunisia committed to an economic reform programme prescribed by the IMF. This programme involves the implementation of a package of measures designed to protect the kind of macroeconomic and financial stability that, when accompanied by more balanced public spending, will help to re-establish some fiscal leeway for social spending and key investments.

Figure I.3. **The Gross Public Debt**

Source: International Monetary Fund (2013), *World Economic Outlook Database*, April, www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx.

Figure I.4. **The Changing GDP**

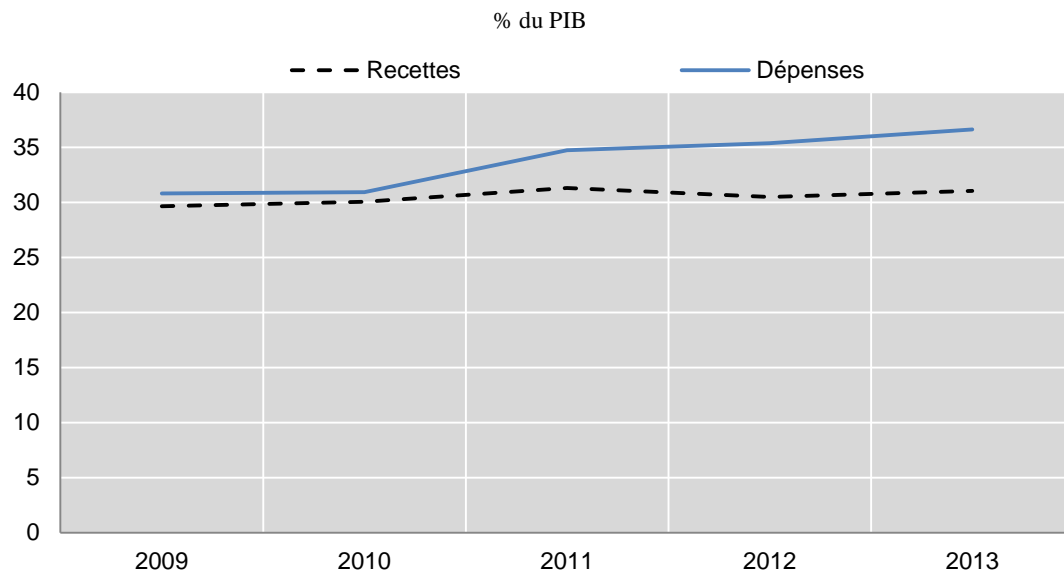
The Current Economic and Financial Situation Remains Precarious

According to the IMF, the budget deficit for 2012 rose to 5.4% of Tunisia's GDP, and will likely grow to 7.2% of the GDP in 2013. In 2012, operational expenditures fuelled the deficit, but then a drop in capital investments and an increase in fiscal revenues and outstanding receivables in the public sector helped to offset such effects towards the end of the fiscal year.

In 2012, the deterioration of the trade deficit contributed to a high current account deficit, which exceeded 8.1% of the GDP (7.3% in 2011), but this was largely offset by international donors⁵. The total public debt is estimated to reach 43.8% of the GDP for 2012 (44.4% in 2011). Tunisia seems nonetheless prepared to meet its financial obligations in 2013.

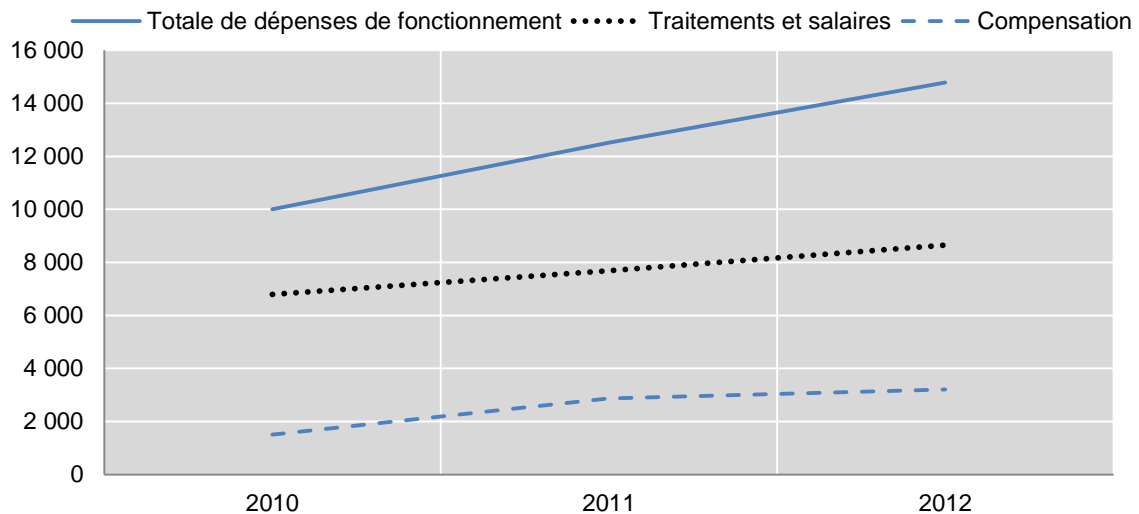
The Initial Finance Act (IFA) for 2013 forecasts 4.5% growth. It prioritises fiscal restraint while forecasting continued growth thanks to the growth in 2012 carrying over to 2013, as well as to the continuing potential growth that existed before the Revolution (around 4 to 5%).

Figure I.5. **Revenues and Expenditures in Tunisia**

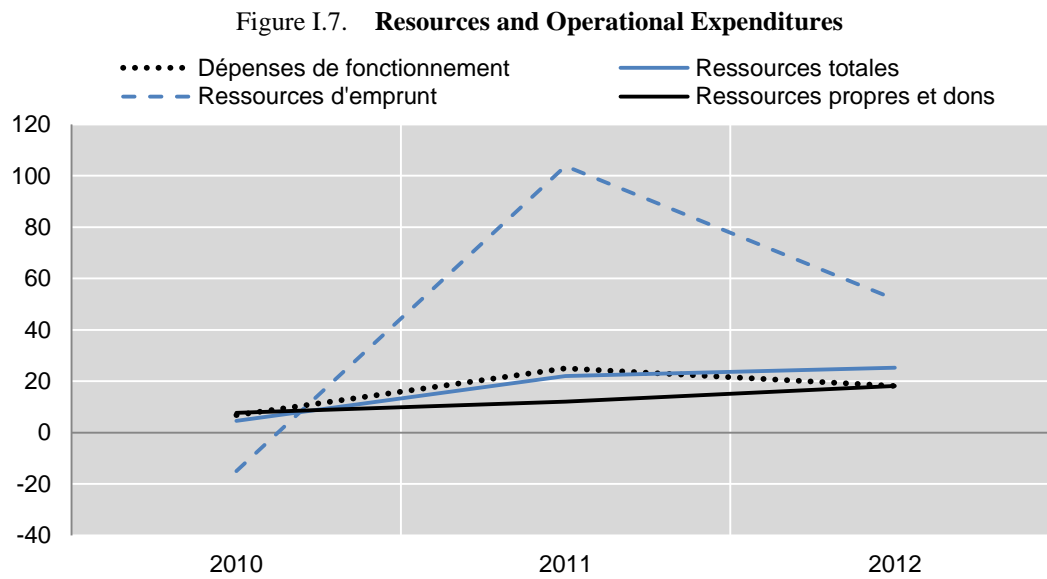


Source: International Monetary Fund (2013), *World Economic Outlook Database*, April, www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx.

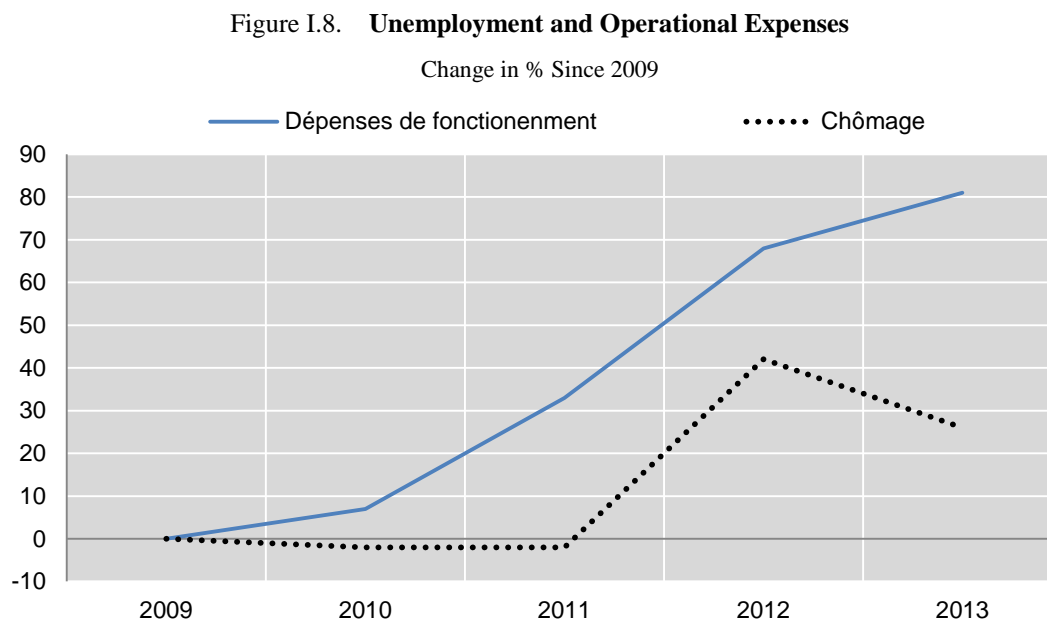
Figure I.6 **Operational Expenditures**



Source: The Central Bank of Tunisia (2011), *53rd Annual Report*, CBT.

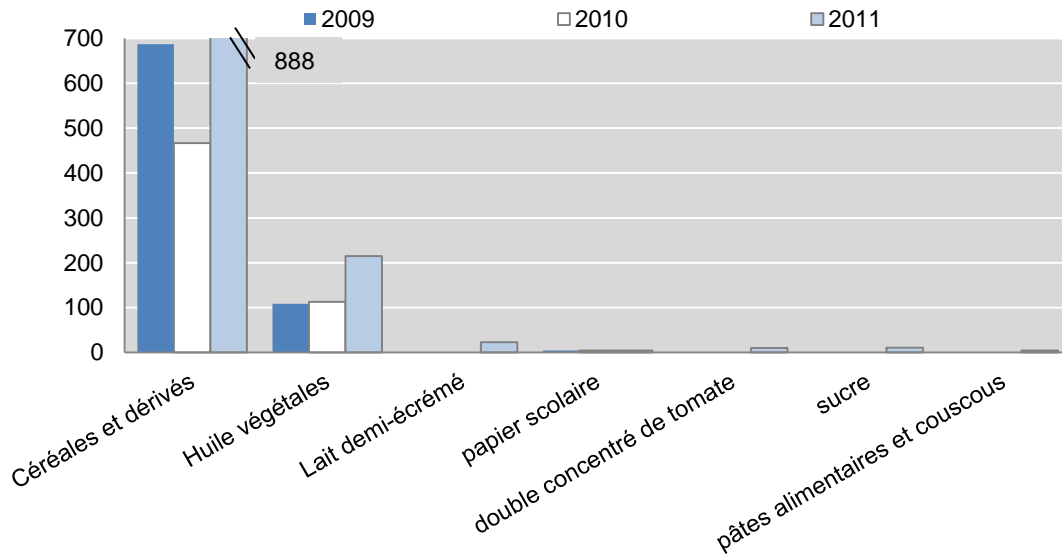


Source : The Central Bank of Tunisia (2011), 53rd Annual Report, CBT.



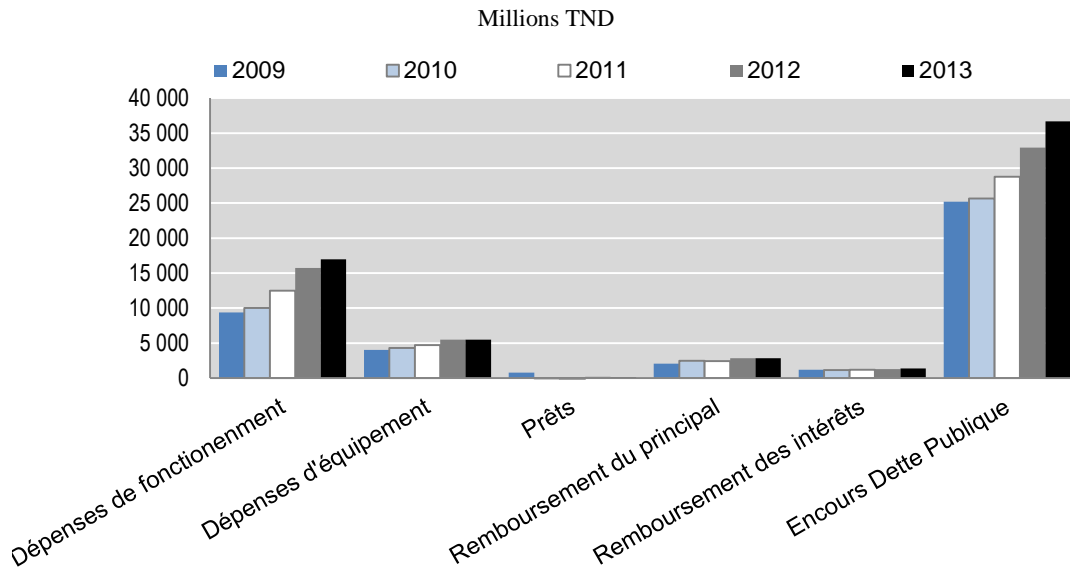
Source: Ministry of Finance; International Monetary Fund (2013), *World Economic Outlook Database*, April, www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx.

Figure I.9. Charges of the General Compensation Fund



Source: The Central Bank of Tunisia (2011), 53rd Annual Report, CBT.

Figure I.10. Changes in Expenditures from 2009 to 2013



Source: Ministry of Finance; International Monetary Fund (2013), *World Economic Outlook Database*, April, www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx.

Table I.1. Overview of Public Revenue and Expenditures (2009-2013)

		2009	2010	2011	2012	2013	
					Act.	L.F.	
Tax Revenues	Direct Taxes	4 645.4	5 032.7	5 935.6	6 295	6 857	
	Indirect Taxes	7 039.8	7 666	7 732.2	8 875	9 793	
Non-Fiscal Revenues	Oil Revenues	217.1	125.9	132.4	0	0	
	Gaz Pipeline Royalties	206.2	289.5	218.8	220	121	
	Revenues from State Holdings	788.6	796	1 457.5	875	1 157	
	External Grants	177.6	54.1	207.4	520	400	
	Privatisation's revenues	0	0	383.1	1 205	300	
	Recovery of principal	190.6	319	182.2	150.5	125	
	Other Non-Fiscal Revenues	496.7	539.3	370.8	1 599.5	1 222	
	Loan Revenues	1 024.4	634.6	1 335.2	1 574.3	1 800	
	Domestic Loans	1 163	1 224.5	2 395.8	4 182.3	5 017	
	Foreign Loans	15 949.4	16 681.6	20 351	25 496.6	26 792	
Expenditures Apart from Debt Service Payment	Operational Expenses	9 365	10 001.2	12 470.8	15 722.5	16 972	
	Capital expenditures	4 013.7	4 326.1	4 728.5	5 514.1	5 500	
	Loans	795.8	-35.7	-88.7	175	100	
Public Debt	Public Debt Service	Repayment of the principal	2 062.3	2 464.1	2 416.90	2 839	2 860
		Repayment of the interests	1 180	1 152	1 190.1	1 300	1 360
	Outstanding Public Debt	Outstanding Public Debt	25 189	25 640	28 780	32 911	36 658

Source: Ministry of Finance; International Monetary Fund (2013), *World Economic Outlook Database*, April, www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx.

Notes

1. www.gbo.tn.
2. Constitutional Law.
3. Between 2008 and 2009, Mohamed Rachid Kechiche, Minister of Finance under the presidency of Ben Ali; Ridha Chalghoum, Minister of Finance between 2010 and 2011, within the Ghannouchi Government and the first National Unity Government of January 2011; Jaloul Ayed, Minister of Finance from January to December 2011 within the Mohamed Ghannouchi's National Unity Government following the Revolution, and then within that of Béji Caïd Essebsi; Houcine Dimassi, Minister of Finance, de December 2011 to 27 July 2012, within the government led by Hamadi Jebali; Slim Besbes, interim Minister of Finance from July to December 2012; Elyes Fakhfakh, Minister of Finance since 19 December 2012.
4. www.africaneconomicoutlook.org/fr/donnees-statistiques/tableau-2-taux-de-croissance-du-pib-en-volume-2001-2011.
5. Second budget support programme, exceeding 1.4 billion USD, from the World Bank, the African Development Bank, and the EU; the launching of Samurai bonds for 250 million USD on the Japanese stock market by the JBIC.

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Chapter 1

**Budgetary Principles
and the Concept of Budget**

Tunisian budget law is based on five principles and has developed its own definition of the concept of budget.

Budgetary Principles

Tunisian budget law is governed by the principles of annuality, unity, universality, specification, and balanced budgets. In conformity with these principles, the legislative branch controls the executive's compliance with its authorisations to collect and spend. These principles will only be discussed here insofar as they help to understand the following developments (Haddar, 1997).

The Principle of Annuity

This principle is based on two rules:

- The State budget must be executed during the year; authorisation to collect revenues and incur expenditures only lasts a year;
- The budget is voted annually by Parliament. "The fiscal year begins on January 1 and ends on December 31." The budget is approved by Parliament before December 31 of the year preceding its execution.

The rule of annuality being too rigid, especially for capital investments, Article 13 of the Organic Budget Law (OBL) provides for three categories of appropriations:

- programme appropriations represent the total cost of the proposed project. They allow the legislature to know the planned expenditure, but to make the payment, the executive requires commitment appropriations;
- commitment appropriations constitute the authorisation granted by the authorising officer to commit expenditures within the ceiling decided by the executive;
- payment appropriations are used for scheduling the amounts charged to the State within the payment ceiling defined by the annual budget.

The Principle of Unity

All of the expenditures and revenues of the State must be in a single document. The budget presents forecasts of State revenues and expenditures in a clear, comprehensive, and transparent manner. The principle of unity also allows Parliament to observe and monitor the evolution of the budget from year to year. This principle has some exceptions, including:

- supplementary budgets;
- the autonomous budgets of administrative public institutions (EPA);
- Treasury funds;
- The division of the State's general budget into two titles is a mitigation of this principle. Title I covers basic or operational expenses. Title II covers extraordinary expenditures (capital or development expenditures).

The Principle of Universality

This principle requires the government to present all of its revenues and expenditures forecasts while respecting (Chikhaoui, 2004):

- the non-netting rule : offsetting specific revenues and expenditures is prohibited;
- the rule of non-allocation of specific revenues to specific expenditures.

The Principle of Specification

Parliament must know the origin of each source of revenue and the object of each expense: their presentation should be precise enough to allow a detailed vote and a specific control.

- Formal presentation of State resources is governed by Articles 6 and 7 of the OBL. “The resources of the State budget include:
 - general tax revenues and non-tax revenues (Title I of the budget);
 - windfall revenues and loans (Title II of the budget);
 - resources allocated to the Treasury funds.”

“State resources are grouped into eleven (11) categories. Each category is broken down into articles by the nature of the tax, of the revenue, or the proceeds.”
- The OBL has adopted a classification scheme for expenditures that combines economic, financial and administrative definitions. We will, however, only focus here on Article 11 of the OBL, which states that “each budget chapter groups together all of the appropriations placed at the disposal of each head of administration”, who, in most cases, is the minister. The presentation of the budget is organised, in the majority of cases, by ministry, but it can also be arranged by other entities, such as public institutions or the Treasury accounts.

The (new) Article 29 of the OBL stipulates that:

- “1. Expenditure forecasts are subject to a vote by section and by chapter for the State budget.
- 2. Revenue forecasts are subject to a vote by Title for the State budget.”

However there are 5 sections relative to expenditure forecasts, which are themselves broken down into 12 parts. This could contradict the principle of specification of appropriations (Chikhaoui, 2004).

Balanced Budgets

Article 1 of the OBL states that “each year, as part of setting the objectives of the development plans, the Finance Act forecasts and authorises...all State expenditures and resources, taking into consideration the financial economic balance defined by the economic budget.”

- The Economic and Social Development Plan is a forward-looking document drafted by the government. It defines the programmes to implement and the general guidelines. It is approved by law but is not binding.
- The economic budget is a simple legislative information document that serves as a prospective short-term (one year) account providing a forecasting consistent with the overall national economy. It informs MPs prior to the vote on the Finance Act (Chikhaoui, 2007).

It should be noted, moreover, that Tunisian legislation does not require a balanced-budget vote, as is the case in other countries.

The Concept of Budget, its Content, and its Structure

In the broadest sense, the budget is a statement that forecasts expenditures and revenues. In its basic meaning, in the area of public finance, the budget is the document that forecasts and authorises the expenditures and revenues of a public entity for a given period¹. Following other Francophone countries, the Tunisian State has gone from using the concept of “budget” to that of “finance act”. The latter encompasses the various legal provisions relative to State revenues and expenditures, the modalities of their use and control, as well as the State budget.

Concepts

Law No. 67-53 of 8 December 1967 on the Organic Budget Law has replaced the term “budget” by “Finance Act”, which includes both quantitative data and various legal provisions relative to State revenues and expenditures, as well as the modalities of their use and control. Thus, the State budget is included in the Finance Act, which gives it legal standing. Also deemed finance acts are: the Finance Act of the year (FA), the amending finance acts (AFA), and the budget review act (BRA) (Chikhaoui, 2007).

State Budget Unification

The interventionism of the Tunisian government has resulted in a fragmented and largely incomprehensible budget structure. This is why Organic Law No. 96-103 of 25 November 1996 amending the Organic Law No. 67-53 of 8 December 1967 (OBL 1967) gave the State budget a unified character.

The Budget before 1996

It was apparent from the first provisions of the OBL in 1967 that one of its purposes was to regulate the financial operations of the budget (or the “general budget”, the other expression used in the text), the supplementary budgets, the budgets of administrative public institutions attached to the State’s general budget for the purpose of attributing them with a legal status, and the special funds of the Treasury.

The Budget (or General Budget)

The budget (or general budget) is not defined by the 1967 OBL² but it was inferred from its Articles 3 through 9. These articles described the general budget as being composed of:

- a Title I for all current operations (i.e. ordinary revenues and operating expenses); and
- a Title II (capital transactions including windfall and temporary resources, State-issued loans, as well as capital expenditures, loan repayments and operations covered by cost-sharing contributions)³.

Article 8 stated that “capital revenue derived from the surplus of current revenues over current expenditures...” and emphasised that Titles I and II were not subdivisions of a single budget but constituted in fact two juxtaposed budgets. It was not possible to add the amount of Title I and the amount of Title II to obtain the total amount of the budget. Indeed, the balance resulting from the contraction of regular resources and expenditures constituted the contribution of Title I to Title II⁴.

This budgetary dichotomy was a heritage from the past, which was kept by the Organic Law of 12 March 1960 and endorsed by the 1967 OBL. The latter has however refined the distinction between current budget and capital budget, in order to include in Title II the expenditures used to repay the principal of the public debt⁵. Distinguishing between current expenditures and capital expenditures made it easier to compress the former and to allocate international financial aid to the latter. In addition, each of the two budgets had its own revenues earmarked for its own expenses, a separation which directly deviated from the principles of budget unity and universality.

The general budget was therefore the account that included all of the ongoing, current, and capital expenditures and resources, as well as the operations from the State's cost-sharing contributions. The largest State budget account, the general budget, appeared alongside supplementary budgets, the budgets of administrative public institutions, and the special funds of the Treasury.

The Supplementary Budgets

Economic interventionism has led the State to distinguish between its entities providing administrative activities and those managing activities of an industrial or commercial nature. For efficiency reasons, the State has granted the latter some financial autonomy. Lacking legal personality but enjoying financial independence, they formed supplementary budgets.

If Article 6 of the 1960 Organic Law merely stated that “finance acts approve...the revenues and expenditures of the State industrial and commercial entities endowed with supplementary budgets”, the 1967 OBL devoted a whole chapter to them, and defined their legal status in its Articles 17 to 19: they were created and removed by the Finance Act and they employed an accounting system “following the rules and usages of the trade” to assess the quality of their management⁶.

The Budgets of the Administrative Public Institutions

Increased government intervention in all areas is also indicated by the growing number of public institutions. Possessing a legal personality and financial autonomy, these institutions were not supposed to be included in the State budget. However, the legislature drew a distinction between administrative public institutions (EPA) and public institutions of an industrial and commercial nature (EPIC) and subjected the former to all the same budgetary and accounting rules as administrative public services⁷.

As they are endowed with legal personality, the budgets of EPAs are not incorporated into the general budget but only attached to it for the purpose of giving them legal status. They appear in the Finance Act and are subject to parliamentary approval, which could contribute to a macroeconomic presentation of the State's finances. In reality, as administrative public institutions have only very limited resources of their own, the vast majority of their revenues comes from State subsidies.

The 1967 OBL defined them and their legal status in a specific chapter⁸.

The dual status the OBL indirectly creates works to the advantage of the EPICs, since they enjoy the kind of management flexibility that is denied to the EPAs. The possibility of exempting certain entities from the constraints of public management has led the legislature to improperly characterise them as EPICs whereas their activities were clearly of an administrative nature. The creation of public institutions has caused unjustified budgetary dismemberments. To address these abuses, the 1967 OBL aligned the fiscal

management of these institutions with that of the State, both for the development of forecasts and for execution procedures. EPAs cannot even take advantage of the net surplus generated by the contraction of revenues and expenditures, since they pay it back to the permanent account of the Treasury's overdrafts, a practice which is not likely to encourage more efficient management. This anomaly has been corrected.

The Special Treasury Funds

The Special Treasury Funds (SFT) were necessary to adapt the management of public finances to certain economic and financial needs. They operated by appropriating specific revenues to specific expenditures, a technique which constitutes an exception to the principle of universality. In addition, appropriations that were unspent by the end of the fiscal year were not cancelled but indefinitely carried over, which was contrary to the principle of annuality. Finally, SFTs were not included in the State budget.

The OBL since 1996

The high number of accounts linked in various ways to the budget reflects the broad scope of the State's economic and social policies, but also makes it very difficult to assess public governance. This is the reason why the 1967 OBL was modified in 1996 with respect to two main points: the unification of the State budget and the unification of the status of public institutions.

The distinction between administrative institutions and institutions of an industrial and commercial nature was eliminated to bring about the legal and budget unification of all public institutions for the purpose of adding flexibility to their status.

Currently, the State budget, as it is called by the legislature, incorporates: the revenues and expenditures associated with both operations and development; Treasury funds, which consist of cost-sharing contributions and special funds of the Treasury; and the revenues and expenditures resulting from external assigned revenues. The budgets of public institutions are linked to the State budget. In 2004, the legislature eliminated the supplementary budgets by repealing Articles 17 to 19, which governed them. It also introduced the new category of "special funds".

By unifying the budget, the legislature has enabled the MPs to get a better picture of the overall balances. The State budget, which at some point included five different parts (general budget, supplementary budgets, budgets attached to it for the purpose of defining their status (BRPO), Special Treasury Funds, and the capital transactions using the funds from external assigned loans), was divided into three parts starting in 1996: the general budget, the supplementary budgets, and the BRPOs. Yet, the termination of the last supplementary budget, in 1999, led to the extinction of the entire category. Organic Law No. 2004-42 of 13 May 2004 repealed the articles related to them.

Therefore, the budget now has two parts. It now presents, on the one hand, all the accounts of the State, and on the other hand, the accounts of public institutions, whose budget is attached to that of the State for the purpose of defining their status.

Current Content of the State Budget

Article 1 of the 2004 OBL⁹ stipulates that: "each year, as part of setting the objectives of the development plans, the finance act forecasts and authorises all State expenditures and resources, taking into consideration the financial economic balance defined by the economic budget."

Article 26 of the 2004 OBL adds that the “finance bill includes provisions... and also includes detailed tables”.

The Finance Act (FA) is divided in two parts:

- its first part is called “legislative” : like all other laws, the FA is divided into articles;
- its second part is called “quantitative”: it presents quantitative tables.

The finance act is subject to Article 26 of 2004 OBL under which:

“the finance act includes provisions relative to:

- the authorisation to collect public resources and their overall amount.
- the establishment of the ways and means applicable to management expenditures and development expenditures. The Finance Act sets the ceilings for the appropriations available in the general budget, supplementary budgets, and the budgets of public institutions while taking into account the provisions relative to appropriations of an evaluative nature.
- the mobilisation of tax and non-tax resources and the determination of financial procedures.
- the creation of Treasury and other special funds, as well as their modification or termination. (Note that the special funds are a new category of funds created by the Organic Law of 13 May 2004).
- the setting of the caps for the guarantees issued by the State and for Treasury loans.
- the authorisations related to loans and bonds to be contracted on behalf of the State.”

Any provision differing from those listed in Article 26 of the OBL is considered a “budget rider”: that is to say, a foreign provision to the field of finance laws that has been irregularly introduced for reasons of mere convenience.

The Finance Act generally includes about one hundred articles.

The second part of the Finance Act is composed of the budget tables. They correspond to the quantitative part of the Act and cover, strictly speaking, the State budget.

Article 26 of the OBL specifies that the tables in the draft Finance Act relate to the distribution:

- “of State budget resources into categories by article;
- of State budget expenditures by chapter and by section through the establishment of programme appropriations, commitment appropriations, and payment appropriations for development expenditures;
- of the revenues and expenditures of both public institutions and the Treasury special funds.”

Table 1.1 summarises this presentation.

Table 1.1. **Breakdown of the Tables Accompanying the Finance Act**

A	State budget revenue
B	Forecasted revenue of the special Treasury funds
C	State budget expenditures – payment appropriations
D	State programme appropriations
E	Commitment appropriations of the State budget's capital expenditures
F	Revenues and expenditures of the budgets attached to the State budget for status purpose

Article 6 of the OBL indicates that:

“the State budget resources include:

- current tax revenues and current non-tax revenues, which together constitute Title I;
- non-recurring revenues and borrowed resources, which constitute Title II of the Budget;
- the resources that are earmarked for the Treasury.

State resources are divided into eleven categories. Each category is broken down into articles by the type of tax, revenue, or proceeds.”

The following articles (7, 8 and 9) of the OBL specify the Title I and Title II resource categories, as well as the resources and expenditures of the Treasury Fund.

The Classification of Resources

Title I Resources

Section 1: Current Tax Revenues

- Category 1: Direct taxes (personal income tax, corporate tax)
- Category 2: Indirect taxes (VAT, excise duties, document and transaction duties, registration fees, for example)

Section 2: Current Non-Tax Revenues

- Category 3: Current financial revenues (transfers of State-owned enterprises and cash benefits, fines and monetary penalties)
- Category 4: Current revenues of State property (oil exploitation profits, forest products)

Title II Revenues

Section 3: Windfall Revenues

- Category 5: Recovery of loan principal
- Category 6: Other windfall revenues

Section 4: Loan Revenues

- Category 7: Domestic loans
- Category 8: Foreign loans
- Category 9: Assigned foreign loans

Treasury Funds

- Category 10: Tax revenue allocated to the Treasury Fund
- Category 11: Non-fiscal revenue allocated to the Treasury Fund

The contribution of the Organic Law of 25 November 1996 was to bring together all the revenues into a single account, while increasing the number of categories. In addition, the new format provides more transparency by eliminating the contribution of Title I to Title II. Indeed, before the passage of this law, revenues were already divided between Title I and Title II. Title I included six categories:

- direct taxes;
- indirect taxes;
- taxes;
- proceeds from the State’s property and paying services;
- income from the State’s financial holdings, and the profits of State-owned enterprises
- miscellaneous proceeds.

Title II included:

- surplus of current revenues over current expenditures, which used to constitute the contribution of Title I to Title II;
- proceeds from foreign and domestic medium- and long-term loans;
- repayments of loans and advances granted by the State.

The OBL of 8 December 1967, as amended by the Organic Law of 25 November 1996, provides that:

“**The State expenditures** include:

- the management expenditures and public debt interest expenditures which constitute Title I;
- the capital expenditures and repayment of the public debt principal which constitute Title II;
- expenditures of the Treasury funds.”

Title I Expenditures

Section 1: Management expenditures:

- Part 1: public compensation: pursuant to Article 4 of the Decree of 8 March 1999, this part corresponds to the compensation of government officials, of permanent and non-permanent officials, as well as to subsidies to public institutions earmarked for compensation expenses;
- Part 2: service costs: consumer spending on goods and services necessary for the proper operation of departmental units, the maintenance costs of public works, and subsidies to public institutions earmarked for these same expenses;

- Part 3: public interventions: expenses related to transfers, direct or indirect State interventions, contributions to international institutions, and subsidies to public institutions earmarked for these same expenses;
- Part 4: unforeseen management expenditures: appropriations for covering needs that could not be identified or apportioned at the time of budget preparation.

Section 2: Interests on the Public Debt

- Part 5: interests on the public debt: repayment of the interest on domestic and external public debt.

Title II Expenditures

Section 3: Development Expenditures: pursuant to Article 4 of the OBL, they are used to implement the programmes set by the development plans.

- Part: 6 direct investments: development projects and programmes carried out either by the State or by public institutions (e.g., land acquisitions, buildings, computer programmes, advancement of women and the family, etc.);
- Part 7: public funding: these are funds allocated to non-public administrative institutions and State-owned enterprises for interventions, investments, capital holdings, repayment of debts, and financial balance. This part also includes appropriations for local governments for investments and interventions;
- Part 8: unforeseen development expenditures: appropriations to cover needs that could not be identified or apportioned at the time of budget preparation;
- Part 9: development expenditures paid from assigned foreign loans: repayment of the principal of the public debt; expenditures for programmes, projects, or investments that are paid for by assigned foreign loans and repaid by the State.

Section 4: Repayment of the principal amount on the national debt:

- Part 10: repayment of the principal amount of the national debt: appropriations for repaying the principal amount on the State's domestic and external debt.

Section 5: Expenditures of the Treasury Funds

- Part 11: expenditures for special funds;
- Part 12: expenditures for cost-sharing contributions.

The Incorporation of the Budget into the Broader Economic Framework

Article 1 of the OBL explicitly mentions the incorporation of the budget into the economic framework by linking the budget with the Economic and Social Development Plan. The Economic and Social Development Plan is a forward-looking document prepared by the government for a five-year period.

Decree No. 2005-382 of 1 March 2005 on the organisation of the work for developing the 11th Development Plan for the period 2007-2011 stated that “the eleventh Plan is developed as a tool for the general orientation of development policy and for the implementation of programmes and projects on the basis of the forward-looking development guidelines and prospects that were officially approved as part of the ten-year

prospectus covering the period 2007-2016 and in order to achieve the objectives set on the sectoral and regional levels.”

Approved by law, the Plan is linked with the State budget, which takes into account the objectives of the Plan and contains the necessary financial measures for achieving them.

The departmental divisions of the Ministry of Development and International Cooperation, and the divisions of the different departments concerned, perform the technical preparation of the Development Plan. National sectoral committees prepare reports to serve as the basis for the plan and to guide the definition of its goals and forecasts. The Ministry of Development and International Cooperation synthesises the various reports and monitors the overall balance.

The second document against which the fiscal balance is determined is the *economic budget*. It includes a set of national accounts, describing, for the current year and the next, forecasts related to the operations of the economic actors in order to inform budget and economic policy. It includes economic assessments of the gross domestic product, the rate of public and private investments, the volume of savings, the balance of payments, and the balance of trade.

The economic budget is, to begin with, an assessment of the year’s economic activity. It then presents an estimate of the economic outlook for the coming year that will serve as a reference for the preparation of the budget. It is, in some sense, a report on the economic activity addressed to the legislature.

The Prospect of Performance-Based Budgeting Reform

The introduction of performance-based management (PBM) actually dates back to 1996, when a decree authorised ministers to establish performance-based management units for the achievement of specific projects. On this basis, several performance-based management units were created for the completion of some 200 projects, from the construction of a dam to the organisation of an international summit (Ajroud, 2009) to the use of performance-based management for budget matters. Indeed, a Decree of 23 November 2003¹⁰ created a unit with the specific purpose of preparing performance-based budgeting for a period of five years.

The Organic Law of 13 May 2004 modifying the OBL of 8 December 1967 indicates in Article 11, paragraph 2 that “the finance act may authorise the appropriation of funds by programmes and missions.” According to the law, “programmes include appropriations for an activity or a set of homogeneous activities placed under the responsibility of each head of administration in order to achieve specific objectives and results that can be evaluated” and “missions include a series of programmes contributing to the implementation of a strategy of national interest.”

A mission is therefore composed of several programmes, and while a programme concerns only one administration, one ministry, and consequently one budget chapter, the mission involves several administrations, which represents a minor revolution in the longstanding organic distribution of expenditures by chapters, or, for the most part, by ministries.

The implementation of performance-based budgeting is only starting now to make real progress with the work of a second unit established by a Decree of 30 November 2008 and which was given the responsibility of implementing this reform over a five-year period.

As part of the work of this unit, five pilot ministries have been designated to experiment with PBB: Public Health; Higher Education and Scientific Research; Education; Agriculture and Hydraulic Resources; Civil Service and Employment. Since 2010, the experimentation stage has reached four other ministries: Finance; Labour; Infrastructure and Housing; and Industry and Technology. In 2012, the Ministry of Transportation was also affiliated with this experimental project¹¹.

The experience includes four key areas related to the development of a medium-term expenditure framework, the development of a budget classification scheme by objective, the introduction of the concept of “programmes” and development of performance criteria, and, finally, the establishment of evaluation mechanisms.

To this end, five working groups prepare the instruments for the implementation of PBB by 2016 at the latest. The five work areas are the new budget classification scheme, the modernisation of public accounting systems, the modernisation of controls, the renewal of the legal and regulatory framework, and the adaptation of IT systems.

However, the scope of the reform is limited. Indeed, Article 11 of the OBL states that the funds “may” be allocated to specific programmes and missions. This is not a requirement for now. Therefore, a traditional management system employing a means-based budget and organic classification scheme currently coexists with a PBB approach oriented around an outcome-based budget and a functional classification scheme. This situation should change: the OBL is being revised and will probably enshrine the principles of PBB.

As part of PBB, as previously indicated, the budget is no longer presented by expenditure type (operation, investment, intervention, etc.) but by public policy type (security, culture, health, justice, etc.), which are now referred to as “missions”. The Parliament and citizens are thus able to assess the totality of the means deployed to implement each State policy.

The missions are broken down into programmes, which are in turn divided into sub-programmes, called “objectives”, according to the Ministry of Finance. For example, the “Mission of Higher Education and Scientific Research” is composed of four programmes: Higher Education, Scientific Research, University Student Support Groups, and General Administration. The Higher Education programme is composed of three sub-programmes: Universities, the General Directorate of Technical Studies, and the Virtual University of Tunis. In October of 2010 and in October of 2012, the Ministry of Higher Education presented its budget bill following the PBB method.

Proposals

- Accompany the draft Finance Act with a report on the economic, social and financial outlook. This report would clarify the government’s guiding assumptions for the following four years, thereby improving budget transparency and accuracy.
- Establish a report presented by the government to Parliament on the level of statutory contributions for the next two years.

Notes

1. In Tunisia, Law No. 60-1 of 12 March 1960 used to define the budget as a “legal act that forecasts and authorises all of the State’s revenues and expenditures in a given year.”
 2. It was defined as “the account that consolidates all of the permanent, current, and capital expenditures, as well as the operations financed by cost-sharing contributions.”
 3. Pursuant to Article 9, “cost-sharing contributions constitute the amounts given by organisations or individuals to cover, with contributions made by the State, public interest expenses. This revenue will lead to additional appropriations to section II of Title II of the budget.”
 4. The revenue surplus is recorded under Title I as expenditure and under Title II as source of revenue.
 5. This new classification scheme offers the advantage of responding to a strictly economic criterion, which corresponds to the business accounting system of various international financial donor institutions, and serves to link the plan to the budget.
 6. Among the supplementary budgets, that of the Postal Service had its own revenues generated from the exploitation of several activities, part of which was transferred to a public body. Today, National Office of the Postal Service, which is an EPNA (State-owned enterprise) created by Decree No. 98-1305 of 15 June 1998, provides public postal services. For its part, the supplementary budget of radio and television was transformed into that of a public institution of an industrial and commercial nature.
 7. Article 13 of the OBL of 12 March 1960: the execution of State financial operations, of public institutions endowed with a budget attached to the State budget for the purpose of defining a status, and of supplementary budgets is carried out within the framework of the budget management system.
 8. Pursuant to Article 20 of the OBL: “Administrative public institutions have autonomous budgets. Their regular resources include their own revenues and, potentially, the balancing subsidies granted by the general budget. Current expenditures follow the same rules of classification and management as the State’s current expenditures. The current revenues and expenditures of these institutions form Title I of their budget, which is called the “operating budget” and is attached to the State’s general budget for the purpose of defining a status. The net available surplus of revenue over current expenditures is refunded at the end of a management year to an account entitled the “permanent account of the Treasury’s overdrafts”.
- Article 21: capital expenditures of administrative public institutions are chargeable to the capital appropriations of the State’s general budget... The available credit balances can be carried over indefinitely.
9. Organic Law No. 2004-42 of 13 May 2004 amending and supplementing the Organic Budget Law No. 67-53 of 8 December.
 10. Decree No. 2424 of 24 November 2003 pertaining to the creation of an objective-based management unit for the implementation of the State budget management reform and to its organisation and operating procedures, *JORT* No. 97 of 5 December 2003, p. 3527.

11. Decree No. 2012-70 of 12 March 2012 pertaining to the creation of an objective-based management unit within the Ministry of Transportation and to its organisation and operating procedures.

“Article One – Hereby created in the Ministry of Transportation is an objective-based management unit for the purpose of carrying out the State budget management reform project.

Art. 2 – This unit is placed under the authority of the Minister of Transportation or his representative, and will be responsible for:

- coordinating, during the different implementation stages, with the objective-based management unit created in the Ministry of Finance by the abovementioned Decree No. 2008-4112 of 30 December 2008, for the purpose of carrying out the State budget reform project;
- conducting and monitoring the various tasks related to the implementation of objective-based budgeting within the ministry;
- supervising and training the ministry’s officials intervening in the implementation of the reform, and in the drafting, implementation and follow-up of the budget;
- contributing to the development of programmes, sub-programmes, and actions;
- helping to:
 - * set performance indicators for each programme;
 - * prepare and update the medium-term expenditure sectoral framework;
 - * prepare the reports and documents that should be provided with the annual draft budgets, in accordance with the new programming period;
 - * create, to the benefit of the actors involved in the implementation of the reform, a database within the ministry for the collection of the information and documents relative to the project;
- submitting quarterly reports to the Ministry of Transportation on the progress made in the reform implementation.”

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Chapter 2
Budget Preparation

The Budget Timetable

From the 1959 Constitution Timetable to that of the Transitional Regime

The Timetable Established by the Former Constitution

According to Article 28 of the now defunct Constitution of 1 June 1959, “... the budget must be adopted no later than 31 December...” Furthermore, Article 2 of the OBL states that the fiscal year begins on January 1 and ends on December 31. The principle of annuality thus implies the preparation of an annual budget according to the following timetable¹:

“Heads of administration establish annual estimates of their respective expenditures and present them to the Ministry of Finance by the end of May each year.

The Minister of Finance examines these proposals, adds revenue forecasts, and prepares the draft Finance Act.

This draft is discussed by the Cabinet and approved in its final form by the President of the Republic. It is submitted to the Chamber of Deputies and Chamber of Advisors no later than October 25 of the year prior to that of the execution of the Finance Act presented”.

Article 23 of the Organic Law No. 42-2004 of 13 May 2004 amending the OBL modified the timeframe by requiring that the annual estimates of expenditures of the administration’s units be sent to the Ministry of Finance “before the end of May each year”².

The procedure for the preparation of the budget, however, is not very formalised but is empirically determined by the administration (General Directorate for Administrative Reform, 1997). Its timeframe reflects the essential milestones in budget preparation.

The preparation of the State budget is the sole responsibility of the executive branch. Under the constitution of 1 June 1959, the President of the Republic exercised executive power “...assisted by a government led by a Prime Minister”³, who was also responsible for directing “the general policy of the State” and defining “the fundamental options...” Since the budget was the financial expression of State policy, the President of the Republic was the primary driver behind the preparation of the State budget. Article 23 of the OBL specifies, moreover, that the President of the Republic “finalises the draft Finance Act of the year.” In his role of defining fiscal policy, the President of the Republic would naturally take into account macroeconomic forecasts illuminating the feasibility of policy orientations.

The development of the State budget, however, was materially the responsibility of the entire government, under the stewardship of the Prime Minister. It was the Prime Minister who transmitted the presidential guidelines and options to members of the government. A circular signed by him launched, in February or March, the budget preparation process by all the heads of administration whose financial transactions were directly or indirectly charged to the State budget⁴.

This circular defined the main guidelines, recommendations, and priorities to guide the preparation of the budget. It also presented the timetable to adhere to, thereby imposing some discipline on the process. Preparation of the circular was handled by the

Ministry of Finance, and more specifically by the General Committee of the Administration of the State Budget⁵.

The Timetable under the Transition Regime

Under the Constitutional Law of 16 December 2011 on the provisional organisation of public authorities, the government exercises executive power and ensures the direction of State affairs⁶. It thus became the main driver of the budget preparation process with the special support of the Ministry of Finance. Otherwise, the new regime retained the rest of the previous budget process.

Article 90 of the draft Constitution of 1 June 2013 indicates that the Head of government determines the general policy of the State and ensures its implementation, thus making him the cornerstone of the budget timetable.

Preparing the Budget

Pursuant to Article 1 of the OBL: “The Finance Act provides for and authorises, for each year, all State charges and resources within the framework of the objectives established by the development plans, and with respect to the financial economic balance defined by the economic budget.”

Article 23 of the OBL identifies two steps in the making of the budget:

Step 1: “The heads of administration establish annual estimates of the expenditures of the units under their supervision, and transmit them to the Ministry of Finance by the end of May each year...”

Each ministry, as a spending ministry, should evaluate its spending estimates. The structure in charge of the budget for each ministry consolidates and reviews the appropriations requests of the various central and decentralised units within the department, making sure that they fall well within the guidelines of budgetary policy. The department head reviews and approves these appropriations, which are then ready to be sent to the Ministry of Finance.

The budget requests of the various ministries are formulated on the basis of a methodological guide that includes a number of indications regarding financial management. This guide was established in 1997 following the budget restructuring brought about by the Organic Law of 25 November 1996. It defines fiscal operations, budget preparation, the different operations involved in budget execution, the primary accounting rules, and the methods of monitoring budget execution. Its appendix includes a number of templates of forms and tables⁷. In addition, a template presentation of the sectoral budget is distributed by the General Committee on the Budget in order to harmonise the different budgets.

Moreover, although, theoretically, no spending cap can constrain the spending ministries, their requests must be accompanied by a number of documents specified by the Methodological Guide, such as:

- an introductory note;
- a table presenting each proposed appropriation by article;
- a table providing a breakdown of the requested appropriations by paragraph and sub-paragraph;

- the draft budgets of public institutions approved by their respective supervisory departments;
- a summary of projects in progress presented by article and paragraph;
- an update on the state of projects to be re-evaluated;
- a breakdown of the appropriations requested by each governorate;
- an update on new projects supported by corresponding studies;

The method of evaluating expenditures is defined by Article 24 of the OBL: “The estimates are determined based on the forecasted operating needs of the various units and departments, and according to the implementation stage of the development projects”.

This article introduced by the Organic Law of 13 May 2004 amending the OBL, provides for the procedural unification of management and development expenses. Therefore, the evaluation now covers spending in general. It also enhances the Ministry of Finance, which since 1996 has prepared the total budget, whereas previously the Ministry of Development and International Cooperation handled the part of the budget called the “capital budget”. This duality led to numerous failures.

There was also the elimination of the distinction between the current services appropriations and the new measures, which governed the preparation of recurrent expenditures until then. Under the former Article 28 of the OBL, the current services appropriations represented “the appropriations included in the previous year’s budget, minus the funds that were non-renewable and plus the funds needed in order to adjust to service needs”.

Under this scheme, non-renewable funds included, for example, back pay, the costs of organising international sporting events or scientific meetings, and funds for the purchase of computer equipment. Adjustments to needs involved, for example, the career development of public officials and equipment maintenance costs. The new measures constituted the whole set of measures that the administration initially introduced in the Finance Act. They dealt with, for example, job creation, the development of a new administrative structure (public institutions, Treasury special fund), etc.

Therefore, the appropriations for the fiscal year $n+1$ were determined by using as a basis the amounts of appropriations budgeted for the year underway, and then factoring in decreases associated with the loss of non-renewable funds and increases related to the new funds necessary for covering adjustments in needs. For example, in the matter of appropriations covering permanent staff compensation, it was necessary, based on the budget appropriations for the current year, to cut appropriations for retiring staff members and to add funds for new hires, job promotions, salary increases, etc.

The method defined by the former Articles 27 and 28 of the OBL was criticized because it resulted in the indefinite extension of the current services appropriations, taking away any recourse to new negative measures that offer the possibility of reviewing the operation of services and making the necessary adjustments (Méchichi 1995). Under the old system, new measures could only be new appropriations due to the underlying belief that the State would always spend more. This also revealed the pro-active role that was given to the State.

Now, as before, the evaluation focuses, first, on the fixed annually recurring expenditures, such as rents, ordinary maintenance costs, and the salaries of staff members. It covers the concept of “foreseeable operating needs” of the different services

defined in Article 24, which is a formulation offering more flexibility than the concept of “current services appropriation”.

As for development expenditures, they are intended, according to Article 5 of the OBL, “to carry out the programmes defined by the economic and social development plans”. The new Article 24 indicates that they are determined “according to the implementation stage of development projects and programmes”.

The forecast of development expenditures is divided into three stages so as to facilitate their articulation with the annual budget framework. Pursuant to Article 13, they are broken into three categories: programme appropriations intended to determine the projects that a public entity wants to launch during a fiscal year while fixing the overall cost; commitment appropriations committing public entities up to the cap set by the Finance Act; and payment appropriations enabling the repayment of the debt.

Step 2: “...The Minister of Finance shall examine these proposals, add revenue forecasts, and prepare the draft Finance Act...”

This second step is divided into three phases:

- Review of proposals:

The relevant divisions of the Ministry of Finance examine the budget requests of the ministerial departments in the light of the three following elements: the supporting documents provided, the previous year’s use of appropriations for the requests falling under Title I, and the progress accomplished on the projects falling under Title II⁸.

This examination involves discussions and negotiations between the relevant divisions of the Ministry of Finance and representatives of the other ministries concerned, which may require the intervention of the Minister of Finance in the event of a disagreement, or even the arbitration of the Prime Minister, if no solution can be found.

In practice, the budget negotiations phase ends at the end of June. This theoretically leaves the Ministry of Finance and the government a period of almost four months to complete the development of the draft Finance Act and submit it to Parliament.

After summarising the results of the negotiations, the Ministry of Finance develops revenue forecasts.

- Revenue forecasts:

The revenue assessment is carried out by the Ministry of Finance because all the divisions that collect revenues are under its authority.

According to Article 24 of the OBL, “revenue forecasts are issued by the Minister of Finance and broken down into the various income categories, while respecting the overall economic balance of the year in question...”

The method used for assessing revenues is direct. It makes it possible to establish the forecasts on the basis of economic and financial indicators, taking into account, for each category of revenue, the actual results.

It is based on scientific methods facilitating the incorporation of any elements that could lead to a decrease or increase in revenues. This requires constant monitoring of changes in economic conditions and a detailed analysis of the effects such changes can have on the amount of revenues. This task is performed by the division responsible for monitoring the economic and financial situation within the Directorate of Financial Balances of the Ministry of Finance.

With the end of the budget negotiations, begins the process to develop the revenue forecasts.

The objective is to update the revenue forecasts initially made by the Directorate of Resources and Balances⁹. This is accomplished by considering the revenues collected during the year, which are indicated in real time through the use of the RAFIC (rationalisation of fiscal and accounting practices) and SINDA (automated customs information system) computer systems. These two systems also provide reliable statistics and scorecards that help in making the necessary adjustments.

Revenue forecasts are refined on the basis of the first semester's achievements in order to accurately reflect the actual situation. The advantage of the direct method is precisely to reduce the gap between forecasts and results.

- The development of the draft Finance Act:

The role of the Ministry of Finance is to bring together in a coherent way the various sectoral budgets in order to present a unified project. This task does not consist in adding together all of the structural assessments, but rather in synthesising the results of the negotiations and trade-offs between all the expected needs and available revenues.

The Ministry of Finance is the only department to be able to do this because it knows the resources available and the results of the execution of previous budgets.

It therefore possesses the maximum information for synthesising the sectoral budgets and adding its own revenue forecasts to them.

The technical preparation of the State budget (budget tables: Treasury funds, special funds, budgets attached to the State budget for status purposes) and the writing and formatting of the provisions of the Finance Act, are tasks to be performed by the appropriate divisions within the Ministry of Finance.

This material preparation phase ends with a meeting of the Council of Ministers, which examines the project as a whole in the light of more accurate information on revenues collected and shifts in the economic situation, as well as by taking into consideration the new tax measures proposed in the draft Finance Act (DFA).

The Council of Ministers shall review the draft budget in the light of the new reforms being considered.

The entire document will be finalised and submitted to the President of the Republic, who will “adopt it in its final form” (Article 23, paragraph 3 of the

OBL), and submit it to the legislature for review and vote no later than October 25 of the year preceding that of the execution of the FA presented.

Macroeconomic Outlook

Responsibilities

The Ministry of Development and International Cooperation is the new name given to the Ministry of Planning and International Cooperation. It is responsible for the design and implementation of development policies, in accordance with national priorities and objectives, and it produces development plans and strategies with the assistance of institutions under its supervision.

The Tunisian Institute of Competitiveness and Quantitative Studies¹⁰ (ITCEQ), for example, is a centre of economic research responsible for:

- ensuring various follow-up work, conducting analyses of the Tunisian economy at the macroeconomic, sectoral, and regional levels, and carrying out investigations on the competitiveness of businesses and the business environment;
- conducting economic and social studies pertaining especially to development prospects, to the issues covered in the development plans, and to the impact of political, economic and social reforms on the achievement of development goals, in particular studies on the knowledge economy, integration, financial policies, social change, and human resources.
- Studies on macroeconomic issues are conducted by the Central Directorate of Economic Studies. They focus on global balances and monetary and fiscal issues.

Similarly, the National Statistics Institute (INS) under the Ministry of Development and International Cooperation, is the central organisation of the national statistical system¹¹. It is primarily responsible for preparing the annual and interim financial statements of the nation and developing indicators of the current economic context, while ensuring the monitoring and analysis of the economy through its own Observatory of Economic Conditions.

The Methods

The ITCEQ, or more specifically its Central Division for Synthesis and Modelling, conducts studies and develops scenarios on macroeconomic and sectoral prospects, as well as on the growth of the Tunisian economy. It also develops tools for modelling, impact measurement, and simulation.

In this context, it has produced several models, including:

- the sectoral model for the preparation of scenarios whose objective is to evaluate the impact of political events in Tunisia and throughout the world;
- the computable general equilibrium model;
- the table of inter-industry trade;
- databases on macroeconomic and social conditions.

Proposals

- Organise a budget debate before the government finishes preparing the draft Finance Act. This debate would examine the main lines of action that the government intends to incorporate into the DFA, providing a multi-annual perspective of the budget and a complete picture of the country's actual economic situation (including the balance of the social security fund, the level of debt, overdraft, and deficit, as well as the financial situation of local governments and State-owned enterprises).
- Improve the DFA by basing it on credible macroeconomic assumptions, in terms of both revenue and expenditures, and by incorporating into it the right level of mandatory expenditures.
- Precisely define the extent to which the principle of the specification of appropriations should apply to the DFA (in order to improve the transferability of appropriations by reducing the level of detail).
- Manage more strictly the time allotted for the government to respond to the questions raised by MPs, and make sure the administration abides by it. Indeed this Q&A session is essential for members of Parliament in preparing the review of the DFA.

Notes

1. Article 23 of the OBL.
2. Under the previous system (pursuant to former Article 25), they were sent “during the month of August”.
3. Article 37 of the Constitution of 1 June 1959, as amended by Constitutional Law No. 76-37 of 8 April 1976.
4. Before the Organic Budget Law of 25 November 1996, a budgetary dichotomy existed between Title I and Title II. Consequently, two circulars – one on the preparation of the operating budgets and one on the preparation of the capital investment budget – were sent. Since 1997, there is only one circular governing the totality of the State expenditures.
5. The functions of the Ministry of Finance were defined by Decree No. 75-316 of 30 May 1975: it is organised by Decree No. 91-556 of 23 April 1991, later supplemented by, most notably, Decrees No. 96 - 259 of 14 February 1996, No. 2001-2729 of 26 November 2001, No. 2005-492 of 1 March 2005 (*Official Gazette of the Tunisian Republic* No. 19 of 8 March 2005, p. 619-622) and No. 2007 -1198 of 14 May 2007 (*Official Gazette of the Tunisian Republic* No. 40 of 18 May 2007, p. 1651).
6. Article 17 of the Constitution Act of 16 December 2011 states that “The government exercises executive power, except the powers conferred on the President of the Republic...” Article 18 adds that “The government shall ensure the management of the affairs of the State and ensure the normal operation of public services, administration and law enforcement. In accordance with existing legislation, each Minister shall, in his/her field of competence, give operational guidelines to the central administration and supervise the public offices and institutions, as well as supervise the local and regional administration and services, under the authority of the Head of Government.”
7. The Performance-based management unit, which was created within the Ministry of Finance, has planned to draft a new guide.
8. Pursuant to the new Article 14 of Decree No. 96-259 of 14 February 1996, amending and supplementing Decree No. 91-556 of 23 April 1991 organising the Ministry of Finance.

The General Committee of the Administration of the State Budget is most notably responsible for:

- preparing, in collaboration with the concerned departments and agencies, the State budget, the supplementary budgets, and the budgets of public institutions;
- contributing to the development of the Finance Act;
- monitoring the actual implementation of public expenditures by field intervention or by the examination of the records and documents;
- preparing reports on the execution of public expenditures;
- performing the administrative and financial management of the General Committee of the State Budget Directors.

9. This Directorate is the new version of the former General Directorate of the Treasury, whose competences were defined by Decree No. 2005- 492 of 1 March 2005.
10. Formerly called the *Institut d'Économie Quantitative* (Quantitative Economics Institute), its organisation was defined by Decree No. 2009-3038 of 12 October 2009.
11. Law No. 99-32 of 13 April 1999 relative to the national statistical system establishes as its fundamental principles the necessity to “to ensure the production of credible and quality statistical information” and “to ensure access for all users to statistical information”. It creates the National Institute of Statistics, which is the central executive body of the national statistical system. This organisation is responsible for the technical coordination of statistical activities.

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Chapter 3

**Budget Review
and the Role of Parliament**

The Constitutional and Legislative Framework of Parliamentary Authority

From a Bicameral Parliament ...

The Constitutional Law of 1 June 2002 revising the constitution of 1 June 1959 enshrined bicameralism and created the Chamber of Advisors alongside the Chamber of Deputies. The revised Article 28 of the Constitution provided that “The Chamber of Deputies and the Chamber of Advisors exercise legislative power, in accordance with the provisions of the Constitution.” It further stated that “draft finance acts are submitted to the Chamber of Deputies and the Chamber of Advisors. The Chamber of Deputies and the Chamber of Advisors adopt the draft finance act and the draft budget review act in accordance with the requirements of the Organic Budget Law.”

Parliament’s powers were defined by the Constitution, the Organic Law No. 2004-48 of 14 June 2004 defining the division of labour between the Chamber of Deputies and the Chamber of Advisors and establishing the relationship between the two chambers, the Rules of Procedure in the Chamber of Deputies that was adopted on 7 and 8 December 1959 and amended several times, and finally by the Rules of the Chamber of Advisors, adopted on 12 September 2005.

... to the National Constituent Assembly

The Constitutional Law of 16 December 2011 on the provisional organisation of public authorities provides that the National Constituent Assembly (NCA) exercises legislative power. This law, the OBL, as well as the Rules of Procedure of the NCA govern the draft Finance Act review process.

Parliamentary Timetable

The Filing of the Budget in Parliament

The Filing Procedure prior to the Revolution

The Organic Law No. 67-53 of 8 December 1967 pertaining to the Organic Budget Law, as amended by Organic Law No. 42-2004 of 13 May 2004, established in Article 23 the filing date of the draft Finance Act (DFA). This Law further indicates that the draft Finance Act must be “submitted to the Chamber of Deputies and the Chamber of Advisors no later than 25 October of the year preceding that of the execution of the Finance Act presented”¹.

Not respecting the date for filing the budget in Parliament comes with drawbacks

The Filing of the draft Finance Act

Article 23 resulted from the modification of the OBL with the aim of adapting it to the introduction of bicameralism by the Constitutional Law of June 1, 2002². The filing date of the draft Finance Act determines the length of time granted to the legislature for reviewing and adopting the draft Finance Act. Any delay in the filing of the draft Finance Act limits the time allotted to Parliament to carefully examine the budget. However, this deadline is not binding, which has meant that the draft Finance Act has often been filed well after the prescribed date.

The Filing of Supporting Budget Documents with the Draft Finance Act

No time limit is specified for the filing of budget documents that, according to Article 25 of the OBL, “are attached to the draft Finance Act.” According to the wording of this provision, these documents should be submitted together with the draft Finance Act insofar as they serve to explain and justify the budget’s content. But the absence of any mention of a specific deadline for submission in Article 25 has left that matter somewhat open to interpretation. Nonetheless, the submission of these documents affects the draft Finance Act review process. Article 25 of the OBL establishes the following list of documents to provide along with the draft Finance Act:

1. “A report on how the State budget fits into the context of the global economic and financial balance. It includes, in particular, an analysis of the evolution of revenues and expenditures by type...” The report on the State budget is based on the economic accounts of the nation, and it defines the economic and financial balance and analyses the main features of the budget.
2. “...Explanatory notes relating to the expenditures of each chapter depending on its type and on the programmes and missions authorised for it...” in the form of sheets detailing for each item all of the allocations of the chapter concerned.
3. “Any other document deemed useful for the review of the draft Finance Act by the Chamber of Deputies and the Chamber of Advisors.” These would be, for example, documents that furnish useful information to Members of Parliament, such as the report on the implementation of the plan, the report of the Central Bank, or a detailed statement of the public debt.

All of these documents serve to inform MPs about the content of the State budget, which should be clearly understandable and complete.

The documents to be attached to the draft Finance Act are divided into two categories: those explaining the content of the draft Finance Act and those that could be referred to as additional background documents.

Explanatory documents include a report on the State budget and explanatory notes dealing with the details of budget items. The report on the State budget is based on the economic budget that is mentioned in Article 1 of the OBL. It is a set of national accounts describing, for the current year and for the coming year, forecasts related to the activities of economic actors, such as GDP estimates, assessments of the state of private and public investment activities, information on the volume of private and public savings, and indications about the trade balance.

Additional documents are defined by the legislature as a document “deemed useful for the review of the draft Finance Act...” These are usually reports relating to various aspects of the government’s financial activities: for example, the reports of the Central Bank, reports on the implementation of development plans, reports on tax implementation, the state of national health insurance funds, the list of State-owned enterprises receiving public funding, etc.

The Filing of the Draft Finance Act during the Transition Regime

The Constitutional Law No. 2011-6 of 16 December 2011 on the provisional organisation of public authorities retains the deadline for voting the Finance Act, but does not specify the filing date for the draft Finance Act. Legally, it is necessary to respect the filing deadline set by the OBL, but the 2013 draft Finance Act was filed in the office of

the NCA on 26 November 2012. In addition, the economic budget has not been disclosed³. And no new development plan has been formally presented⁴.

The Draft Constitution of 1 June 2013 enshrines budgetary legality by stating in Article 26 that the law authorises State resources and expenditures according to the conditions provided for by the OBL. Article 65 stipulates that the draft Finance Act be presented to the Council of People’s Representatives no later than October 31, and adopted no later than December 20, the Constitutional Council, for its part, having a week to conduct its review.

The Time Allotted to Parliament for Reviewing the Draft Budget

The draft Finance Act is reviewed by parliamentary committees and on the floor of the Assembly. In the key texts, the time Parliament disposes of for considering and voting on the draft Finance Act is not specifically stated⁵. Despite this absence, the duration of deliberations on the draft Finance Act has taken shape out of the combination of the provisions contained in Article 28, paragraph 9, of the Constitution of 1 June 1959 and in Article 23 of the OBL. Hence, this span of time fits between the deadline for submission of the draft Finance Act and the vote on the Finance Act (31 December). With the modification of the OBL by the Organic Law of 13 May 2004, the new Article 23 established October 25 as the draft Finance Act filing date, which resulted in Parliament being granted 68 days, unevenly distributed between the Chamber of Deputies and Chamber of Advisors⁶, to deliberate and adopt the Finance Act⁷.

The Constitutional Law on the provisional organisation of public authorities retains the December 31 voting date for the draft Finance Act; given the fact that the OBL has not been modified, the NCA legally possesses 68 days to examine and vote on the Finance Law. However, in practice, the length of time has been shortened: the draft Finance Act for the year 2013 was filed on 26 November 2012.

For the sake of comparison, the 2012 Supplementary Budget Law was studied by the NCA for 44 days, a period that can serve as a reference for the review of the draft Finance Act by a unicameral legislature.

Under Article 65 of the Draft Constitution of 1 June 2013, the draft Finance Act is to be submitted to the Council of People’s Representatives no later than October 31, and adopted by December 20; this would allow 54 days for review. This period will be in accordance with international practices

Proposals

- Reinforce the effectiveness of the draft Finance Act filing date by requiring, in case of a late filing in Parliament, a parliamentary debate which could lead to a vote of no-confidence for the government.
- Set the same filing deadline for both the draft Finance Act and all its supporting documents.

Measures to Be Taken in Case of a Delay in Approval

According to Article 28, paragraph 9 of the Constitution of 1 June 1959 “The budget must be adopted no later than 31 December. If the two chambers have not issued their

decision by this date, the provisions of the draft Finance Act can be implemented by decree, in the form of renewable quarterly instalments.”

The Constitutional Law of 16 December 2011 on the provisional organisation of public authorities stated in Article 11, paragraph 14 that the President of the Republic “...promulgates by Republican Decree, the provisions of the draft Finance Act in quarterly instalments if the Finance Act has still not been adopted by 31 December.” But like Article 28 of the Constitution of 1959, Article 14 does not specify whether failure to adopt resulted from a mere delay or from an outright rejection of the draft Finance Act.

In practice, the adoption of the draft Finance Act has always fallen within the prescribed timeframe, sometimes at the expense of a thorough review.

Article 65 of the Draft Constitution of 1 June 2013 provides that if the draft Finance Act is not enacted on December 31, the draft Finance Act can be executed by government decision in renewable quarterly instalments.

The Vote

The voting procedure for the Finance Act conforms to the procedure for ordinary laws⁸, as well as to additional provisions contained in Articles 29 and 30 of the OBL, which subdivide the draft Finance Act vote into several partial votes that take into account the specificity of the budgetary process. In this way, the Parliament is not required to accept or reject the whole draft Finance Act by a single vote, but rather casts a vote for each part, depending on the degree of specialisation determined by the OBL.

According to Article 29 of the OBL, “...the expenditure forecasts are subject to a vote by section and by chapter for the State budget ...”

In the Finance Act, the State expenditures are divided vertically by **chapter** (which includes all of the funds made available to each head of administration) and horizontally by **title, section, and part**, depending on their type.

Under the OBL, State expenditures are grouped into two titles, 5 sections, and 12 parts.

With the Organic Law of 13 May 2004 amending the OBL, the vote on forecasted expenditures is less specialised in the sense that it is cast by sections and no longer by parts.

“...The revenue projections are subject to a vote by title for the State budget ...”.

The OBL states that “the resources of the State budget include: general tax revenues and non-tax revenues which fall under Title I, windfalls and loans which fall under Title II of the budget...”

Special Treasury funds are each subject to a vote for all of their revenues.

Regarding public institutions, all revenues and all proposed expenditures are subject to a vote for each chapter, that is to say with reference to their respective line ministry. The budgets of public institutions are voted at the same time as the budget of the line ministry.

At the end of the procedure, “...all the provisions of the Finance Act are subject to a comprehensive and final vote”. Thus, each article of the Finance Act is subject to a vote, and then the whole Draft Finance Act, including appendix tables, is subject to a single vote.

The Enactment of the Budget

After its passage, the Finance Act is sent to the President of the Republic for enactment⁹ and publication in the *Official Gazette of the Tunisian Republic*. This sets in motion the budget execution phase.

The Organisation of Budget Work in Parliament

The Review Process in Committees and in the Plenary Assembly

The draft Finance Act is examined in committees, and then in the Plenary Assembly before its adoption and vote.

The Review Process before the Revolution

The Organic Law of 14 June 2004 focused on the organisation of work between the Chamber of Deputies and the Chamber of Advisors and established the relationship between the two chambers. Taken together, the Rules of Procedure of the Chamber of Deputies and the Rules of the Chamber of Advisors, adopted on 12 September 2005, constitute the system for reviewing and adopting the draft Finance Act.

The draft Finance Act was submitted to the general committee of each chamber, and then sent to the members of the two chambers, accompanied by supporting documents, namely the summary report on the State budget and the explanatory factsheets for each chapter¹⁰.

The Review of the Parliamentary Committees

Article 30, paragraph 2, of the 1959 Constitution provided that: “The Chamber of Deputies and the Chamber of Advisors elect, from among their members, committees to review the draft Development Plan, and others to review the draft Finance Act.”

Each chamber had seven standing committees. The review of the draft Finance Act was carried by non-permanent committees formed for this purpose¹¹. In practice, these overlapped with the standing committees. The work was divided up between the various committees, with each one reviewing aspects that fell within their respective area of competence. They received the questions, remarks and amendments made by the different MPs, and could question members of the government, either in a hearing or by sending written questions. More generally, they were entitled to seek the advice of any person whose expertise could serve to enlighten them. The review concluded with a report prepared by each committee to which all of the proposed amendments were attached.

The Review of the Plenary Assembly

With the closing of discussions within the standing committees, debates began in the plenary Assembly, which, unlike the work of the committees, were public. These discussions began with a speech by the Prime Minister, who presented the government’s fiscal policy as well as its options for the coming year, while highlighting funding constraints in the light of economic data and the national and international context. The plenary session then proceeded with a consideration of the economic budget and the State budget, followed by a chapter-by-chapter discussion. It concluded with the vote on the draft Finance Act.

The discussion of the draft Finance Act by Parliament seemed to be taken seriously: the Prime Minister (and not the Minister of Finance) formally presented the text to Parliament; the Minister of Finance and line ministries answered questions from MPs, and the Prime Minister brought to a close the debate in both chambers.

The Budgetary Process during the Transition Period

Pursuant to Article 2 of the Constitutional Law of 16 December 2011 on the provisional organisation of public authorities, the NCA exercises legislative power. However, there is no provision specifying budgetary procedure now that Parliament is unicameral.

The Review of Special Committees

Article 64 of the Rules of Procedure of the NCA provides for the creation of eight standing committees, composed of 22 members¹²:

- The Committee on Rights, Freedom, and External Relations;
- The Committee on General Legislation;
- The Committee on Finance, Planning and Development, which is responsible for matters relating to currency, taxes, transactions, financial affairs, the budget, development plans, loans, State financial commitments, and activities of State-owned enterprises;
- The Committee on Energy and Production;
- The Committee on the Services Sector;
- The Committee on Infrastructure and the Environment;
- The Committee on Social Affairs;
- The Committee on Educational Affairs.

These committees examine the draft Finance Act. They make comments and requests for further clarification to the ministers, either in writing or directly, in meetings with members of government. The work carried out by the committees is secret, but it is presented in the forms of a report summarising the discussions and the questions that were addressed to ministers. The collection of these reports serves as the basis for discussions and presentations in the plenary Assembly. The preliminary screening of the draft Finance Act in the standing committees serves to provide more extensive information to MPs and helps to streamline parliamentary budget debates during the plenary session.

It should be noted that the NCA's Rules of Procedure do not include specific provisions covering the modalities for reviewing and adopting the draft Finance Act. In practice, all committees have discussed the State budget (Articles 1 to 10 of the draft Finance Act), and the Committee on Finance, Planning and Development has reviewed the entire draft Finance Act: that is to say, its forecasts of revenues and expenditures, and all of its provisions.

All MPs have received a copy of the document and have been allowed to attend the proceedings of the committees, enabling them to make observations and formulate questions. This way of working may have caused some disruption, with the repetition of questions to members of the government having led to a slowdown in the review procedure.

Proposals

- Enhance the role of parliamentary committees by giving them the material and human resources to enable them to fully accomplish their mission, and by strongly encouraging the active participation of the MPs sitting on them by imposing significant pay reductions in the event of non-attendance.
- Incorporate into existing legislation the requirement that the Chairman of the parliamentary Finance Committee be selected from among the parliamentary opposition.
- Assign to the Chairman of the parliamentary Finance Committee the power to demand that State authorities turn over all documents related to their expenditures, and to compel them to do so with the threat of disciplinary actions.

The Plenary Review of the NCA

The procedure was similar to that used before the revolution, the Head of Government, however, ensuring the role previously filled by the Prime Minister¹³.

The Draft Constitution of 1 June 2013

Article 65 states that the law authorises State resources and expenditures as provided for by the Organic Budget Law.

The Right of Amendment

The Amendment Power

Under the 1959 Constitution of 1959, the parliamentary right to make amendments was highly regulated: it was only carried out in committee and its domain of exercise was restricted by Article 30 of the OBL.

A Right of Amendment Limited to Parliamentary Committees

Parliamentary amendments are only acceptable in committee.

A Strictly Regulated Right of Amendment

The limitation on the parliamentary initiative in matters related to the Draft Finance Act and other bills in general has been provided for by Article 28, paragraph 3 of the suspended constitution, which states that “The bills introduced by members of the Chamber of Deputies are not admissible when their adoption would result in a reduction of public resources or in increased costs or new expenditures. These provisions also apply to the amendments to bills”¹⁴.

Article 108 of the Rules of Procedure of the Chamber of Deputies reiterates this limitation by stating that the amendments and proposed legislation can only seek to bring about a reduction in public spending or additional revenues.

The right of MPs to make amendments is also strictly regulated by Article 30 of the OBL, according to which “No additional item or amendment to a draft Finance Act can be put forward unless it either serves to eliminate or reduce an expenditure, or to create or increase a source of revenue. Any proposed new spending must be accompanied by a corresponding revenue proposal or a proposal for additional savings that will balance out the new spending...”

Modifications of the draft Finance Act are possible, but they should not affect the budget balance. In terms of revenues, MPs may propose the creation of a revenue stream or an increase in one that already exists; as for expenditures, they can propose either their reduction or their elimination. If they wish to increase an outlay, they must arrange to compensate for this through a measure that either reduces expenses or increases revenues. However, Article 28, paragraph 3 of the 1959 Constitution does not offer the opportunity of offsetting the creation of a new spending with a new revenue source; it denies, therefore, the effect of Article 30 of the OBL.

The combined effect of the provisions of the 1959 Constitution and those of the OBL, therefore, was to strongly restrict the right of MPs to make amendments in budgetary matters, effectively allowing them only to increase revenues and cut expenditures.

The Penalty for Disregarding the Rules Governing the Right of Amendment: Severance

Severance is the penalty for disrespecting Article 30 of the OBL. It results in the contested provision being set aside for re-examination at another time, during an ordinary legislative procedure, and not within the context of deliberations on the draft Finance Act.

The procedure allowing the severance of amendments that go beyond the parliamentary amendment right was not specified in the Constitution. For its part, Article 44 of the Rules of Procedure of the Chamber of Deputies simply stated that “the

committees examine the amendments presented to them, and accept or reject them.” It is once again Article 30 of the OBL that states: “Additional items or amendments which violate these provisions are null and void”.

The Right of Amendment under the Transitional Regime

The Constitutional Law on the provisional organisation of public authorities does not retain the financial prohibitions of Article 28, paragraph 3 of the Constitution of 1 June 1959.

The 1 June 2013 draft of the Constitution states that the government has the sole responsibility for presenting of the draft Finance Act. Article 62 adds that legislative proposals and amendments submitted by the representatives are not admissible if their acceptance harms the State’s financial equilibrium as defined by the Finance Act.

The Changing Practice of Making Parliamentary Amendments to the Budget

Before the Revolution

The use by Parliament of its right to make amendments to the draft initial or supplementary finance acts was relatively modest and of limited scope; it most often involved formal modifications. There were political and technical reasons for this practice. Indeed, a detailed knowledge of budgetary matters was required to use the right of amendment. But for the most part, MPs were not experts in the field and, lacking adequate technical assistance, were struggling to weed through the tangle of budgetary data. Their interventions were mainly directed at fiscal measures. Moreover, the collusion between the executive and the legislature provoked certain timidity on the part of MPs, making Parliament a rubber stamp for the executive.

During the Transition

MPs now utilise, to a large extent, their right to amend the draft Finance Act, both in committees and in the plenary Assembly. For example, more than 220 proposed amendments were formulated during the budgetary debate in the plenary Assembly.

This practice has revealed a lack of control of proposed amendments, which have enabled the continuing use of budget riders as well as reductions in revenues, even though these are prohibited by Article 30 of the OBL. The large number of amendments, which sometimes conflict with standing law, has justified a change in the Rules of Procedure of the NCA that has tended to streamline the practice of amendments and accelerate the legislative and budgetary process¹⁵. Thus, the proposed amendment must now be sponsored by five MPs.

Proposal

- Without giving in to demagoguery, MPs need to possess the right to change the draft Finance Act in order to fully perform their duties, and, as a consequence, have the right to increase certain expenditures. To prevent abuses, it may be advisable to give parliamentary groups the right to propose amendments that increase spending.

Parliament's Material Resources

Parliament's Budget

Before the Revolution

The preparation of the budget of the Chamber of Deputies and of the Chamber of Advisors was carried out according to the rules governing the budgets of the various ministerial departments. The bureaus of the two chambers prepared the draft budget and then transmitted it to the Ministry of Finance.

During the Transition

Under Article 39 of the Rules of Procedure of the NCA, the Conference of Presidents reviews the draft budget of the NCA, prepared by the NCA's bureau, approves it, and submits it to the Ministry of Finance.

The Draft of the Constitution of 1 June 2013

Under this draft version of the Constitution, the Council of People's Representatives would enjoy financial and administrative independence within the framework of the State budget.

The Means of Support for Parliament's Budgetary Role

Parliamentary autonomy is characterised by the existence, on the one hand, of a qualified administrative staff able to provide non-partisan assistance to MPs, particularly in budgetary matters, and on the other hand, of adequate logistical support providing the material resources required for rigorous parliamentary work (offices available for use by all MPs, secretarial staff, documentation services, etc.).

The Civil Servants Assigned to Parliamentary Committees

Technically speaking, there is no "budget committee" *per se*. Public service advisors trained at the National School of Administration, assist the MPs serving on each committee. However, their number and means are limited.

This may call for the need for a global analysis on the means and remunerations reserved to Parliament and its members: remunerations of MPs, cabinet members, and the Assembly's administrative staff; operating funds allocated to Parliament and to elected officials of the nation¹⁶.

The Absence of Budget Analysts

In the National Constituent Assembly, there are no budget analysts formally serving either the political parties or the legislators. Nevertheless, during the review of the draft Finance Act, the Committee on Finance, Planning and Development may solicit any expertise it deems necessary.

The establishment of a budget analysis service with a competent and neutral staff would, of course, strengthen parliamentary efficiency in the budget process.

The Transparency of Parliamentary Work

Under the former regime, the work of MPs in the plenary session was published in the *Official Gazette of the Tunisian Republic* devoted to the proceedings of the Chamber of Deputies¹⁷. Moreover, the print media and television covered these debates¹⁸.

The Public Hearings of Parliamentary Committees

Before the Revolution

The Committees could hear any person whose expertise was deemed useful. However, as the work of the committees was confidential, public hearings were not held.

During the Transition Period

Pursuant to Article 59 of the Rules of Procedure of the NCA, parliamentary committees have the option of being enlightened by experts and specialists of their choosing. To do this, they solicit written reports or hold hearings. In addition, they can interview government officials, as well as managers of State-owned enterprises and public institutions.

Before the abolition of this position in March 2013, the Minister responsible for relations with the NCA assisted, if needed, the work of the committees. In addition, the committees may conduct field visits as part of their monitoring of the activities of a sector within their jurisdiction.

The Opening of Parliamentary Debates to the Public and to the Media

Before the Revolution

The discussions during the plenary sessions were public. The work of the committees occurred behind closed doors. The President of the special committee drafted a summary report that could be published with the permission of the President of the chamber.

During the Transition Period

Pursuant to Article 76 of the Rules of Procedure of the NCA, its plenary meetings are public. Under Article 54 of the same Regulations, the committee meetings are also public. The committee may, however, choose to have them behind closed doors if a majority of its members vote for this.

The meetings are publicised in a number of ways: through the public announcement of the dates and agenda of the plenary sessions, through public relations work with citizens and the media, through the publication of the debates, through radio and television coverage of the proceedings and through their publication on the NCA website. However, since the Revolution, the publication of the debates has been irregular.

Proposals

- Ensure the best publicity for parliamentary work by all appropriate means (print media, Internet, radio and television), through the flow of updated and clearly understandable information to citizens; develop a culture of informing citizens in Parliament (recruitment of communications professionals, the training of staff in

communications skills and inculcating them with a sense of duty about proactively informing citizens and responding to their questions).

- Ensure the publicity activities of MPs (meetings, activities, etc.).
- Establish a public registry of lobby groups in Parliament.

The Government’s Respect of Parliament’s Power of Authorisation and Its Control

The authorisation to collect revenues contained in the annual Finance Act is binding: that is to say, the administration is obligated to collect all authorised taxes and revenues. Indeed, it is absolutely forbidden for any administrative authority - including the Minister of Finance – to forego the collection of a tax or source of revenue that has been authorised by the legislature. In this sense, Article 25 of the Public Accounting Code (PAC) stipulates that the abandonment of State claims can only be decided by legal decree, and that the forgiveness of debts and all exemptions on taxes and duties can only be granted in cases specifically provided for by the law. Since the authorisation of revenues is of a forward-looking nature, the amounts stated in the draft Finance Act are non-binding for the actors executing the budget.

However, the authorisation of expenditures is capped, which means that the amounts authorised constitute a maximum level not to exceed by authorising officials of expenditures, except in the exceptional cases provided for by the OBL.

The Principle of the Inviolability of Parliamentary Authorisation Has Some Flexibility

During the fiscal year, the government is, in principle, bound by the budgetary authorisation and cannot make any changes at the time funds are allocated. Thus, Article 31 of the Organic Budget Law states that “the apportionment by part and by article of the voted appropriations for expenditures falling under both Title One and Title Two of the State Budget is done through a decree. This decree cannot modify the voted appropriations.”

The legal provisions regarding changes to the budget during its implementation are defined by the Organic Budget Law. They are very restrictive and allow only a limited amount of transfers. Only a small number of expenditure items, such as the servicing of the public debt and foreign investments, may exceed the limit set by the Budget Law.

However, the government has a regulatory authority to change the amount of authorised appropriations and the manner of their allocation during the fiscal year. It exercises this power under certain conditions through the use of the mechanism of transfers and transfers of appropriations (Articles 35-40 of the Organic Budget Law), and the mechanism of advance appropriations (Article 42 of the Organic Law of the budget).

Parliamentary Control of Budget Execution

There are no specific measures for monitoring the execution of the budget, but rather a general control of government activity.

Before the Revolution

Parliament used to ensure general oversight of government activities through oral or written questions, hearings with Ministers, and consultations with socio-professional groups. It could also create committees of inquiry if deemed necessary.

Parliament did not exercise the function of regularly monitoring the execution of the budget during the year. The PEFA assessment noted that the Ministry of Finance prepared a monthly report on budget execution that is published on its website. However, this document proved not to be specifically designed for or addressed to the Parliament.

During the Transition Period

Title VI of the Rules of Procedure of the National Constituent Assembly pertains to the control of government action. Its provisions include procedures for the general control of the government, and do not specifically focus on the monitoring of budget execution.

Therefore, according to Article 114, government action can be controlled by oral or written questions to be answered by the government within one month's time.

Section 117 provides for the right to organise dialogue sessions with the government on general guidelines and sectoral policies.

Committees exercise parliamentary control of government within the framework of their missions and with the means at their disposal for this purpose.

Article 59 of the Rules of Procedure stipulates that since “the committees can further investigate the issues before them and be enlightened by expert opinions...the standing committees may interview members of the government and the managers of companies and public authorities”. Article 63 adds that “any committee may conduct field visits...”

Article 72 of the Rules of Procedure provides for the formation of two special committees responsible for monitoring issues of national priority. These are the Committee on the Martyrs and Wounded of the Revolution and the Administrative Reform and Anti-Corruption Committee. The latter examines issues relative to financial and administrative corruption, the repatriation of public funds, the means to develop and modernise government, and the reform of public service.

The NCA can also create special committees of inquiry.

Box 3.1. International Practices and Standards: the Scope of Parliament's Role

In every country throughout the world, Parliament takes on a relatively extensive role in the following areas:

- the review and formal approval of the budget proposed by the executive branch (*ex ante*);
- the formal review, or even approval, of budget execution at the end of the fiscal year (*ex post*).

In between the performance of these two functions, Parliament also fulfils another role involving budget execution, which is the power to review the budgets during the year and/or approve changes occurring during execution, as well as the rules determining the use of budget reserves for contingencies.

Box 3.1. International Practices and Standards: the Scope of the Parliament's Role (continued)

The role and powers of Parliament vary by country, depending on the political system and the constitutional provisions, the Organic Budget Law, the Public Finance, Act and other regulatory frameworks. Although we expect a stronger parliamentary role in democracies than in authoritarian regimes, it may happen that in one-party regimes, the State uses Parliament to control civil servants, especially during the *ex post* review of budget execution.

Parliament's role in the budget process covers revenues as well as expenditures, even though sometimes there are separate processes for the review and approval of each of them.

There are strong national variations in the draft budget review and approval processes. In countries where there is a clear separation between the executive and legislative branches (United States, Brazil, Indonesia), Parliament may amend the budget submitted to it without restrictions other than, on the one hand, those resulting from the fiscal target and other legal restrictions that Parliament has given itself, and, on the other hand, the possibility of a presidential veto, which involves negotiations between the executive and the legislature for each change desired. In other countries with a strong executive, like those inspired by the Westminster system (Australia, Canada, New Zealand, United Kingdom and other Commonwealth countries), Parliament has no practical jurisdiction to amend the draft budget, since it would be tantamount to issuing a vote of no confidence against the government, which would then be forced to resign. Parliament's role is to review and discuss the budget proposals, but it does not exercise direct control over the budget. Between these two poles, there is a wide variety of levels of parliamentary power. We find for example the following cases:

- Any increase in spending approved by Parliament must be compensated by an increase in revenue;
- Parliament can only cut expenditures, not increase them;
- Parliament cannot change expected revenues;
- Parliament can only accept or reject the entire draft budget;
- Parliament can amend the budget while respecting the fiscal rules (or targets) set by the laws on fiscal responsibility or similar laws, including the legal requirement of a “balanced budget”;
- Any changes made by Parliament must be approved by the executive;

The parliamentary review of the draft budget may cover details of the revenues and expenditures proposed, or provide an overview of macroeconomic forecasts and fiscal aggregates – an approach that is often referred to as “top-down budgeting”. This review may be facilitated by the introduction in Parliament of a separate pre-budget report on the objectives of economic and fiscal policies over the medium term, and the assumptions underlying them. The Swedish Parliament, for example, adopts a fiscal policy law that defines aggregate revenues and expenditures, before reviewing the details of expenditures.

In some countries, parliamentary approval may also be required for certain loans, especially when international organisations grant them or when they require a government guarantee at the time of budget preparation or during the fiscal year.

Box 3.1. International Practices and Standards: the Scope of the Parliament's Role (continued)

Parliament usually begins to review the execution of the budget at the end of the fiscal year, upon receipt of the external audit institution's report on the statement made by the executive branch on the execution of the budget, or on the consolidated annual financial statements published by the government. In Francophone countries, Parliament must formally vote on the budget execution by the executive branch (often through a financial empowerment act, such as a budget review act) that validates the actions and financial transactions of the year. The Westminster system is less structured, but is based on a well-established legal obligation that a public accounts committee, or equivalent entity, reviews the report of the Auditor General on the government's financial statements and transactions. Parliament may also have a formal role in the verification of the monitoring and implementation by the executive branch of the external audit body's findings and recommendations.

These *ex post* control committees generally have investigative powers and the ability to demand information and summon public officials and witnesses to formal hearings. In some countries, the role of *ex post* review also empowers them to blame and sanction any civil servant who has violated the laws, rules, and regulations governing financial matters.

In many developing countries, the report of the executive branch and/or external audit body on budget execution is delivered late, which has the effect of delaying the execution review by Parliament until long after the end of the fiscal year.

Parliament's role in the execution of the budget during the fiscal year greatly varies between countries, according to the level of detail of budgetary appropriations and to the legal provisions governing the revision of the budget during the year. In some cases, the vote of Parliament is required before any transfer from one budget line to another; in other cases it is only necessary afterwards. Sometimes legal provisions require a mid-term budget review, but Parliament is never concerned by this. The use of a contingency reserve is usually managed by the executive branch, with an obligation of *ex post* report on its use in Parliament.

Box 3.2. Factors for the Effective Exercise of Parliament's Role

Despite these variations in Parliament's roles and responsibilities in different countries, there are several generally accepted guarantees of effective parliamentary involvement in the budget process. These guarantees are partly reflected in international standards and practices. They are also found in the studies prepared by the OECD Network of Parliamentary Budget Officials, independent fiscal institutions, as well as the World Bank Institute, which has focused on the role of Parliament in the *ex post* review of budget execution.

First, there is the issue of the global, relevant and timely nature of the information brought together in the budget documentation submitted to Parliament. This includes the overall nature of the budget. If too many activities are included in the budget, they cannot be examined closely enough, either during the *ex post* or *ex ante* review. The existence of separate budgets for recurrent expenditures and capital expenditures, which are sometimes even prepared by different ministries, can complicate Parliament's *ex ante* and *ex post* budget review processes. Medium-term budget information is also necessary during the year so that a medium-range outlook for the budget can be considered.

Box 3.2. Factors for the Effective Exercise of Parliament's Role (*continued*)

Secondly, Parliament must have sufficient time to consider the draft budget, so as not be “ambushed” by the executive. This need is reflected in a clear annual schedule defined by the Organic Budget Law or its equivalent, and that should be well respected in order to ensure a safe and orderly budget process.

Thirdly, Parliament must possess the right framework to enable it to effectively carry out the functions assigned to it. Such a framework includes:

- A system of commissions or committees that ensures a detailed review of the budget. A budget committee must consider the macroeconomic forecasts and the overall fiscal policies, while specialised sectoral committees examine expenditures in the areas of competence of the different ministries. A separate commission or committee may also consider the anticipated resources. In most countries, Parliament has established competent commissions/committees to conduct the *ex ante* and *ex post* reviews respectively, although sometimes the same committee plays both roles (New Zealand).
- The ability to examine the general fiscal policies as well as the details of revenues and expenditures.
- The ability of Parliament to publicly question ministers and officials.
- A competent staff assisting in the analysis of the draft budget or of the budget execution reports. A notable example is the Congressional Budget Office (CBO), which was created in the United States in 1974, and whose officials are able to conduct a detailed analysis comparable to that of the Office of Management and Budget (OMB) of the executive branch. In some countries, Parliament uses independent fiscal institutions (such as the Fiscal Council in Austria) for any analysis it undertakes of aggregate macroeconomic and budgetary projections. Sometimes (in Germany and the Russian Federation, for example), an external audit body exercises the formal function of reviewing and of publicly discussing the draft budget. In the Westminster system, the Public Accounts Committee normally works in close cooperation with the team of the external auditor for the *ex post* review of the budget execution. By contrast, in the Francophone system, there is usually no specific relationship between the external audit body and the parliamentary committee responsible for reviewing budget execution.
- The debates in Parliament and the reports of parliamentary committees should be distributed or made available to the public.

More generally, the studies conducted by the OECD and the World Bank Institute suggest that the efficiency of the parliamentary committees in fulfilling their roles of review and control depends on a combination of factors relative to the institutional organisation, on the one hand, and to the skills and behaviour of the members of the committee, on the other. These committees also appear to be more effective when working in a non-partisan environment.

Notes

1. The deadline for filing the draft Finance Act with the Chamber of Deputies was previously set to 15 November. This deadline was moved up to 25 October to take into account the introduction in the Parliament of a second chamber, the Chamber of Advisors, par Constitutional Law of 1 June 2002 (Constituent Law No. 2002-51 of 1 June 2002, *Official Gazette of the Tunisian Republic*, No. 45, 3 June 2002).
2. The former Article 25 set the deadline for filing the DFA to 15 November.
3. Although in December 2012, the Ministry of Development and International Cooperation prepared an economic budget.
4. According to Mr. Abdelmlak Saadaoui, General Director of Resources and Balances in the Ministry of Finance, the post-revolutionary government has prepared a “Jasmine Plan” relative to the 2011-2016 period, which was adjusted in 2013 by a three-year perspective focused on managing public finance and the debt level.
5. This is different from other constitutions, like the French Constitution of 4 October 1958 which indicates in its Article 47 paragraph 3 that « if Parliament has not voted within seventy days, the provisions of the draft can be enforced by turning them into a Government Ordinance”.
6. Six weeks for the Chamber of Deputies and ten days for the Chamber of Advisors.
7. Under the old Article 25 of the Organic Budget Law of 8 December 1967 which set the draft Finance Act filing date to 15 November, this duration would have been of 47 days if and only if the government respected the filing date set by law.
8. Pursuant to Article 28 of the Constitution, “...The Chamber of Deputies and the Chamber of Advisors adopt... draft ordinary laws by a majority vote of the members in attendance, with this majority vote representing at least one third of the members concerned...”

Article 4 of the Constitutional Law pertaining to the provisional organisation of public authorities also provides that NCA members adopt ordinary laws by a majority vote of the members in attendance, with this majority vote representing at least a third of the total members. Article 63 of the draft Constitution of 1 June 2013 states the same provision.
9. Article 10 of the Law pertaining to the Provisional Organisation of Public Authorities.
10. Article 25 of the OBL.
11. The seven standing committees are: The Committee on Political Affairs and External Relations; the Committee on Legislation and the General Organisation of the Administration; the Committee on Finances, Planning, and Regional Development; the Committee on Agriculture, Industry, and Trade; the Committee on Education, Culture, Information, and Youth; the Committee on Social Affairs and Public Health; and the Committee on Infrastructure and Services.

Each committee is composed of 15 elected members. The bureau of each committee is composed of a chairman, a *rapporteur*, and a deputy *rapporteur*. Any committee can appoint sub-committees for the purpose of reviewing draft laws.
12. 1) The Committee on Rights, Freedom, and External Relations; 2) The Committee on General Legislation; 3) The Committee on Finance, Planning and Development; 4)

The Committee on Energy and Production; 5) The Committee on the Services Sector, Trade, Prices, and Transport; 6) The Committee on Infrastructure and the Environment; 7) The Committee on Social Affairs; 8) The Committee on Educational Affairs.

13. Pursuant to Article 17 of the Constitutional Law, the government exercises the executive powers except for those which have been specifically given to the President of the Republic.
14. Article 30 of the 1 June 1959 Constitution. The Chamber of Deputies and the Chamber of Advisors elect, among their members, committees to review the draft Development Plan, and other committees to review the draft finance acts.
15. Adoption of amendments to the Rules of Procedure on 15 March 2013.
16. Under the 2013 Finance Act, the budget chapter on the NCA states that the authorised operating funds are 24,528,000 MD (as opposed to 21,739,000 MD in 2012 and 9,383,000 MD in 2011), including 21,373,000 MD reserved for the remuneration of public officials as follows: 15,111,000 MD are allocated to cover the MPs' salaries, and 6,262,000 MD for the salaries of the NCA administrative staff. Of the 15,111,000 MD, 15,000,000 MD are intended to cover the MPs' bonuses and 111,000 MD are reserved for the members of the Cabinets.
17. Thus, the debates in the plenary Assembly on the economic budget and the State budget for 2010 were postponed and published in the Issues 4 to 9 of the journal of the proceedings relative to the 2009-2010 ordinary session.
18. The PEFA Assessment gives Tunisia an A for the components of PI-27.

Chapter 4
Budget Execution

Description of the System

The legislative and regulatory framework of budget execution is solid. In terms of its main elements, it is composed of:

- a few core articles defined by the OBL (as adopted in 1967 and amended in 2004), especially in its Title III “Execution and Settlement of the State Budget”;
- and, more importantly, a Public Accounting Code, whose latest version was developed in 2009.

Concerns regarding compliance with these two legal texts are constantly raised during daily work: Tunisian authorities in charge of budget management have a long tradition of respect for the rule of law, and ensure that the legal texts, regardless of their nature and scope, are well respected. These documents therefore constitute a normative framework that is taken very seriously: this tradition of legalism represents an asset contributing to the stability and transparency of the Tunisian system of public finances, although it can sometimes seem overly formal, or even fussy in some cases.

The Actors Involved in Budget Execution

The first observation is that the administrative organisation of execution seems solid.

Departments of the Ministry of Finance Mainly Responsible for Execution

The organisational flowchart of the Ministry of Finance reveals four directorates involved in budget execution:

- The **Budget Directorate** (BD) has a relatively limited role in the execution of the current year; its involvement mainly concerns the management (setting up, modification, and regulation) and monitoring (through the budgetary accounting system) of appropriations. It does not, however, directly intervene in the management of spending, which is the task of the three other directorates involved: the two Directorates of Expenditures and the Directorate of Public Accounting.
- The Directorates of Expenditures are divided into 2 departments: **one in charge of operating expenditures, and the other in charge of capital expenditures**. As these are two mirror directorates, we can make the following observations:
 - first, their missions appear to partly overlap with those of the Budget Directorate and those assumed by the Directors of Financial Affairs of the sectoral ministries, who are the “authorising officers” of their own budget¹. It is therefore reasonable to question why three departments are required to take care of expenditures: the Budget Directorate, the Directors of Financial Affairs of the sectoral ministries, and these two Directorates of Expenditures. And this does not even take into account the Control of Public Expenditures, which adds a fourth entity to the picture;
 - second, the existence of two different directorates, one for operations and one for investments, demonstrates a commitment to budget “dualism”, which now seems outdated in many countries: the necessary coherence between operations and investments suggests merging these two functions under a single authority.

- Ensure the expenditure payment phase in a manner consistent with the traditional practices of Francophone-inspired countries: unity of cash desk and separation between authorising officer and accountant.

Proposal

- Merge the directorates of operations and development into a single entity.

The General Directorate of Public Accounting

This general directorate is an important administration within the Ministry of Finance. It takes care of a large share of Tunisia's financial affairs. It first prepares draft laws and regulations related to accounting structures, procedures and standards of the State, public institutions, local governments and similar bodies, and then takes the necessary measures for their implementation.

It ensures the enforcement of the laws and regulations governing public accounting by the officers in charge of the execution of the budgets of the State, public institutions, local governments and similar bodies. At the same time, it organises the collection of public debts. This is interesting in light of what was discussed above about commitment control and arrears. As we have pointed out, the existence of arrears in the public service is a factor creating occult or off-budget debt. The directorate establishes the targets and indicators for the collection of State and local government claims, and it ensures the monitoring and evaluation of results.

It handles all the litigation cases related to debt collection. In addition, it ensures the implementation of laws and regulations relating to local taxation and examines all financial matters involving local governments.

As we can see, its powers are close to those of the general controls of the administration and those of the Court of Auditors. It inspects, organises, and performs inspection of accounting items, administrative investigations, and the enforcement of the current laws, regulations, and procedures.

Regarding the budget, it prepares the general account of the financial administration and the draft Budget Review Act that closes the budget. It is responsible, in collaboration with the departments concerned, for preparing and implementing the accounting management computer plan, and for creating an information system which makes it possible to access, analyse, and use the necessary data for decision-making.

It is thus a key administration in which it would be useful to establish a quality assurance of the control itself. This is indeed an operational line of the highest importance.

The Territorial Organisation of the Departments in Charge of Budget Execution

The Tunisian structure is based on a pyramid-shaped grid system, similar to the three levels – national, regional, and local – of the State's political and administrative organisation. This makes it consistent with the practices of many countries and requires no comment except that it is ultimately necessary to consolidate the data acquired at each level of the system.

This concern is especially apparent with regard to the control of commitments within the various systems. We thus find, for example: public accountants at the national level, composed of the General Treasury of Tunisia (*Trésorerie Générale*), the Paymaster General of Tunisia (*Paierie Générale*), and departmental payment offices; at the regional level, we find the regional treasuries of finance and the revenue offices of regional councils.

Tunisia has an extensive network of local revenue services, such as the customs revenue services, the municipal revenue services, the finance revenue services, the State-owned enterprise management revenue services, the service of revenue from foreclosure management and sale, the revenue of monopolised products, as well as the accounting officers who manage public institutions, and the accounting positions abroad. All accounts are consolidated by the Treasury. This is an important element of the public accounting system.

Proposal

- Reflect on the implications of having these different types of accounting positions that are sometimes attached to different directorates, and consider how to geographically locate them so as to better track needs.

The Separation between the Authorising Officer and the Accountant

The authorising officer and the accountant are jointly responsible, but with each possessing his/her own role, for the execution of the budget. The separation between the authorising officer and the accountant is dual: they are organically independent, and they each have a specialised function.

The Authorising Officer Is the Public Official Who Has the Power to Issue Revenue Collection and Expenditure Orders.

Pursuant to Article 85 of the PAC, “ministries and State secretaries, as heads of departments, have exclusive power and responsibility over budget appropriations. They cannot, under their responsibility, spend beyond the amount of these appropriations, nor commit any new expenditure until it has been provided for under the conditions set by the Organic Budget Law.”

The Public Accounting Code makes a distinction between principal and secondary authorising officers. Principal authorising officers directly manage a budget. For the State budget, these are the Prime Minister and other ministers; for the municipalities, they are the presidents of the municipal councils; and, for the governorates, they are the presidents of the regional councils. The heads of administrative public institutions (EPA) are the principal authorising officers for these institutions. The principal authorising officers can delegate some of their budget powers to decentralised administrative authorities. In such a situation, a decree appointing a secondary authorising officer and specifying the identity of the public accountant should be published.

These secondary authorising officers receive a delegation of appropriations whose management is controlled by the principal authorising officer. This is not a transfer of appropriations, but a mere delegation. This is, for example, the case of the regional heads of the various departments, who are often secondary authorising officers acting under a delegation of appropriations. In this sense, pursuant to Article 268 of the PAC,

“municipal expenditures are committed, validated, and authorised by the president of the municipality or the mayor, who is the authorising officer for the municipal budget”. Under Article 167 of the PAC, “the heads (diplomatic and consular) of posts (secondary authorising officers), under their exclusive responsibility, commit and validate the expenditures of their respective posts within the limits of the appropriations and funds that were delegated to them.”

Public Accountants Are Public Officials in Charge of the Material Implementation of the Financial Operations and of the Control of their Regularity. They Perform the Accounting Phase of Budget Execution Operations.

The idea of eliminating the separation between the authorising officer and the accountant has at times been put forward as part of efforts to modernise public accounting. The end of their separation, it is often argued, would improve the efficiency and efficacy of the process. With a single person responsible for the entire process, from commitment to payment, delays and obstacles would be considerably reduced. Moreover, with the same person acting as manager and the official handling public funds, full responsibility would be placed on the shoulders of this official.

Although attractive in principle, this action could destabilise a Tunisian system that has proven itself by avoiding many acts of misappropriation of public funds. This is why, in the current context, it would not be appropriate to continue considering eliminating the separation between the authorising officer and the accountant.

The Operations of Execution

The Administrative and Accounting Phases of the Expenditure

The public expenditure execution process has two phases: one administrative phase controlled by the authorising officer, and an accounting phase carried out by the public accountant.

The Administrative Phase

Under Article 6 of the PAC, “payment authorising officers cause budgetary operations. To this end, they... commit, validate, and authorise expenditures.”

- **The expenditure commitment:** according to the definition of the *Guide de la gestion financière (Financial Management Guide)*, the commitment is the first step of public expenditure execution. It is an act by which the State, a public institution, or a local government creates or establishes an obligation for itself”.

Commitment proposals are signed by the principal authorising officers within the limits of budget appropriations and by secondary authorising officers within the limits of the appropriations that have been delegated to them by the principal officers.

- **The validation of the expenditure:** it is the authorising officer’s task to settle the expenditure, that is to say to acknowledge the debt – to verify the service rendered, offer evidence of the rights of the creditors, and determine the amount of the expenditure to be charged to the budget. The validation varies according to whether these expenditures cover compensation or the provision of goods or services.

Validation occurs by affixing a seal specifically designed for this purpose onto the original document. This seal indicates the title, chapter, article, paragraph or sub-paragraph, the expenditure control approval number, the execution certification, and the amount (stated in words) to authorise. It is signed by the authorising officer.

- **The authorisation of the expenditure** by the authorising officer: under Article 20 of the PAC, “budget expenditures are authorised by the head of the competent department...”

The authorisation consists in giving the public accountant a written order to pay the creditor on the basis of the validated expenditure and supporting evidence. This act takes the form of a remittance notice established in accordance with the template defined by the National Policy of the Ministry of Finance on the Authorisation of Public Expenditures. This notice must contain some mandatory information and a list of supporting documents such as the expenditure commitment proposal with the expenditure control approval number, a credit notice, and any document stating that its effect is to authorise a duly justified expenditure.

The Accounting Phase

Under Article 10 of the PAC, “public accountants are responsible for paying the expenditure... they are also responsible for controlling the regularity of the revenues and expenditures.”

Payment consists in debiting once and for all the budget account of the expenditure amount and liquidating the administration’s debt by settling the expenditure. Expenditure payment is one of the tasks handled by public accountants. Accountants must proceed with the payment within 5 to 15 days after receiving a payment order.

The Apportionment Decree, the In-Year Modification of Appropriations, and “Fiscal Regulation”

Any budget execution begins with the establishment and management of appropriations: this step facilitates the transition from the vote on an appropriation to its execution. In other words, the appropriation is the basis of budget execution since it authorises expenditures. Regarding this matter, three particular points deserve attention: the establishment of appropriations through the apportionment decree; the in-year modification of appropriations, and, finally, “fiscal regulation” – that is to say, the scheduling over time of the use of appropriations.

The Decree to Apportion Appropriations

Definition and Objectives of the Apportionment Decree

Under Article 31 of the OBL, “the apportionment by part and by article of the voted appropriations for expenditures falling under both Title I and Title II of the State Budget is done by decree. This decree cannot modify the voted appropriations”.

The apportionment by paragraph of the credits appropriated by article is done by a decree of the Minister of Finance, and by sub-paragraph by a decree of the head of

administration. For public institutions, the apportionment of appropriations is done by the line ministry for the article level, and by the heads of the public institutions for the lower levels under certain conditions. For the special Treasury funds, the apportionment is carried out by the Minister of Finance.

Once apportioned by paragraph and sub-paragraphs, the appropriations are placed under the authority of the authorising officers. The appropriation is immediate for operating expenditures; the funds are appropriated in a single instalment at the beginning of the year. For capital appropriations, commitment and payment funds are appropriated in several instalments according to the progress of the project.

Assessing the Apportionment Process

First step of budget execution, the apportionment decree is a classic process, whose nature is rather formal and whose use is not self-evident². The apportionment decree is merely the regulatory translation of the vote of Parliament: it does not bring – as is highlighted in Article 31 of the OBL – any added value since it should naturally respect the Parliament’s vote on the apportionment of appropriations.

In the current situation, the apportionment decree seems to be a mere formality without any real use: it does not provide any detail as to the content of the appropriations since it does not break them down into the lowest levels of the classification; it does not provide any specific information on the identity of the authorising officers responsible for the use of the appropriations voted by the Parliament in favour of the executive.

To increase the usefulness of this legal document, which is intended to “translate” the political decision as expressed by the vote of Parliament into administrative language, the decree should not only repeat what the approved law already prescribes, but should add value to it by introducing new elements that are useful for fiscal management and the execution of the Finance Act.

These new elements could, for example, be the following:

- the breakdown, in the detailed **execution nomenclature**, of the appropriations voted by Parliament;
- the **assignment of each line item to a specific authorising officer**, including the assignment of decentralised appropriations to local authorising officers: much of the decentralisation of appropriations could then be done through this apportionment decree, without having to wait for the delegation of subsequent appropriations; this does not exclude occasional decisions decentralising the delegation of appropriations that are made according to the traditional appropriation delegation process. More generally, it seems necessary to develop a forward-looking yet realistic analysis of the decentralisation of appropriations. Behind the technical issues, important political decisions related to the decentralisation and devolution of central government would first need to be clarified.
- The apportionment decree has sometimes been published late. However, it is important to make sure that the **apportionment decree** – whether it remains in its current configuration or is enriched by the elements suggested above – is **published at the start of the fiscal year** so as to prevent excessive interruption of the fiscal operation of the different departments. One should not forget, indeed, that the deadline for authorising expenditures already requires a *de facto* freeze on expenditures for the last few weeks of the fiscal year; any delay in the publication of the apportionment decree

increases by that much this interruption period, but this time by preventing normal management operation at the beginning of the fiscal year. In the final analysis, the combined effect of the deadline for authorisation and late publication of the apportionment decree shortens by two to three months the operational duration of the fiscal year, including for procurement and capital expenditures.

- In order to publish it rapidly, the apportionment decree could be drafted as soon as the draft budget is set. Parliamentary amendments on expenditures – which, generally, are few today – would need to be integrated in the final draft of the apportionment decree. But the large part of the decree can – whatever its content and scope – be drafted by the Budget Directorate in the last few weeks of the previous fiscal year.

Proposals

- Classify the appropriations voted by Parliament in the terms of detailed execution nomenclature.
- Attribute each credit line to a given authorising officer.
- Publish rapidly the Decree on the apportionment of appropriations, for instance, within 15 days of the publication of the Finance Act.

“Fiscal Regulation”

The objective of fiscal regulation is to determine the actual use rate of appropriations throughout the year in order to calculate the effective input timing of cash resources. This key question naturally depends on cash management.

This is an important issue because it affects both fiscal sustainability and discipline: without sound fiscal regulation, the risk of spending exceeding revenue collection increases, both in terms of timing and, *in fine*, of total amount.

Good “fiscal regulation” is therefore essential to good budget execution. Regulation of this kind includes the following set of tools and methods:

- a commitment plan tied to the cash flow plan;
- careful Control of Public Expenditures that respects and enforces the regulations within the ministry;
- possibilities for suspending commitments or even for annulling appropriations, in cases of sudden drops in revenues, for example.

In a system in which authorising power is decentralised to the benefit of sectoral ministries, which is the case of Tunisia as well as all other modern countries, it is necessary that the Minister of Finance has the effective regulatory power to ensure one of his major responsibilities: to guarantee that the executed budget will respect the budget balance that was initially voted. He is solely responsible for this, and is the one and only official held accountable for it: he must therefore dispose of the means to assure this responsibility, and, more particularly, a comprehensive system of fiscal regulation.

Finally, it is important to add, as a reminder, a word on a key aspect of appropriations management: the monitoring of appropriations use, or, in other words, the issue of “budgetary accounting”. This is an essential issue for budget “execution”, not only

because it conditions the steering of fiscal regulation, but also because it corresponds to a more politically oriented concern for transparency, notably vis-à-vis Parliament.

In-Year Modification of Appropriations

The need to change the annual budget during the course of the year exists in every country, because changes in the economic environment and in political priorities are naturally, everywhere and always, inevitable.

Tunisian budget law offers a certain number of options for modifying the distribution of budget appropriations during the fiscal year. These regulatory appropriation movements constitute one of the critical aspects of budget management.

One can however regret that these options are:

- **complex:** several articles of the OBL refer to them in a rather unclear manner and specify conditions that cast doubt on their overall coherence;
- **burdensome:** as experienced by the operational departments, this is a slow process, which requires, even for small movements, in most cases, the formal intervention of the Minister of Finance.

But the best solution for avoiding difficulties associated with the legal in-year modification of appropriations certainly remains making these changes unnecessary by improving budget preparation and moving towards the transferability of appropriations (which, of course, should never be total or excessively general).

Since the budget is first and foremost an act of forecasting, it is clear that **any improvement in the budget preparation procedure** in the direction of greater reliability and increased sincerity will reduce the need for subsequent changes during the year: the macroeconomic assumptions underlying revenue forecasts should be realistic and cautious, and the revenue estimates should follow the same principles. As for expenditures, it is important to budget, as a priority and at a sufficient level, all the necessary appropriations for mandatory expenditures (wages, pension, grants to administrative public institutions, completion of committed investments, etc.), which constitute the vast majority of expenditures in Tunisia (as anywhere else). It is therefore crucial to engage in extensive and rigorous efforts of anticipation so as to make sure all mandatory expenditures are planned for.

A second factor must be taken into account: *the level of detail of appropriations included in the budget*. The more one budgets in detail the appropriations for each category, each type of expenditure, the more one runs the risk of making a mistake and having to correct the forecast during the year. The problem that arises here is that of the **transferability of appropriations**, or to put it in more technical terms, that of the application of the principle of “specification”: the lower the level of specification, the more specific the budget classification, the more small and numerous are the budget lines, and, as a consequence, the more frequent are the needs for in-year adjustment.

The budget classification in force in Tunisia seems to be characterised in this regard by a high level of detail, since it consists of six levels (see the 1999 decree) ranging from the part to the sub-paragraph, without a clear indication of the level at which the principle of “specification” applies. This is important because in a pyramidal budget classification, everything that is above the level of application of the principle of specification is binding for the manager, while everything below is only indicative.

It is important to strike a balance between excessive budget fragmentation, which consists in dividing the authorisation to spend into thousands of different small budget lines, and excessive transferability in non-earmarked financial envelopes, which are signs that budget authorities have given up on all their budgeting efforts.

To conclude these considerations on the management of appropriations, the issues of the **global reserve** and of the ministerial unallocated reserves remain to be addressed. The existence of such appropriations – and their importance which seems to be significant – is always indicative of a failure of the budgeting process: considering that it is impossible to fully predict, one keeps significant unallocated and unused appropriations to meet, on a piecemeal basis, the needs that materialise over the course of the fiscal year. This flexibility is the very negation of the concept of budget. Certainly, an envelope of unrestricted funds is necessary, but it cannot be used to correct any forecasting error or deficiency; it must be designed to respond to what was really unpredictable at the time of budget preparation, and not only to cover what has gone – unintentionally or not – unplanned, through negligence or tactical choices: in other words, an unallocated reserve is needed for **unforeseeable** expenses. It is, however, not to be used simply for **unforeseen** expenses.

Proposal

- To protect the integrity of the parliamentary vote, legally place ceilings (based on a fixed percentage of total approved appropriations) on the transfers, deferrals, and cancellations of appropriations the government is allowed to perform.

Description of the Tunisian Accounting System

The Tunisian public accounting system, the budget, and its execution are interrelated. The forms taken by the budget and the accounting system define, on the one hand, the State's mode of operation, and on the other hand, the limits and contingencies of governance and transparency.

The Current Accounting System in Tunisia Is a Cash-Based Accounting System

Budget Accounts

The Tunisian system, overall, is the same or similar to that used even today in many countries: as an accounting system, it can be described by the term “budget accounting”. Historically, European public accounting systems originate from an almost universal principle that the public budget has never been a management tool, but rather a tool of authority over expenditures. So we share the opinion of Suzanne Desille (2009) when she writes that “budget accounting (...) is a political act of forecasting and authorising spending in the public interest in order to satisfy needs or redistribute income”, but nothing more. This preliminary statement justifies the actual content of the proposals made in this report, which should be seen as part of a process carried out in many countries and which is still valid.

We can summarise the public management system by stating that its main objective is to provide public service by mobilising the necessary resources and by staying within the limits set by budget authorisations for public expenditures.

Therefore, the establishment of public accounts seeks primarily to control the legality of revenues and expenditures and to verify their conformity with budget authorisations. It also controls the management performed by public accountants to discharge them of their liability, and regularly informs decision-makers on budget execution and on its control by the legislature. Budget accounting can be analysed as a system based on cash accounting.

The Cash-Based Accounting System in Force in Tunisia

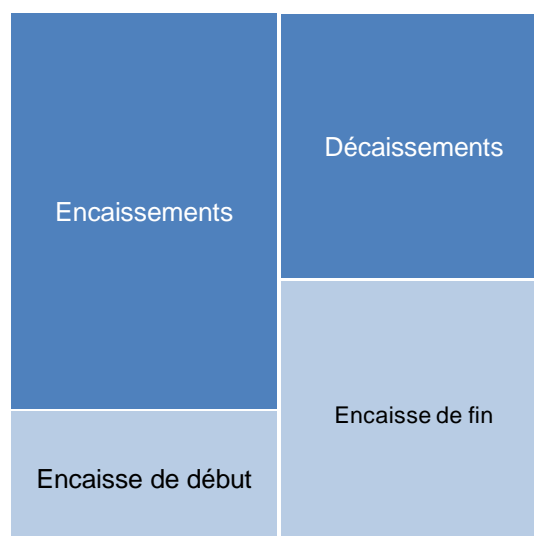
The cash-based accounting system, named as such due its similarity to a cash account, is a single-entry bookkeeping system. It only records instant phenomena: revenues and expenditures of various kinds. In a cash-based accounting system, transactions are recorded only on the basis on receipts and disbursements. Cash-based accounting does not make any distinction (as opposed to accrual accounting) between the acquisition of assets and the payment of a charge – both are simply considered “payments”.

As Benoît Chevauchez³ has stated: “The scope of ‘budget accounting’ appears much narrower than that of a general accounting system: first, and most importantly, ‘budget accounting’ only takes into account expenditures and revenues; it is not interested in claims, or debts, or assets, or liabilities: it therefore does not produce a balance. In addition, and this is another limitation, ‘budget accounting’ is only interested in so-called ‘fiscal’ expenditures and revenues, that is to say, those which are the subject of a formal budget authorisation; it overlooks all treasury and funding operations, whether they are expenditures or revenues. It is therefore single-entry bookkeeping that enables the production of summary financial statements on the level of appropriation use and revenue collection; it is flow accounting, without any accounting of stock.”

It is the counterpart of double-entry bookkeeping. The latter is based on the idea that the operations and financial positions of an organisation can be represented by accounts. Each account contains the history of changes in the monetary value of a particular aspect of the organisation. We talk of double-entry bookkeeping when the records are written in (at least) two accounts: one account which is debited and one accounted credited.

“The magic square of the single-entry bookkeeping system” can be represented as in the following Figure 4.1:

Figure 4.1. The Square of the Single Bookkeeping System



We will see below the relative attractiveness of cash-based accounting for the control of the accountants' management, which is a control providing a possible debit balance or extending discharge. By its very nature, this type of accounting ensures the objectivity of its findings. On the contrary, it leads *de facto* to the impossibility of implementing some management tools (value of fixed assets, amortisation, receivables, payables, etc.).

Shifting to a General Accounting System

The accounting doctrine argues for the opportunity to adopt a so-called “general accounting system”. Here we will specifically be referring to the doctrine of the organisation that dictates the accounting standards for the public sector: the IPSASB⁴. As a reminder, the IAS-IFRS accounting standards⁵ that are called IPSAS for the public sector call for the use of the new public accounting management system and for greater transparency.

The IPSASB outlines, very briefly, a dozen significant advantages⁶ in the interest of establishing responsibilities and facilitating investment and management decisions, if the financial statements are prepared on an asset basis. This accounting system makes it possible to more effectively take account of, both in the short term and the long term, uses (use, allocation, or beneficiaries of resources) and resources. It also allows for the specific determination of assets and their long-term evolution, both in terms of changes in wealth situation (change in the wealth structure without change in its net value) and in wealth variations (change in the gross or net value of assets and their structure, implying either increased or reduced wealth). Moreover, its more comprehensive and illustrative financial analyses allow for better assessment of the cash position, financial performances, and cash flows, in particular for the multiple balance sheet ratios and financial results.

This accounting system facilitates better decision-making in terms of resources and the various options of resource uses. It also improves the long-term valorisation of the costs of investment maintenance, reparation, and extension, and of the operating or financial costs of commitments made. In addition, it helps report on the origin and the use

of funds through the use of financing tables. It therefore makes it possible to measure the balance between working capital, the need for working capital, and the cash situation (and not only the cash situation) (Khrouz, 2010). It promotes a better understanding of the sustainability of the long-term financing of investments and expenditures, or of the operating costs incurred due to these investments, and draws up an inventory of the off-balance sheet rights and commitments. Finally, it promotes and enhances the demonstration of good resource management and facilitates production cost assessment.

Alongside this budget accounting system, Tunisia also uses an accrual accounting system whereby revenues and expenditures are recorded as soon as they are certain in principle and determined in amount, even if they are not yet paid. Accrual accounting (which is based on the principle of the separation of fiscal years) is one of the basic assumptions of the double-entry bookkeeping accounting system. The Tunisian system presents some aspects of this system without using it in its totality. Accrual accounting currently aims to “set aside” budget appropriations to cover the payment of committed expenditures. One part of this report will be devoted to this system. We will see that there is still only very limited rapprochement between the fiscal year budgetary policy and the accrual accounting system. Being an *ex ante* control that goes beyond the current budget concept, commitment control in Tunisia remains interesting to analyse. A new legal and regulatory framework is still under development. It should increase the competences devoted to this control but it is necessary to await its approval to comment on it.

As a reminder, cash-based accounting coexists with stock accounting: the latter aims to describe stocks and movements of the objects deposited, formulae, securities, stamps, stickers. We consider that this accounting is of marginal importance compared to cash accounting. However, it can be noted that its control is specific: it includes physical control in addition to the control of figures. By experience, stock accounting is a high-risk type of accounting, due to theft, embezzlement, destruction and obsolescence. It is rarely audited since it is usually close to what is termed permanent control.

To conclude this discussion, we welcome the fact that public accounting reform is now under way, through, in particular, the establishment of PBB. However, based on the experience of other countries (Belgium especially), it is clear that asset accounting and its related need for assessing assets and their amortisation constitutes an ambitious and long-term task.

Proposals

- Guide the reform of the public accounting system towards the development of an accounting system that gives decision-makers the means to assess the exact position of the state of public finances. PBB constitutes an important aspect of such reform.
- Establish as soon as possible a general accounting system. To this end, allocate sufficient human and material resources to this project.
- Put in place an accounting system that ensures consistency with new IAS/IFRS international accounting standards (which apply to the consolidated accounts of businesses).

Tools and Follow-Up Document on Budget Execution

Budget monitoring constitutes a comparison between a provisional budget and the expenditures actually made at a given date. It analyses the past (comparison between past activities and expenditures) to predict the future (planning activities and related expenses). It concerns the overall budget of a structure, a project, or a specific outlay. It facilitates the steering of activities and budget control. It is to be regularly performed by the accounting department and made available to the rest of the structure, on the one hand, and financial partners, when needed, on the other.

Monitoring Budget Execution

Budget execution is subject to monitoring by the committee established under the Minister of Finance in charge of monitoring the preparation, execution and evaluation of the State budget's execution. In this context, the General Committee of Administration of the State Budget is in charge, among other tasks, of preparing reports on the execution of public expenditures⁷. More generally, the computerisation of the State budget's execution system, with its division into revenues and expenditures, provides, in real or delayed time, a set of information necessary for monitoring fiscal operations.

- Thus, with regard to the revenue operations system:
 - the monitoring of the revenue collection system is performed through the use of the *Automated Customs Information System (SINDA)*, which provides accurate information on all customs operations and the enforcement of legal rights, thanks, in particular, to the automatic accounting of the customs officers and the assessment of fiscal costs of preferential tax regimes.

Fiscal revenues from taxes and duties related to imports and exports are centralised on a monthly basis and reported to the General Treasury, which adds them to the monthly schedule of fiscal revenue sent to the General Committee of the State budget (formerly the General Directorate of the Treasury) and the General Directorate of Public Accounts.

- the monitoring of the activity of the regional centres and offices of tax and revenue control is performed with the use of the *Tax and Accounting Activity Information and Rationalisation System (RAFIC)*, which provides monthly data for the collection of all types of tax resources. This allows the structures

of the Ministry of Finance to measure the level of tax revenue actualisation and propose necessary adjustment measures.

The final actualisation of budgetary resources are summarised and recorded in the management accounts of the Treasurer General of the State and in the general account of the administration, which are sent to the Court of Auditors before the end of the year following the closure of the fiscal year.

- To monitor the fiscal expenditure circuit, financial services establish a monthly statement of appropriations for Title I and Title II on the basis of the data provided by the ADEB and SIADE computer systems.
- The *Aid to Expense and Budgetary Decision system (ADEB)* handles the entire automated public expenditure process through several modules covering the different stages of the expenditure circuit from the appropriation to the payment⁸. It makes it possible to create for each department a budget booklet presenting the allocation of appropriations by paragraph and sub-paragraph for both operating and capital expenditures, to modify if needed the initial appropriation allocation, and to follow-up the periodic use of appropriations. This data is used at the time of budget negotiations during the review phase of sectoral budgets by the departments of the Ministry of Finance.
- The *External Debt Management Computerised System (SIADE)* automatically manages public debt. It includes three modules:
 - Management of the external debt of the State: this module manages government debt from signing until final repayment by releasing an annual statement of the debt situation and timely statistical reports on commitments, withdrawals, repayments, outstanding debt, arrears, etc.;
 - Management of the debt of State-owned enterprises: this module manages on-lending, Treasury loans, loans from the special Treasury funds;
 - Management of the debt secured by the State: this module manages the external debt secured by the State, particularly for State-owned enterprises.

All the information generated by the public debt IT management system makes it possible to create a list of all foreign loans and amortisation tables of ongoing loans, and to monitor the outstanding external public debt.

Information Systems (Management by Computer Networks)

Tunisia is making good progress in the quality of its information services. In addition to the central systems of the General Treasury (*Trésorerie générale*) and the Paymaster General (*Paierie générale*), a whole set of IT systems helps facilitate management and provide effective integration.

In this regard, we can mention:

- the RAFIC system: used for revenues;
- the ADEB system: use for fiscal expenditures;
- the SINDA system: used by the Customs Services;
- the SADEC system: used by the Tax Control Services;
- SIADÉ: for managing public debt.

The constellation of different technical systems, contributing to a comprehensive accounting carried out by the Treasury, represents a significant risk factor. Like other countries⁹, Tunisia should continue, as part of its efforts to implement performance-based budgeting, to set up an information system enabling it to have an accounting system based on the general accounting principles.

Proposals

- Assess the risks caused by the existence of numerous technical accounting systems.
- Continue the implementation of an information system that enables the operation of an accounting system based on the principles of general ledger accounting.
- Ensure compatibility between the various information systems.

The Reports

The Central Bank of Tunisia produces a certain number of economic documents:

- an annual report, which is published and has two parts: the economic report and the operations of the Central Bank of Tunisia;
- a newsletter of financial statistics, published quarterly, including monetary, financial and economic statistics, and specifying the methodology adopted for their preparation;
- a monthly supplement of the main monetary indicators and external payments (published);
- a brochure on Tunisia’s external debt, published annually and which analyses the evolution of the structure of the outstanding debt of the country in view of the international situation;
- a quarterly publication on the general economic conditions that analyses the key measures of an economic, monetary and financial character taken during the period.

The Budget Review Act makes it possible to grasp the reality of the execution of authorisation laws, and to measure the gap between what was forecasted and authorised and what was actually done. This Budget Review Act is basically a report on the execution of the budget. Indeed it “states the final amount of revenue receipts and expenditure authorisations that were conducted during a fiscal year...”¹⁰. It is drafted by the Minister of Finance on the basis of the accounts held by the authorising officers and the public accountants, and it presents:

- for the State budget expenditures, the initial forecasts, the new authorisations, and the original authorisations broken down into chapters, parts, and articles;

- for the State budget revenues, the initial forecasts, as well as the modifications and collections broken down into chapters and articles;
- the comparison between: on the one hand, the overall amount of forecasted revenues and expenditures, and the changes made, if any, and on the other, the actual revenues and expenditures for the budget of each public institution and each special Treasury fund;
- the actual cost-sharing contributions in terms of both revenues and expenditures;
- the actual revenues and expenditures of the special funds.¹¹

The time needed to draft the Budget Review Act has been shortened but it remains relatively long. The last Budget Review Act goes back to the 2009 fiscal year. It is published.

The Court of Auditors is in charge of drafting, for the President of the Republic and the President of the Chamber of Deputies, a General Annual Report on the Execution of Financial Operations of the previous year¹². The President of the Republic can order the publication of the Court of Auditors' annual report. After having long been confidential and sent only to the President of the Republic, the Presidents of the Chamber of Deputies and the Chamber of Advisors, and the different ministers, the annual reports are now being published.

Proposals

- Currently, the Budget Review Act (BRA) is generally drafted two years after the fiscal year it covers. This timeframe is long and makes it irrelevant. The Court of Auditors and the administrations involved in drafting it should provide the means for considerably reducing this production time.
- Provide in the programming of parliamentary work enough time, and an appropriate time slot, for the review of the BRA, to reflect its importance; the plenary session of this review could be broadcast by the media.
- Publish the general account of the State and the certification report of the Budget Review Act established by the Court of Auditors.
- Give the Court of Auditors the means to monitor its observations on the Budget Review Act.

Notes

1. Unlike many African countries where the management of public finances is inspired by the French tradition, Tunisia has already decentralised authorising functions to its sectoral ministers.
2. Currently in France, as soon as the Finance Act is enacted the apportionment decree sets the authorised appropriations for each programme or for each mission while separating the personnel expenditures (Title 2).
3. PFMB 04/03/2009.
4. The International Public Sector Accounting Standards Board (IPSASB) is an independent board supported by the International Federation of Accountants (IFA).
5. The International Financial Reporting Standards (IFRS) are accounting standards developed by the International Accounting Standards (International Accounting Standards Board), for listed companies or companies involving investors in order to harmonise the presentation and clarity of their financial statements.
6. 8 IFAC, *Study 14, op. cit.*, §§ 1.17 to 1.27.
7. Decree No. 96-259 of 14 February 1996 amending and supplementing Decree No. 91-556 of 23 April 1991 on the organisation of the Ministry of Finance, *Official Gazette of the Republic of Tunisia*, No. 16, 23 February 1996, p. 360.
8. The status of appropriations shows the amount of appropriations entered, as well as the movements of appropriations (transfers, supplementary funds, appropriations voted for Title II, delegated appropriations, committed appropriations in both amount and percentage, the authorised appropriations in both amount and percentage, and the payments made in both amount and percentage).
9. FEDCOM, which was created out of the 2003 fiscal reform, is a Belgian federal project. Its goal is to modernise the State accounting system, by setting up a general, fiscal, and analytical accounting system. This project began in 2007 and ended in 2012. It was coordinated by the Federal Public Service – Budget and Management Control (SFP – Budget et Contrôle de la Gestion). FEDCOM is also the name of the new accounting software. The support for this software is provided by the Federal Accountant.
10. Article 45 of the Organic Budget Law of 8 December 1967, as amended by subsequent legal texts.
11. Article 47 of the Organic Budget Law.
12. Law No. 68-8 of 8 March 1968 relating to the Court of Auditors (*Official Gazette of the Tunisian Republic*, 8-12 March 1968, p. 252) as amended by Act No. 70-17 of 20/04/1970 (*Official Gazette* of 21 April 1970, p. 448), the Organic Law No. 90-82 of 29 October 1990 (*Official Gazette* No. 70 of 02 November 1990), the Organic Law No. 2001-75 of 17 July 2001 creating regional audit (*Official Gazette* No. 58 of 20 July 2001, p. 1752) and the Organic Law No. 2008-3 of 29 January 2008 (*Official Gazette* No. 10 of 1 February 2008, p. 572-76).

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Chapter 5

The Assessment of Expenditure Management

Introduction to Chapters 5 and 6

The assessment and control of expenditures can focus on two areas: on the one hand, the “quality of management”, and, on the other, the legal, administrative and financial “regularity” of the expenditure. The control can also be “internal” or “external”. This distinction corresponds to the unit (legal, administrative, or functional) of the entity subject to the assessment or the control. The “internal” or “external” nature of the control of a unit therefore depends on whether we are considering this entity in an isolated manner, or as part of a higher entity, such as the State. The “line control” is carried out by the entity possessing legal authority over the operating one. The assessment or control can also be carried out *ex ante* or *ex post*, depending on whether it occurs during or after the execution cycle. Finally, the control is of an administrative or legal nature. In Tunisia, in particular, some of the control operations are carried out by judicial entities composed of independent judges, who issue legal decisions following established legal procedures (Court of Auditors, Financial Disciplinary Court).

This chapter covers management controls performed by the administration itself, and Chapter 6 deals with controls performed by the administration’s general control bodies and by financial courts. The proposals put forward in these chapters regarding the organisation of the system will clearly reveal the logic behind this distinction.

Administrative and Accounting Controls

Management Controls Performed by the Administration Itself

The Control of Commitment by the Department of Public Expenditure Control

The legislature has submitted financial decisions to a series of administrative and routine controls to ensure their regularity: these controls are operated by the Department of Public Expenditure Control.

The **Department of Public Expenditure Control** works under the authority of the Prime Minister. It systematically ensures, within the administration¹ itself, the regularity of a financial decision of a particular administrative body prior to its implementation. It is based on the rule of prior approval according to which no expenditure may be committed and executed without the agreement of the Department of Public Expenditure Control.

The Nature of the Controls

Expenditures attributable to the State budget must be submitted for prior approval of the Controller of Public Expenditures. However, certain expenditures are exempted from this requirement, such as those of an occasional or covert nature, which are subject to a special procedure; the same is true for expenditures made on imprest accounts or by diplomatic and consular posts and some public institutions.

The control focuses on the expenditure’s compliance with financial laws and regulations, the allocation of the expenditure, and the availability of a corresponding appropriation for the expenditure. The period of the visa is six clear days, after which, in the absence of any response from the Department of Public Expenditure Control, the expenditure becomes enforceable.

Box 5.1. Internal Auditing

Definition

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve organisational operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes, and by making proposals to enhance its efficiency.”

Organisation

Based on the theory of “three lines of defence”, we can conclude that the control bodies exercise *de facto* the role held or to be held by the internal audit department. According to the theory of the three lines, the organisation is first protected by its first line managers, and then by specialised services that may provide, for example, quality and compliance controls. Finally, internal audit carries out its mission as specified in the definition above.

The Control of Public Expenditures verifies the existence of the budget, provisionally charges it (the commitment, strictly speaking), and verifies the compliance of the commitment file (budget year, article, etc.). To grant a visa, it examines the item, the charge, the accuracy of the assessment of the expenditure, and available appropriations. It ensures the application of the financial provisions of laws, decrees, and regulations pertaining to the particular purpose of the expenditure, and the compliance of the expenditure with the preparatory work on the budget. It does not, however, conduct a review of the expenditure’s legality and regularity; this should be performed elsewhere.

There are different types of commitments. The applicable procedure varies according to commitment type: whether it is initial, based on records, global, or provisional. A list of expenditures covered by global commitments has been established. They can reach 80% of the budget. They are related to “fixed expenditures”. These are predictable from the start, and their global commitment facilitates management and guarantees the means to be preserved. Commitments may also be provisional, optional (thus they allow for the commitment of expenditures according to the choice made by managers), or mandatory provisional (including scientific research institutions and for expenditures over TND 300,000).

Reform of the Ex Ante Visa

Decree No. 2012-2878 of 19 November 2012² reformed the *ex ante* visa for expenditures. In effect:

- it strengthens the use of the provisional commitment mode, which becomes mandatory for 50% of appropriations;
- it strengthens control over compensation expenditures, because of their share of total expenditures;
- it introduces new concepts: prioritised control of public expenditures and the visa granted by the controller of public expenditures for the initial programming of fiscal activities which is prepared by the head of the programme. The introduction of these two concepts paves the way for the transition to performance-based budgeting.

Box 5.2. An International Perspective on Public Expenditure Control in Tunisia

Tunisia's public expenditure control system derives from the French tradition, and in this way, it varies from the existing systems in other countries, such as Belgium.

The very essence of its mission falls outside the scope of audit practices. One cannot even speak of aspects like audit charter, risk analysis and planning. The General Directorate of Control of Public Expenditures does, nonetheless, issue a Procedural Manual, which was approved by a circular of the Prime Minister dated 18 November 1999.

This administrative unit prepares an annual report on the management of the previous year's budget outlining the results of control operations and the different proposals for improving management. This report is addressed to the Prime Minister.

Box 5.3. Commitment Control in Belgium

When an expense is committed, the required amount is recorded in a register in order to set aside a budget appropriation for this purpose. This is the task of the controllers of commitments. They work for the Department of Commitment Control in the Federal Public Service – Budget and Management Control (SPF – Budget et Contrôle de la Gestion). This administrative unit verifies if the expenditures of the federal administrations are performed in accordance with laws and regulations. It also ensures that appropriations are not exceeded. Each controller is seconded to a public service administration.

Tasks in the Field of Public Procurement

Before awarding a public contract to a supplier, a visa must be requested from the commitment controller. This official verifies if all documents are in order and if sufficient funds have been set aside for payment of the procurement. The Department of Commitment Control also exercises an advisory function for the accounting departments of public service administrations, for example in the preparation and formulation of expenditure records.

Source: Fedweb (2011), "Contrôle des engagements", Federal Personnel Website, www.fedweb.belgium.be/fr/a_propos_de_l_organisation/budget_et_marches_publics/organismes_de_contr_ole/controleur_des_engagements.

Control of the Regularity of the Expenditure by the Public Accountant

Pursuant to Article 136 of the PAC, "before granting a visa for the payment of the authorised expenditure...the public accountant must take full responsibility for ensuring:

- the availability of an appropriation regularly voted;
- the allocation of the expenditure to the correct title, chapter, section, article, paragraph, and sub-paragraph depending on its nature and its object ;
- the evidence of "service rendered" and the accuracy of the settlement;
- the final nature of the settlement;
- the prior authorisation of the expenditure commitment by the Department of Control of Public Expenditures;
- the application of the rules on prescription and limitation;

- the production and regularity of all documents justifying the expenditure”.

In case of irregularity, the accountant refuses payment and informs the authorising officer by a written statement justifying his/her refusal to grant a visa for payment.

The control focuses, on the one hand, on the regularity of the payment order and of the status of the issuer, and on the other hand, on the production of all required supporting documents. When the controls are over, the accountant affixes the visa on the payment order and makes the accounting operations for the effective settlement of amounts authorised. He/she sends back the carbon copy of the payment issuance slip.

The accountant can reject the authorisation if he/she finds some irregularities or if he/she considers the production of supporting documents insufficient. He/she must justify his/her refusal and send a written notification to the authorising officer. The latter can refer the case to the Minister of Finance by sending him/her a duly reasoned written report asking him/her to “override the accountant’s decision”. The accountant will be then be bound to execute the Minister’s decision but will not be held accountable in any way.

Assessing the Expenditure Chain and Controls

Important Achievements in Budget Execution

In the field of budget execution, the Tunisian public administrations have incorporated many elements of reform that have put this country at the forefront of comparable countries in terms of modernity, as shown in the following examples:

- **the integration of international donors’ fund management into national procedures** has already been implemented³. In addition to its own merits in terms of enhanced coherence and streamlining, this situation proves the confidence donors grant to the Tunisian financial administrations;
- **the shift toward multi-annuality** began a long time ago with the differentiation of commitment appropriations and payment appropriations for investments; this differentiation provides for improved visibility on future expenditures, and therefore for a better control of the dynamics of public expenditures; this type of management by commitment appropriations and payment appropriations (CA/PA) requires good technical skills that are fully mastered: the extension of this multi-annuality management tool to other categories of expenditures could therefore be easily envisioned;
- **the expenditure chain has already been streamlined**, especially in terms of the controls exercised by the Control of Public Expenditures, which now accepts global and provisional commitments and is opening up to modulated control (decree of 19 November 2011); the computerisation with ADEB seems to work well, which is a prerequisite for the execution of expenditures;
- **a shift towards performance management has been considered but is not yet truly used.**

For several years, Tunisia has taken the clear strategic option of performance-based budgeting. After a period of reflection and design, it has now moved to a more operational phase with experiments undertaken in ten pilot ministries supported by, on the

methodological level, a “European twinning programme”. This constitutes a significant progress.

Moreover, the concepts of PBB are well understood and shared by the largest number of people; a programme architecture has been established, and the “targets” and “indicators” have been identified. However, budget execution remains unchanged and continues to unfold following the “traditional” process: the execution classification has not been changed, the appropriations management and expenditure circuit were not affected by the new outcomes-based approach, and the control modalities essentially remain those of the means-based budget. Finally, the project of developing responsibility regimes for the various stakeholders does not seem to have been launched. The result is that the shift towards performance-based budget execution still requires significant efforts and that, before it is fully implemented, it is necessary to continue modernising the traditional budget execution process.

Proposal

- Continue to modernise the traditional process of budget execution without waiting for the completed implementation of performance-based budgeting.

The Actors Involved in the Expenditure Chain

The division of labour and the responsibility regimes of the various stakeholders involved in the expenditure chain are inspired by the French tradition. They are characterised by a strong division of labour and a specific liability regime for each actor.

Qualified Staff

The staff working in the analysed structures is competent: concerned with being good professionals, they have excellent technical expertise in their fields; moreover, they have a good general administrative culture and are, for the vast majority of them, very open to contemporary changes in public management.

A Good Functional Organisation But the Rules for Appointing Secondary Authorising Officers Are Sometimes Unclear

The Tunisian financial administration is characterised by a clear, consistent, stable, and transparent assignment of tasks between the three actors involved in expenditure management: the authorising officer, the Control of Public Expenditures and the public accountant.

However, the current status of the authorising officer – who is now the dominant actor across the chain – does not seem entirely satisfactory. His/her role is very important since through the commitment, he/she takes on the expenditure which will lead to – if the service is rendered and accepted (but this condition does not entirely rest upon him/her) – a financial obligation, a State’s debt, an obligation to pay, and therefore to the necessity to have sufficient financial revenues to cover it. In addition to this legal role, the authorising officer is also responsible for the selection, and the determination of its opportunity, of the expenditure: respecting the Parliament’s authorisation, he/she determines the priority uses for the appropriations, and sets the expenditure pace. He/she therefore is accountable for the regularity of the expenditure, as well as for the good use

of the funds based on his department's mission and objectives. Given the importance of his/her role, the authorising officer should be clearly identified and recognised as such by the whole range of actors involved.

Yet, in spite of this central and crucial role, the rules for selecting and appointing authorising officers, beyond the minister, who is the principal authorising officer by law of all the appropriations of his/her ministry, are not clearly set: the number and selection procedure of secondary authorising officers do not seem to follow any specific criteria and the definition of their responsibilities remains unclear.

The Definition of Responsibilities is not Specific Enough

The clear assignment of tasks is highly recommended by international codes and standards, including those of the IMF. In Tunisia, the question of responsibility exists for three actors involved in public spending: the accountant, the authorising officer and the Control of Public Expenditures. Their respective rights and duties do not seem clear enough.

The Public Accountant's Personal Financial Liability

The public accountant has long been subject to a very structured and formal regime: that of the "personal financial liability" (PFL) which forces him/her to cover, on his/her personal assets, any "missing money" in his account, a phrase large enough to cover the actual missing funds in his account, but also all the payments made without respecting the rules and procedures, including payments not supported by all required documents. To meet this responsibility, which is applied by the Court of Auditors, public accountants constitute, upon taking office, financial guarantees, and subscribe to an insurance system. A notice of deficit states what remains due by the accountant after closure of the account.

As one of the pillars of the tradition of strength and integrity of the Tunisian public accounting, the system of PFL appears good and proven. It constitutes a strength, since it makes accountants be extremely rigorous in their operations and their treasurership.

There are however certain limitations: *i*) the controls performed by the Court of Auditors are infrequent and often late; *ii*) the procedures leading to a notice of "deficit" are slow and, apparently, few; *iii*) and, more importantly, the minister still retains broad discretion to grant debt forgiveness.

It does not seem appropriate to question the existence of the PFL or the legal assessment of the accounts by the Court of Auditors. On the contrary, it could be useful to make them more effective and more modern.

Proposal

- Clarify the legal conditions for giving public accountants a debit balance, a disclaimer, or a forgiveness of debt on the balance sheet to make these procedures really effective. On the one hand, decisions on debit balances should be made faster and more frequent, and, on the other, the conditions for disclaimers and debt forgiveness should be explained and enforced.

The Authorising Officer's Responsibility: The Limits of "Fiscal Discipline"

The authorising officer is the manager whose mission, under the minister's authority, is to develop the activities of his/her department, to steer its activity towards meeting demanding targets. He/she is today the system's central actor, and will be even more so tomorrow with the shift towards "programme" management which will give him/her more freedom and flexibility, in particular thanks to the transferability of appropriations that "programme" budgeting entails. He/she will then be considered as the real "manager" of his/her department and give him/her extensive and clear authority over all the means placed at his/her disposal for implementing his/her policy.

However, he/she is not governed by a clear and effective responsibility regime. The authorising officer, as such, is only subject to "fiscal discipline", exercised by a special legal jurisdiction, the Financial Disciplinary Court. Yet this process is not exempt of drawbacks: *i*) it is rarely applied; *ii*) sanctions are weak and rare; *iii*) it is only intended to sanction the formal irregularities.

This legal process is outdated and does not really make it possible to expose and punish mismanagement. Certainly in the area of the opportunity of expenditures, not that of their regularity, the Court of Auditors' reports, which also feed on the work of the Financial Disciplinary Court, are intended to warn and to denounce the most serious problems. But it is regrettable in this regard that there is only limited follow-up on the Court of Auditors' reports.

Proposal

- Modernise the legal process that the authorising officers are subject to by defining more clearly the conditions under which they can be sued before the Financial Disciplinary Court.

The Financial Controller's Liability: A Loophole in the Texts

As regards to the financial controller, who is the third actor of the expenditure chain, there is no specific legal liability regime clearly defined. Such a loophole creates a weakness for the Control of Public Expenditures which would certainly increase its authority and legitimacy if a clear and operational liability regime was defined for its members.

Proposal

- Initiate a discussion on the financial controller's liability regime.

A Sound Management of Public Expenditures*A Good Practice but Still Room for Improvement**Starting from a Solid Foundation, Public Expenditure Management Has Continued to Be Perfected*

In terms of expenditure management, Tunisia demonstrates good practice derived from the classic model used in the traditional French systems. This is characterized by: *i*)

somewhat marked formal segmentation of the expenditure circuit in four steps; *ii*) a division of labour and strong separation of accountability between the authorising officer and the accountant; *iii*) a density of “integrated” controls within the expenditure chain; *iv*) the centralisation of funds in a single account; and *v*) the monitoring of budget execution in a specific accounting system – budget accounting.

On several points, sensitive improvements of this classic scheme have been made. In particular, as the principle of “specification” applies to a rather high level of classification, it shows that an effort to develop the transferability of appropriations has been accomplished. Moreover, another example of progress worthy of appreciation is the fact that control is beginning to be modulated according to the stakes and the risks involved: the tradition of a comprehensive, undifferentiated, and universal control shows signs of abating. More generally, as will be observed, this robust, heavily computerised system appears to be functioning correctly.

Possible Improvements

However, while it probably provides good security in the management of funds, the classical scheme is not without its flaws: a cumbersome and lengthy expenditure process, a multiplicity of exceptional procedures to escape the excessively rigid general rules, as well as the prevalence of purely formal concern over substantive matters.

It would be out of the question to challenge the foundations of this system, which is particularly well suited to the Tunisian context and tradition, and has demonstrated proven success in both this country and elsewhere. However, further analysis could be undertaken on the following four points: commitment procedure, the expenditure chain, “integrated control”, and dispensatory exceptional procedures.

Some Difficulties Affecting Commitment Procedure

Commitments of non-global expenditures can cause problems at the time of final settlement. Indeed, if a prior commitment has not totally respected the justification rules, the Control of Public Expenditures will not block it but will send a request for supporting documents to the authorising officer. But authorising officers tend to send such supportive evidence belatedly, which causes problems in the charging of the expenditure (in particular, during the current fiscal year). The Control of Public Expenditures thus no longer controls the expenditure, but gives its approval to the operational departments, which justify their delays by the control.

The lack of mandatory commitment makes it possible to hide part of the public debt. The custom was to postpone the commitment of expenditures due to the consumption of utilities (telephone, energy, etc.) and which were paid on imprest accounts by the State, since public authorities do not launch proceedings against themselves to recover money. These arrears increased the public debt in an occult manner. Similarly, some orders placed with State-owned enterprises, which play an important role in the Tunisian economy, were committed late, and these arrears constitute a serious risk in the management of the STEG (OECD, 2013). An arrear, even if it is an internal invoice sent to the State’s account, implies non-covered expenditures and increases the deficit.

Proposals

- Firmly encourage the authorising officers, at the risk of seeing the expenditure commitment rejected by the Control of Public Expenditures, to produce all the evidence required.
- Set mandatory but reasonable deadlines for the payment of State expenditures; consider imposing compensation with an increased interest rate in the event of delay; provide the required mandating of the expenditure on the basis of a court decision issued in a summary manner.
- Adopt as soon as possible the decree on payment terms of public expenditures that is currently being drafted.

Box 5.4. Debt Repayment Scheme

The Debt Repayment Scheme in the European Union

The 27 countries of the European Union were supposed to have adopted, by March 16, 2013, legislation requiring private and State-owned companies to pay their suppliers within a maximum of 30 days. If both private contractors agree, this period shall be 60 days. If the debtor is a State-owned company, setting a period of 60 days will need to be justified. These new measures are optional for private companies, but mandatory for the government.

The Debt Repayment Scheme in France

The Economic Modernisation Act of 4 August 2008 limits the agreed-upon payment terms for enterprises to 45 days starting from the end of the month in which the invoice is issued, or to 60 days starting from the day the invoice is issued.

Operators have a choice between two modes of calculation: they can either add 45 days at the end of the month the invoice is issued, or count 45 days from the day the invoice is issued, and then go to the end of the month. So as to avoid claims, the mode of calculation should be agreed upon by the business partners prior to the transaction.

As for the State, it has committed to reduce its own payment terms to 30 days, with compensation of an increased interest rate in the event of delay.

The Expenditure Chain

The expenditure chain is cumbersome and productivity could be improved without degrading its security. For example, validation and authorisation continue to be regarded as two very separate stages, giving rise to two distinct operations: the recognition of a debt, and then the decision to pay.

This distinction has two drawbacks: on the one hand, it makes the chain uselessly cumbersome; on the other hand, it offers the temptation, in case of cash-flow difficulties, to delay authorisation of a validated expenditure; there is thus the risk of creating arrears in the **administrative** stage, whereas arrears – when they cannot be avoided – should remain within the **accounting** stage. In principle, the solution would be to merge the validation and authorisation stages into a single operation.

Another feature of the Tunisian legal system is that the legal commitment takes place before the budgetary commitment: in other words, the funds are reserved for expenditure only **after** the expenditure has been decided, which creates the risk of exhausting funds prior to the time of payment. This feature weakens the security of the system since it increases the risk of default or arrears. The appropriate solution would be to reverse the order of operations and reserve the appropriations (budgetary commitment) before launching the expenditure (legal commitment).

Proposals

- Merge, when possible, the validation and authorisation processes.
- Make the budgetary commitment of the expenditure before its legal commitment.

Integrated Control

Integrated control within the expenditure chain still includes some imperfections, despite recent progress.

Some controls of the Control of Public Expenditures and the public accountant seem unnecessarily redundant: line allocation and the availability of appropriations are re-verified by the accountant, whereas the Control of Public Expenditures is supposed to have already controlled both aspects. Moreover, the control of budget settlement, including that involving “services rendered”, does not seem closely enough linked with the holding of stock records, while the validation specifically constitutes an entry point into it. Finally, internal control, to be developed within the sectoral ministries, still remains embryonic. Yet it is the development of internal control that should accompany, and even facilitate, the modernisation of the Control of Public Expenditures in the spirit of a joint control.

Proposals

- Develop internal control capacities within spending ministries.
- Develop a control system based on a partnership between the Control of Public Expenditures and the accountant so as to eliminate redundancies, especially in regard to line allocation, the availability of appropriations, and the link between the budget settlement and stock accounting.

Dispensatory Exceptional Procedures

Dispensatory exceptional procedures remain numerous: expenditures requiring no prior approval, petty cash funds, special funds, etc. While certain categories of expenditures deserve specific expenditure chains, wage expenditures cannot be executed like interest expenses, and capital expenditures cannot follow the same procedure as mission expenses.

Among these dispensatory procedures, there should be a better distinction made between the procedures that are only simple variants of the normal procedure – which can be widely used – and those that are real exceptions. The latter are to be granted sparingly when real public interest is in evidence.

Proposal

- Assess the specific expenditure chains; among those, distinguish on one hand, between those that are truly justified and which therefore could be retained, and, on the other hand, those that are not justified and which should thus be re-incorporated into the general expenditure chain.

Meeting the Challenge of “Programme” Management

Shifting to an Outcome-Based Management System

The elements for diagnosing budget execution discussed above focus on the budget management mode currently utilised by the Tunisian administrations: a traditional means-based management employing an economic nomenclature.

The shift to an outcome-based management system, which is structured around programmes and whose goal is performance, represents a new policy adopted by Tunisia a few years ago. Yet, if the doctrine, the methods, and the tools of “performance-based budgeting” have been the object of strong investment in many sectors of the Tunisian administration, nothing has been introduced in an effective and operational manner to migrate the budget management system from a system based on means to one based on outcomes: budget classifications remain unchanged, the process and the actors of the expenditure remain the same, and the control schemes continue to be, for the most part, centred on means and not outcomes.

So, when Tunisia decides, in order to reap the rewards of its strong investment over the past few years, to effectively shift its budget management system towards “programme” management, many modifications – often substantial ones – in budgeting modalities, which we have examined above, will need to be implemented. Performance-based budgeting constitutes a comprehensive reform that will have a range of impacts on the entire system of public finance management, including budget execution modalities.

It is useful, to conclude this chapter on the current budget execution system by taking a prospective look at the changes to come: they will have limited impact on appropriations management, but will have significant effects on expenditure management and control.

Performance-Based Budgeting: An “Appropriation Management” System Remaining Relatively Unaffected

The only really significant impact the “programme” mode of management will have on appropriations will come from the beneficial effects of the transferability inherent in the programmes: as the budget authority is less fragmented, there is less need – all things being equal – to proceed with money and appropriations transfers during the year. This concern will thus mobilise budget managers less during the year.

It is also anticipated that fiscal regulation will need to be strengthened: the “programme” management mode, with its increasingly transferable appropriations and more autonomous authorising officers, will force the Ministry of Finance to be more

vigilant about making sure that the rate of expenditure commitments closely corresponds with the availability of cash.

Thus, if the management of appropriations remains relatively unaffected, the terms and conditions of expenditure management, especially at the level of the authorising officer and the financial controller, will be profoundly modified in a number of important ways.

The Changing Role of the Actors in Expenditure Procedures

An Authorising Officer with More Flexibility but also More Responsibility

Becoming “programme manager”, the authorising officer will benefit from greater flexibility in the use of his/her appropriations, thanks to the transferability and fungibility of appropriations. In addition, he/she should gradually enjoy other freedoms in the areas of personnel, real estate, and public procurement management that would logically come with the transition to this new public management system.

It was mentioned above that the necessary corollary of these new freedoms would be the establishment of a clear and demanding accountability regime. Another condition necessary for developing the capacity to fully perform these new tasks is for “programme managers” to acquire the means to meet their increased responsibilities.

In other words, the managers of the business departments, who are currently accustomed to focusing mostly on their operational activities, will also have to directly manage their fiscal resources; to this end, they will need to have at their disposal competent staff experienced in “budgeting” and the “expenditure circuit” as well as in “management control and analysis”. Some of these management skills and tools will be pooled within the Directorate of Financial Affairs of their ministry. It seems, however, essential that the programme manager possess a minimum of specific technical means to effectively assume responsibility for the management of his/her resources. In this sense, we recommend the gradual development of internal control services, be they embryonic, allowing programme managers (including the most important of them) to control their activities, while maintaining good control of their risks.

Proposals

- Gradually develop internal control units, beginning with the departments responsible for the most important programmes.
- Give the authorising officer more flexibility in the use of appropriations through the transferability and fungibility of appropriations; grant him/her more freedom to manage staff, real estate, and procurement.
- Provide the authorising officer with the adequate means to oversee budget management, expenditure flow, and management control and analysis. This would result in sharing some resources in the ministerial administrative and financial departments and allocating sufficient human and material resources to each head of these departments. All of this would involve internal oversight services. The officer will have to develop his/her own management control.
- Grant the secondary authorising officer with a satisfactory status and with recognition as such.

A Control of Public Expenditures Who Will Become More of Advisor than Controller

First, the traditional mission of *a priori* commitment control will gradually lose some of its contents. Indeed, since programme budgets lead to profound changes in the principle of “specification”, checking the proper allocation of credit to the relevant budget line often becomes a rather pointless exercise: for example, what remark or objection can the Control of Public Expenditures possibly make regarding an expenditure of “mission expenses” or “supply purchases” proposed by an authorising officer to charge to a “health improvement of early childhood” programme? The only budgetary control, then, becomes the control of the availability of the appropriation, and the issue of the proper allocation *de facto* disappears with the transferability of appropriations.

While the Control of Public Expenditures will thus see its function of *ex ante* control over the means diminish, it will conversely have to focus more on the *ex post* control of outcomes. The Control of Public Expenditures’s intimate knowledge of the sectoral ministry in which it is placed, its closeness to its leaders make it the best suited entity to keep a watchful eye over programme outcomes. In particular, the Control of Public Expenditures is well placed to assess the quality, relevance, and reliability of the indicators.

These changes will cause the Control of Public Expenditures to become as much an advisor as a controller, without however running the risk of co-management and role confusion. But the establishment of a trusting relationship between the Control of Public Expenditures and its authorising officers will constitute the undeniable sign of a successful transformation of the system.

Finally, in its relations with the Budget Directorate, the Control of Public Expenditures would no longer merely serve as an informant, but also as an advisor participating actively in the key moments of “budgeting”, including during budget meetings and in-year appropriation changes. In this perspective, the fact that the Control of Public Expenditures is placed directly under the Prime Minister’s⁴ authority is not without its disadvantages: while this option gives greater authority to the controller, conversely, it takes it further away from the Budget Directorate of the Ministry of Finance, with which synergies should be sought. In particular, the budget discussions and negotiations between the head of the Budget Directorate and the sectoral ministry would be enhanced if the Control of Public Expenditures took part in them, alongside the Budget Directorate. The Control of Public Expenditures would then help the latter to decipher and appreciate the demands and arguments of the sectoral ministry, which it knows well since it exercises a permanent on-site inspection.

Proposals

With the transformation of the principle of specification, verifying the allocation of the appropriation to the right budget line becomes less important; the only budgetary control focuses on the availability of appropriations. The Control of Public Expenditures’s functions are therefore expected to evolve:

- The advisory role of the Control of Public Expenditures to the authorising officer should be strengthened by, for example, providing for more regular information exchange than currently exists.
- The Control of Public Expenditures should also start exercising an *ex post* control of

results. It should focus on outcomes (which requires paying attention to the control of the reliability of outcomes) and reinforce its evaluating capacity (of the economy, and the efficacy and efficiency of public expenditures).

- Make the Control of Public Expenditures an active player in the budget process. It would then more actively participate in the budget discussion and negotiation process between the head of budgeting and the sectoral ministry, helping them to understand each other.

An Accountant Who Increasingly Resembles a Manager

To a lesser extent than his/her colleagues who work as authorising officers and Controls of Public Expenditures, the public accountant will also be affected by future reforms. No significant changes will likely affect payment procedures, and his/her role as payer and cashier will remain unchanged. His/her role as controller should diminish, in particular, like that of the Control of Public Expenditures, regarding the allocation to the budget line.

But his/her role as accountant will be considerably altered, especially in terms of the new relations he/she will develop with the “authorising officer-manager”. Several factors will contribute to this change: first, the accrual accounting system will force the authorising officer to give the accountant the information on the entries and operative events over which he/she has sole control: amortisation, provisions, service rendered, and stock use. Besides, in order to control his/her costs and analytical accounting, the manager will need easy access to the data of a high quality general accounting system. The authorising officer and accountant will just need to develop a closer working relationship in accordance with their respective responsibilities.

Proposals

- Create the conditions for changing the accountant’s role: assessing the needs for change, developing the necessary new procedures and tools (especially in the area of new technologies and information systems), as well as establishing training and change programmes.
- Establish adequate means for forging closer ties between the authorising officer and the accountant (creation of a common culture, information exchange).

The Necessary Development of Outcome Measurement and Control

As performance-based budgeting is centred on results, it is necessary to develop a methodology, know-how, and culture of outcome measurement. This concern is already shared by the Tunisian public administrations, but significant methodological, IT, and training investments will need to be made over the next several years.

It is necessary to define the concept of “outcome” by differentiating the product of the impact and developing numerical indicators to reflect this. The design, monitoring, and control of indicators will need to be clearly assigned responsibilities. The managerial and political stakes of performance measurement will need to be well understood. The risks related to performance management, and, in particular, the tendency to focus exclusively on quantitative results, should be controlled.

All the control schemes – except those of the accountant – should migrate, each in its own way, from a “means”-based to an “outcome”-based approach. This change will affect all the actors and institutions involved in control activities:

- the authorising officer will develop a type of management control that will enable him/her to closely steer his/her results according to his/her means.
- the Control of Public Expenditures will focus on the outcomes, and not only on the appropriations and the regularity of expenditures; it could, in particular, be assigned the responsibility of controlling and increasing the reliability of indicators;
- finally, the Court of Auditors shall develop its assessment activities and enhance its skills to better assess the economy, efficiency and the effectiveness of public expenditure.

Proposals

- Transform the control mechanisms of all actors from a means-based to an outcome-based approach.
- Develop a methodology and its accompanying practical guide, know-how, and a culture of outcome measurement by assessing needs and making appropriate investments.
- Assign to the Control of Public Expenditures the responsibility to control indicators and make them more reliable.
- Develop procedures and reference manuals. This constitutes an important way to contribute to the implementation of internal control. These manuals help guarantee both the uniformity of decisions, as well as their compliance with policy directives and with the legal and regulatory framework. Their drafting constitutes a complex process requiring precision and specificity. When drafting these manuals, it is important to consider, however, that there is already a very specific Public Accounting Code, rules relating to administrative decisions, and a very large body of circulars and guidelines. Once thinking on drafting such manuals has begun, it is necessary to plan for the updating and codification of these texts.
- Organise effective training: the establishment of internal control requires both the awareness of its role and specific processing techniques. The use of the commonly accepted COSO standards should be correctly presented and implemented.
- Change the tasks of the Court of Auditors by strengthening its capacity to assess performance, and by improving its skills in this area.

The Timing and Social Support of the Reform

The timetable of reform should follow a specific sequence of steps: first, reform the OBL by taking full account of the relevant provisions of the future constitution of the nation; then draft and adopt a new Public Accounting Code; and finally, prepare and issue the administrative documentation and implementation programmes.

One should not forget that the Public Accounting Code is only a regulatory text stating the application of the principles and general rules set by the legislature. It is therefore necessary, in order to fully abide by the right legal order, not to start drafting a new code too quickly, as long as the OBL has not been itself modified.

Naturally, the reform requires bringing together those who implement it with their collective representatives, encouraging dialogue within the various administration units as well as fruitful social dialogue.

In addition, the rights and obligations of Tunisian public officials are set by laws and regulations, including those of the General Statute of the Employees of the State, local governments, and public administrative institutions, the special status of each specific profession, and specific accounting regulations. Any change in the roles, rights, and obligations of public officials participating in the budget process should take into account these legal obligations.

Tunisia has also decided to prepare a code of ethics for its civil servants, whose legal nature is not yet fully established. It might be useful to draft one or several codes of ethics specifically adapted to the roles of authorising officers, accountants, and the Control of Public Expenditures officials. These codes should be drafted out of a cooperative effort involving relevant personnel and fit into existing legislation. They should be developed alongside the reform and be enriched by it.

Proposals

- Establish a full and prioritised timetable of reform and the measures to implement; this timetable would set intermediate steps in the reform process.
- Ensure compliance with the hierarchy of standards (Constitution, OBL, Public Accounting Code).
- Ensure compliance with the social and statutory rights of the public officials involved in the reforms.
- Provide codes of ethics adapted to the various functions and their developments.

Notes

1. Decree No. 89-1999 of 31 December 1989 (Official Gazette No. 1 of 2-5 January 1990, p. 22), as amended and supplemented by Decree No. 94-431 of 14 February 1994 (*Official Gazette* No. 16 25 February 1994, p. 339) and Decree No. 98-433 of 23 February 1998 (*Official Gazette* No. 18 of 3 March 1998, p. 423) have organised the Control of Public Expenditures and set its functions and procedures by establishing the prior approval of all expenses attributable to the State budget, budgets of public institutions, special treasury funds and cost-sharing contributions, as well as to the budgets of local governments.
2. Decree No. 2012-2878 of 19 November 2012 repealed Decree No. 89-1999 of 31 December 1989 as amended and supplemented by Decree No. 94-431 of 14 February 1994 and Decree No. 98-433 February 23, 1998 organising the control of public expenditures and setting its functions and procedures by establishing the prior approval of all expenses attributable to the State budget, budgets of public institutions, special treasury funds and cost-sharing contributions, as well as to the budgets of local governments.
3. The integration of international donors' fund management into national procedures is shown in Table C annexed to the Draft Budget Act.
4. The fact that the Control of Public Expenditures is directly placed under the authority of the Prime Minister is unique to Tunisian system in comparison with the organisation normally encountered in countries with a French tradition.

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Chapter 6
External Controls

This chapter discusses the entities which, without directly participating in the expenditure process, carry out external controls: the High Committee of Administrative and Financial Control, the three General Controls, the ministerial inspectorates and general inspectorates, as well the two judicial bodies.

The High Committee of Administrative and Financial Control

The High Committee of Administrative and Financial Control (HCCAF)¹, created in 1993 and attached to the Presidency of the Republic, coordinates the intervention programmes and monitors the observations and recommendations made by the various control bodies and the Court of Auditors. Composed only of a president and five officials, its structure is very simple. It modulates its monitoring activities according to its capabilities and the needs of business.

The HCCAF's mission to monitor these observations and recommendations seemed somewhat inefficient, as the organisations it monitors sometimes provide it with false information. This practice is allowed to occur because there is no guarantee that the information furnished will be sufficiently reviewed.

Some people interviewed during the preparation of this evaluation report advocated strengthening the HCCAF's mission by assigning it the tasks of planning, initiating letters of engagement, and monitoring recommendations.

The General Controls

Tunisia has three general control bodies, which are administrative entities with very large powers: the General Control of Public Departments, the General Control of Finance, and the General Control of State Property and Land Affairs.

The General Control of Public Departments

The General Control of Public Departments (CGSP) is a body that contributes to the administrative control scheme. It was first created by the 1982 Finance Act after the dissolution of the General Inspectorate of Administrative Services². Given its broad powers, its working methods, and the human resources at its disposal, its creation was an important step in the modernisation and development of the monitoring function of public services.

The CGSP is a supreme control body with horizontal competence that is empowered to monitor the services of the State, local governments, businesses, public institutions, and all organisations receiving direct or indirect participation or contributions from State or local governments. It is an advisory body that provides expertise on draft laws and regulations to organise and modernise management tools in the public services. Its missions are not only financial. The CGSP also evaluates the operation of public services in terms of administration and public policy assessment. When it contributes to a management audit, its mission can be classified.

The CGSP has, in addition to its head, 75 controllers, including 39 controllers currently working in it and 36 on secondment. A number of these controllers possess the title of Certified Internal Auditor (CIA).

The General Control of Finances

Composed of sixty members, a good many of whom perform tasks independent of the body, the General Control of Finances (CGF) is organised into four divisions respectively responsible for verifying:

- the control of services under the supervision of the Ministry of Finance;
- the control of public services and audits of project accounts;
- the control of State-owned enterprises and institutions;
- the control and evaluation of other structures.

Acting under the authority of the Minister in charge of finance, the CGF conducts conformity and regularity control assignments of divisions and public institutions, such as the various divisions reporting to the ministerial departments, public institutions (of an administrative or similar nature), State-owned enterprises, and non-administrative public institutions. It is also responsible for the financial control of local governments (municipalities and regional councils), associations and mutual societies, inter-professional groups, and cooperatives. In short, any organisation receiving direct or indirect subsidies or support from the State or from regional or local governments is subject to its control. As a consequence, its mission is redundant, or at least comparable to that of the CGSP (discussed above). This point will be included in the recommendations.

In the course of their work, CGF teams perform audits and procedures necessary to ensure compliance with laws and regulations, the rules of good management, and the optimal use of funds and public property. Any fraudulent or malicious act gives rise to administrative and criminal proceedings.

After the *Dignity Revolution* the CGF was commissioned to perform audits and surveys of several institutions, businesses and public administrations (some of which had never been controlled). Files involving criminal offenses were referred to the courts.

Finally, the CGF assesses public programmes and projects in order to evaluate the performances of the different stakeholders, as well as the various consequences related to their performances. The CGF's control assignments can take a number of different forms: general and intensive controls of the audited structure's management and accounts; thematic or targeted controls focusing on one or several aspects of the management of one or several entities; or controls following up on a previous assignment. The CGF also conducts assignments to assess an entity's activities, or the outcomes of a public programme or project.

In addition, it conducts audits, on an exclusive basis, of the accounts of projects funded by external resources on behalf of major international donors (IBRD, ADB, Japan Bank for International Cooperation-JBIC-mission, EU FADES, IFAD, OPEC...). These assignments, conducted on behalf of international donors, prove that if the auditing techniques used by the CGF do not entirely conform to the International Professional Practices Framework of the Institute of Internal Auditors (IPPF), they are still of good quality and used by confirmed professionals.

The General Control of State Property and Land Affairs

The General Control of State Property and Land Affairs (CGDEAF) was created in 1990³. It is currently composed of twenty members, and has a general purpose and a

horizontal competence. The scope of its work covers not only the divisions either within the Ministry of State Property and Land Affairs or placed under its authority, but also all the divisions and agencies reporting to other ministries, as well as all State-owned enterprises.

Acting under the direct authority of Ministry of State Property and Land Affairs, it is responsible for:

- ensuring the control of State services regarding the management, use, and maintenance of movable and immovable property;
- follow-up monitoring of regional and local governments, as well as of public institutions, State-owned enterprises, businesses, and any organisation benefiting from public financial participation or subsidies related to movable and immovable property;
- conducting any investigations or special assignments that are specifically assigned to it. It may also submit to its line minister any proposal to improve management practices and better preserve State property.

General Controls – Summary

The three General Controls have, in reality, horizontal competences that enable them to control the services of the State, local governments, public institutions, State-owned enterprises, and all organisations receiving direct or indirect participation or contributions from the State or local governments. They act upon receiving letters of engagement issued to them by their line ministers. They take on, at the Minister's request, various studies or special assignments. To ensure the performance of their duties, members of the General Controls hold the broadest investigatory powers and have the right to disclosure of all papers and documents. They also possess a very protective status in order to provide the greatest autonomy in the exercise of their functions.

While undoubtedly of high quality, the work of the General Controls is not fully consistent with the professional standards of internal auditing. Indeed, the fact that members report to a single operational ministry tends to reduce their autonomy: as their line ministry is both judge and defendant, conflicts of interest may arise. Therefore, in order to meet international standards of the profession, these bodies would need to have more independence. The creation of an Audit Committee, reporting to the highest level of the State apparatus, to coordinate and ensure audit quality control would improve this situation by creating what is referred to as a “dual reporting” arrangement.

In addition, the total number of three General Controls, which represent about 150 people, with very similar tasks and status, makes it reasonable to consider a merger. But this of course would only be carried out after extensive consultation with the concerned parties.

The Ministerial Inspectorates

Reporting directly to the various ministers, 16 general inspectorates and 3 inspectorates together represent a group of about 170 inspectors. They are responsible for any administrative, financial or technical assignment or investigation designed to monitor and evaluate the service management of the central administration, the external services

of their respective ministry, as well as public institutions under authority of a department and private projects subsidised by its budget.

Enjoying the broadest powers of investigation, inspectors are empowered to require immediate disclosure of any information or the production of any document relevant to the performance of their duties. However, they do not enjoy a special status similar to that of general controllers and are subject to the provisions of the amended Decree No. 88-188 of 11 February 1988 establishing the allocation system and removal of functional jobs in the central administration.

Established annually by the Head Inspector, the work programme is subject to the approval of the line Minister and sent to the HCCAF. The verification approach is similar to that employed by the General Controls. A final report listing irregularities and management problems and proposing ways of addressing them, is submitted to the Minister and forwarded to the HCCAF.

The operation of ministerial inspectorates and general inspectorates is satisfactory. It faces, however, issues of fragmented and limited staff, and of subordination vis-à-vis the Minister.

The Judicial Controls

The Court of Auditors

Organisation

The Supreme audit institution of Tunisia's public finances, the Court of Auditors has both legal functions and a role in conformity control. Although the Court of Auditors is independent from the executive and legislative branches, its budget is attached to the chapter of the Presidency of the Government for the purpose of legal status. Under Article 69 of the Constitution of 1 June 1959, it composes, along with the Administrative Court, the State Council, which is an administrative court.

Powers

Law No. 68-8 of 8 March 1968 on the organisation of the Court of Auditors, as amended and supplemented by the Organic Law No. 2008-3 of 29 January 2008 granted the Court a wide field of intervention. It is, in fact, competent to examine the accounts and assess the management of the State, local governments, public institutions, State-owned enterprises, and all bodies in which the State, local governments, public institutions and State-owned enterprises hold an equity stake. In addition, the Court assesses the results of the economic and financial assistance that the above-mentioned bodies give to associations, mutual companies and private organisations regardless of their status.

The Court of Auditors appraises the accounts of public accountants, rules on *de facto* management, clears their accounts, and exerts a right of evocation power on the accounts whose clearance falls within its administrative authority. In the case of accountants, it can, in a judiciary capacity, either rule a discharge or a deficit to be repaid.

It examines the accounts and the economic and financial management performance of non-administrative public institutions and State-owned enterprises, as well as those of all organisations (whatever their status) in which the State or local governments hold, directly or indirectly, an equity stake.

The Court of Auditors has the power to perform audit assignments of the accounts of international institutions or organisations.

In addition to its responsibilities relative to the control of the financing of political parties, it secures the assets declarations of members of government and of several categories of public servants who are legally subject to mandatory assets declarations.

The Methods

The Court of Auditors sets its work programme annually. It selects its own objectives, based on criteria such as the materiality threshold, the redundancy of controls, as well as the timeliness, periodicity, and added value of the control. It thus uses methods to select objectives that are sometimes independent from the risk analysis.

Tunisia and thus its Court of Auditors are members of the International Organization of Supreme Audit Institutions (INTOSAI). They abide by all of its guidelines on financial control (ISSAI), which constitute, since the Lima Declaration, the only reference of all courts of auditors.

The Reports

The Court annually reports to the President of the Republic and the legislature on the results of its work. Its reports include recommendations. It should be recalled that the Court submits to the HCCAF the results of its investigations and that this committee carries out, on behalf of the Court, the follow-up of its recommendations, which violates the principle of accountability of the control bodies.

The Financial Disciplinary Court

Tunisian financial law has organised a special regime of accountability for the authors of mismanagement before the Financial Disciplinary Court. This court deals with criminal financial offenses, and is composed of judges from both the Court of Auditors and the Administrative Court, who issue legal judgments. Cases are referred to it by the President of the Chamber of Deputies, the Prime Minister, the Minister of Finance, other Ministers (for matter involving civil servants serving under them), and the First President of the Court of Auditors. Public managers responsible for mismanagement to the detriment of the State, administrative public institutions, local governments, and State-owned enterprises can be brought before the court⁴. But the President of the Republic, ministries, State secretaries, MPs, and presidents of municipal councils are not subject to its jurisdiction, because, as public elected officials, they are subject to other systems of accountability (most notably, political accountability systems).

The Financial Disciplinary Court sanctions by fines violations of the financial public order. It may decide to publish its judgments of conviction. The number of convictions

has, however, remained very limited and has only involved minor cases. It is conceivable, therefore, that more cases could be referred to it, that the sanctions it imposes could be reviewed and made stricter, and that politicians could be brought under its jurisdiction.

Proposals

Build a new external control architecture

- *Foster a culture of internal control and auditing*, based on international practices and standards through, for instance, the formulation of an audit charter defining the tasks of auditors and establishing training programmes designed to **raise the awareness of all civil servants to internal control challenges**.

- *Create a general auditing service:*

Merging the General Control of Public Departments, the General Control of Finances, and the General Control of State Property and Land Affairs into a single permanent auditing body in charge of the following tasks: auditing any public organisation and providing advice on management. This general audit service would report to the executive branch according to the distribution of powers determined by the country's future constitution.

- *Valorise the roles of the ministerial inspectorates:*

To this end, it would be useful to consider possible mergers between inspectorates and general inspectorates with similar scopes of activity, and to guarantee to each member of these bodies the right to personally address the Audit Committee.

- *Establish an Audit Committee:*

The Tunisian authorities should consider creating an Audit Committee responsible for the following tasks: coordinating the planning of audit assignments and following up on the recommendations made in the audit reports.

This Audit Committee, whose function would be to guarantee the audit itself and to coordinate its action, would ensure a harmonious and autonomous selection of audit assignments. This committee would be composed, according to professional standards, of internal and/or external experts, and would report to the highest level of the State. The creation of an Audit Committee would facilitate bringing current practices more in line with international professional standards.

Proposals (continued)

Transform the Court of Auditors

- ***Fully incorporate it within the new constitution:***

It is important that the Court of Auditors possess the greatest possible organisational and financial autonomy. To accomplish this, it would be possible to enshrine this institution within the Constitution, and to give Parliament the power to appoint its members, thereby enhancing its independence, especially from the executive branch, and allowing it to better fulfil its mission. At the same time, the judicial character of the Court of Auditors could be reaffirmed in the new constitution¹.

- ***Develop a closer working relationship between the Court of Auditors and Parliament:***

It would be useful to allow Parliament to ask the Court to conduct investigative and control assignments, and to reserve parliamentary work sessions for examining the Court's reports and a plenary session for its annual report.

- ***Powers, competences, methods:***

Allowing the Court of Auditors to perform its tasks according to professional standards and practices would imply providing its staff (judges and clerks) with all the necessary skills and functional specialisation.

- ***Better inform:***

Confer to all its work the level of publicity required for good transparency, by adopting a policy of systematically publishing all its work in a clear manner suited for the general public.

- ***Broaden the role of the Financial Disciplinary Court:***

To this end:

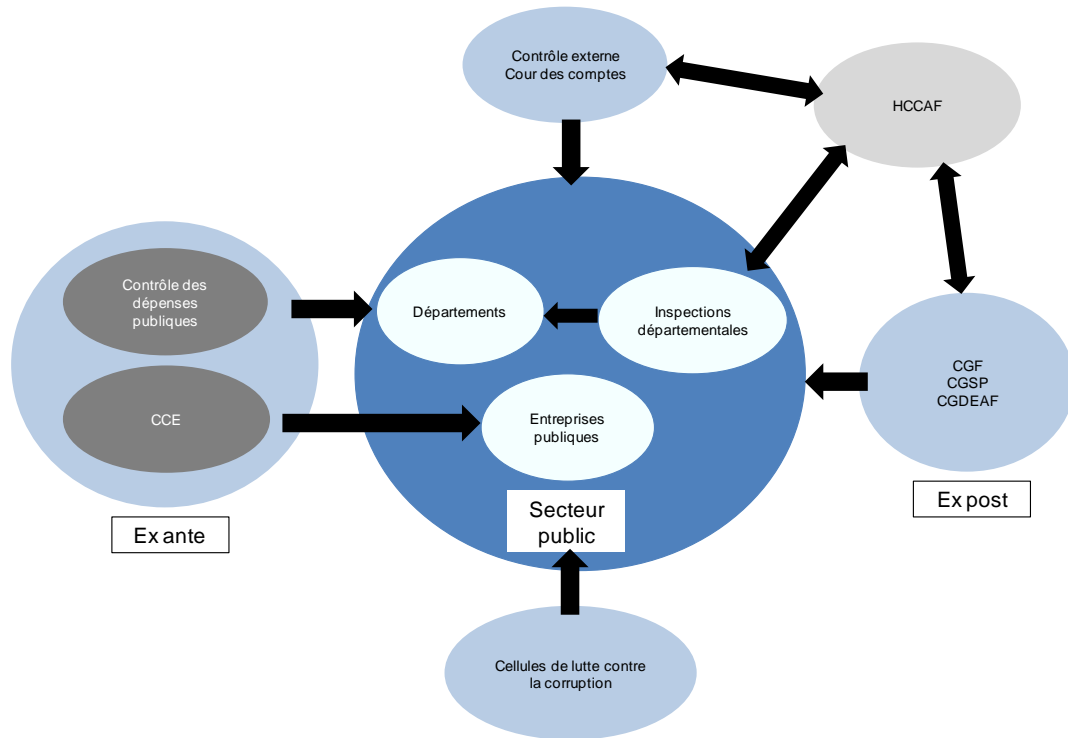
- more systematically bring action before the Court;
- broaden its jurisdiction *ratione personae* to national and local elected officials;
- consider stricter sanctions and automatically publish its decisions.

1. The draft Constitution of 1 June 2013 devotes a Title V to judicial power and a chapter to civil, administrative and financial jurisdictions. Article 114 states that the financial jurisdiction consists of the Court of Auditors and its various bodies.

Schematic Presentation of a Possible Evolution of the Control System

Figure 6.1 The Tunisian control system can be schematically represented as in Figure 6.1 below.

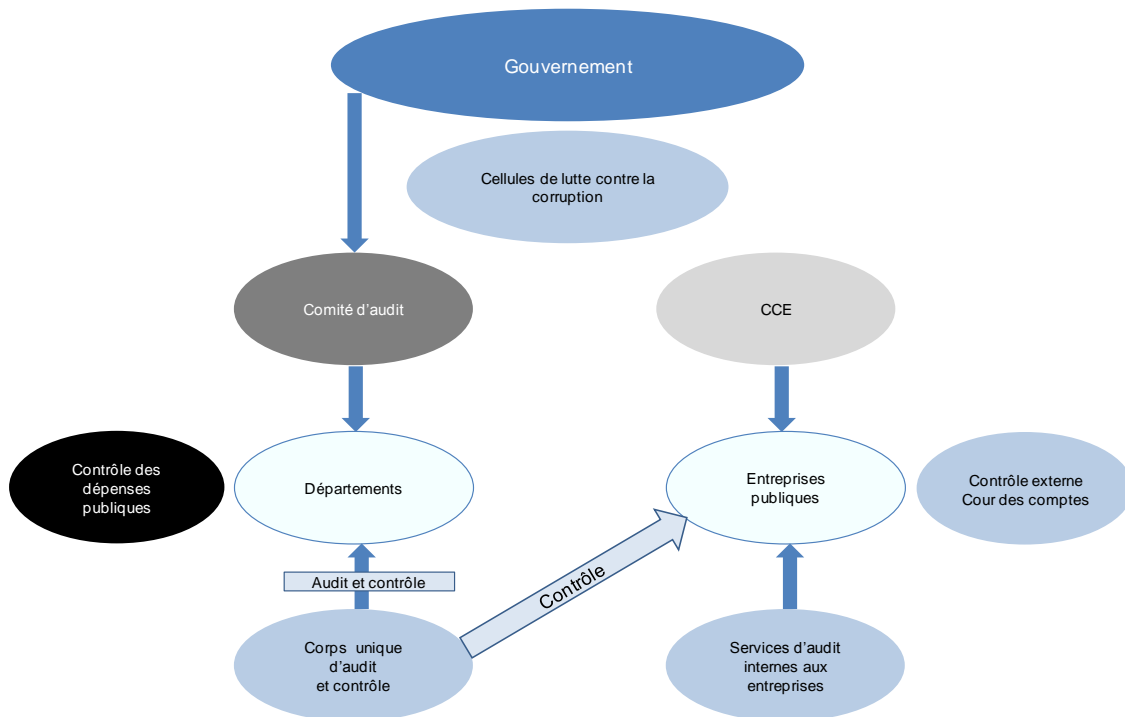
Figure 6.1. The Current Tunisian Control System



The shift towards a simpler and more efficient system (Figure 6.2) could occur in several phases, with the final goal corresponding to the following three aspirations:

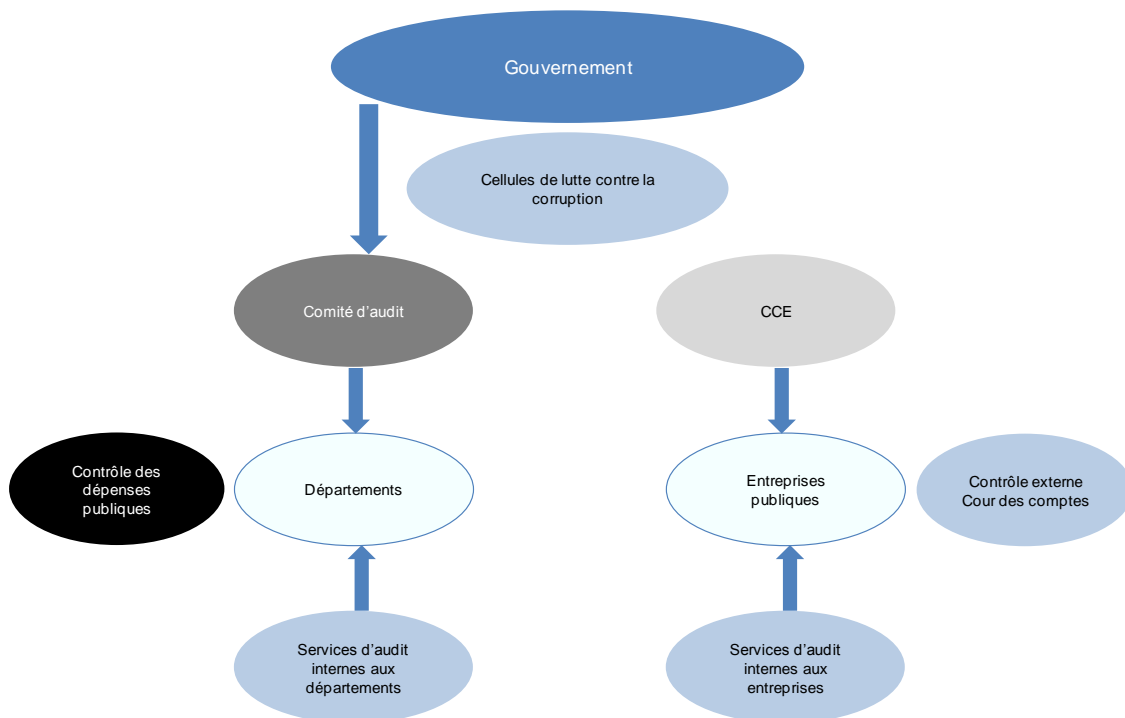
- consolidate resources and ensure their quality;
- develop a sense of accountability among decision-makers;
- establish a culture of internal control, which is the only way to control the activities.

Figure 6.2. Potential Short-Term Evolution of the Control Scheme



Ideally, the system would take on the following form:

Figure 6.3. Potential Medium- and Long-Term Evolution of the Control Scheme



It goes without saying that achieving this goal would ultimately require:

- that State-owned enterprises all have their own auditing structures;
- and that departments also have them.

An intermediate phase would be to assign the control and audit task to a single body.

The two tasks should also be clearly differentiated between:

- audits intended to detect and measure malfunctions, to identify their causes and solutions to them;
- controls intended to identify the people and structures responsible for malfunctions and to advocate the necessary corrective measures.

This body would have dual affiliation:

- it would be organically attached to a supervisory administration;
- it would be functionally attached to an Audit Committee to be created.

Box 6.1. The Ministerial Administrative and Financial Inspectorates

- The General Inspectorate of the Ministry of Foreign Affairs (7 inspectors);
- The General Inspectorate of the Ministry of Social Affairs (10 inspectors);
- The General Inspectorate of the Ministry of Youth and Sports (10 inspectors);
- The General Inspectorate of the Ministry of Higher Education (14 inspectors);
- The General Administrative and Financial Inspectorate of the Ministry of Education and Training (28 inspectors);
- The General Inspectorate of the Ministry of Interior;
- The General Inspectorate of the Ministry of Culture (11 inspectors);
- The General Inspectorate of the Ministry of Industry (14 inspectors);
- The General Inspectorate of the Ministry of Tourism (5 inspectors);
- The General Inspectorate of the Ministry of Agriculture (11 inspectors);
- The General Inspectorate of the Ministry of the Environment and Sustainable Development (3 inspectors);
- The General Inspectorate of the Ministry of Trade (6 inspectors);
- The General Inspectorate of the Ministry of Equipment (6 inspectors);
- The General Inspectorate of the Ministry of Justice (5 inspectors);
- The General Inspectorate of the Ministry of Transport (10 inspectors);
- The General Inspectorate of the Ministry of Women’s Affairs, Family, Childhood and the Elderly (4 inspectors);
- The Inspectorate of the Ministry of Public Health (7 inspectors);
- The Inspectorate of the Ministry of Communication (3 inspectors);
- The Inspectorate of the Ministry of Economic Development (2 inspectors).

Box 6.2. External Audit**Definition**

“External audit is a function independent of the entity, meant to certify the accuracy, regularity, and genuineness of the company’s accounts, financial results, and financial statements. The content of external auditing operates from a different principle than internal control: it rules on the regularity of accounts. In the public sector, it sometimes takes on extra roles such as the evaluation of governmental policy on behalf of Parliament.”

Notes

1. Law No. 1993-50 of 3 May 1993.
2. Article 27 of Decree No. 1982-6 of 5 January 1982 pertaining to the general status of the members of the General Control of Public Departments.
3. Decree No. 90-1070 of 18 June 1990 organising the Ministry of State Property.
4. Law No. 85-74 of 20 July 1985, amended by Law No. 8734 of 6 July 1987 and supplemented by Law No. 88-54 of 2 July 1988.

Chapter 7

Access to Administrative Documents and Transparency in the Area of the Integrity of Elected Officials and Public Employees

The posting and publication of administrative documents at the time of their enactment was the first response to the information needs of citizens and users. But the number of documents that are posted and published remains limited in comparison with the enormous quantity of documents produced by public agencies. This situation reveals that citizens and users need wider and easier access to these materials. At the same time, citizens have the right to know whether politicians and public officials act in ways that are detrimental to the interests and assets of the community, and if they respect the rules designed to prevent illicit enrichment and protect the interests of the community.

Access to the Administrative Documents of Public Institutions

Many administrative documents contain financial and budget information. Access to these documents often provides citizens and social actors with the means to analyse and understand the budget and the relevance of government expenditures and revenues. The consultation of administrative information, moreover, has led to the discovery and reporting of many of the abuses against the financial interests of the State and local governments. The ability to access information and data from public agencies is therefore an important means for ensuring financial transparency.

However, the protection of documents and information held by public agencies is, under certain conditions, not only consistent with the interests of users and citizens, but also with those of the government itself. Indeed, while transparency guarantees certain interests, the indiscriminate disclosure of all information would threaten the legitimate interests of the community and individuals. Financial information on arms markets, for instance, could jeopardise the interests of national defence or negotiations with suppliers of the State. Disclosure of certain information (such as the contents of individual income statements or personal health records) may also infringe upon an individual's right to privacy or material interests (for example, through the violation of business secrets). The balance between freedom and the denial of access to public information, therefore, reflects complex social and political choices that are often deeply rooted in the country's history.

In most countries, such as Spain and France, the principle remains the non-disclosure of the information and documents produced or held by government and public bodies. Disclosure is possible only when a legal or regulatory provision expressly allows it. By contrast, some countries have established the principle of open access to information held by public bodies. In Germany, Brazil and the United States, for example, citizens benefit from the presumption of open access, making any administrative document *a priori* publicly accessible. To justify refusing disclosure, the public entity needs to define the reason for denying access to a document.

The Tunisian State and administration have been built on the cult of the protection of information and documents they hold. This contributed to the misdeeds and malfeasance of the dictatorship, and was aggressively challenged after the Revolution.

The State of the Tunisian Legislation on the Eve of the Revolution

Article 1 of the Organic Law No. 2004-63 of 27 July 2004 pertaining to the protection of personal data¹ provides that “One of the fundamental guarantees of the Constitution is that all individuals possess the right to the protection of personal data related to one's private life, and can only be treated with transparency, fairness, respect for human dignity, and in conformity with the provisions of this Act.” Under Article 32 of this Act, an individual is entitled to access to personal data that concerns him/her. Articles 15 to 17

of Law No. 88-95 of 2 August 1988 on the archives provide that communication of public archives² only occurs after 30 years, a timeframe increased to 60 years for archives sensitive to privacy and national defence, and to 100 years after an individual's date of birth when medical records or staff records are involved.

Tunisian administrative law also contains provisions strictly organising the protection of the secrecy of administrative documents and information. Article 7 of the General Status of the Employees of the State, Local Governments, and Administrative Public Institutions requires professional secrecy and strictly limits the right to suspend it³.

This obligation is reaffirmed by Articles 109 and 253 of the Penal Code. Under these articles, a civil servant who unduly communicates to third parties or publishes, to the detriment of the State or private persons, any document which he/she was custodian of or had knowledge of by reason of his/her functions, is punishable by a year in prison; any person who, without authorisation, discloses the contents of a letter, telegram or other document to another person, shall be punished by imprisonment for 3 months.

Access to Administrative Documents in the Aftermath of the Revolution

The Affirmation of the Principle

The finding that the cult of secrecy had contributed to seriously damaging the interests of the community and the people by the former regime has created strong popular demand for transparency and has led the new government, formed after the Revolution, to legally establish the principle of open access to administrative documents. The new government adopted Decree-Law No. 2011-41 of 26 May 2011 regarding public access to documents held by public bodies, as amended and supplemented by Decree-Law No. 2011-54 of 11 June 2011. This text affirms the right of citizens to access information held by public bodies and promotes proactive disclosure of fundamental information by the administration. It establishes the administration's obligation to disclose its information either spontaneously or at the request of the person concerned by the information. The right of access is general and offered to any person or entity. Similarly, the law gives a broad definition of the administrative documents that are produced or received by public bodies in the course of their public service mission, whatever their date, shape, and format. Public bodies are required to publish, regularly and to the largest possible audience, all available information. They have a period of two years to fully implement the law.

Article 5 of the Decree-Law⁴ creates a special obligation of disclosure for public bodies holding “any information on public finances, including macroeconomic information, information on the public debt and State assets and liabilities, forecasts and information on medium-term expenditures, any information on the assessment of expenditures and the management of public finances, and detailed budget information at the central, regional and local levels...” These provisions should dramatically open up access to information related to the budget and public finances.

Freedom of access still has to be combined with the restrictions relative to the protection of the interests of the community⁵, for example, when it would affect: relations with international financial institutions; the transparency of procedures for the award of public contracts; the process of deliberation, opinion exchange and assessment; or, the legitimate commercial or financial interests of the public body concerned. These limitations may have been perceived as very severe had they not been tempered in turn by Article 18, which refers to cases “when the general public interest outweighs the interest

protected, because of...the risk of crime, corruption and mismanagement in the public sector.” The protection of good public sector management and public finance is thereby elevated to a higher status and enjoys special protection.

Special Legal Documents Recognising the Right of Access to Administrative Documents

Two special laws recognise the right of access to administrative documents possessed by journalists and associations. Legislative Decree No. 115 of 2 November 2011 on the freedom of the press expressly grants journalists the right to demand disclosure of information, data, and statistics held by public bodies as defined by Article 2 of Decree law No. 41 of 26 May 2011. If this decree confers no special privilege or guarantee to journalists in comparison with the right of access to administrative documents recognised for all citizens, it acknowledges the confidentiality of journalistic sources of information. And we know how important the work of journalists is for the promotion of good governance and the proper use of public funds.

Article 5 of Decree-Law No. 88 of 24 September 2011 on associations specifically gives them the right to obtain information. This article does not specifically open access to data, but the term “information”, in its generality, can cover all kinds of information and data.

Therefore, the legislation on access to information held by public bodies satisfactorily reconciles the protection of individual freedom with that of community interests, and should contribute to the better governance of public finances.

Create the Conditions of an Effective Right to Information Access

Article 3 of the Decree-Law of 26 May 2011 provides that “Every individual or legal entity has the right of access to administrative documents.” It does not require the person applying to possess and demonstrate a legitimate interest to access the documents. In addition, the exceptions to the right of access to administrative documents provided originally by the Decree-Law of 26 May 2011 were limited and regulated by the Decree-Law of 11 June 2011, thereby making the system more liberal. Under Articles 6 to 12 of the Decree-Law of 26 May 2011, the demands of citizens are easy to make, and the response time imposed on the administration is short, with the result that public bodies could eventually be forced to respond at short notice to numerous requests.

The fact remains that the effectiveness of the system will depend, in particular, on the scope that public bodies give to exceptions to the right of access under the law, on the one hand, and on how, from a material standpoint, the right of access is administered, on the other. It will be up to public agencies to set aside the resources necessary to maintain, hold, and communicate administrative documents. They will also have to establish policies on the publication and updating of information, and on the standardisation of requests and response processes. They will also have to determine policies for the simplification and publication of information for the general public (in an understandable and synthetic manner). Naturally, the Internet will be a key medium for conveying information. But to be fully effective and proactive, websites need to be continuously updated so as to avoid the risk of providing outdated and therefore inaccurate information. These constraints will have significant human and material costs, which are often underestimated by administrations. This further justifies the search for synergies to create joint websites for different public administrations.

The Action Plan on Access to Information

In July of 2012, in order to give full effect to the new legislation and prepare for the future, the Tunisian government presented an Action Plan on Access to Information. This Plan presents activities to be implemented in the two-year transition set by the Decree-Law, as well as medium-term activities to be carried out over a five-year period. It presents actions to be directly performed at the central level and the actions through which the central authorities will facilitate the implementation of the law by the various public bodies. It also advises public agencies on how to meet their legal obligations and invites them to establish their own action plan. It is important to note that the Action Plan makes provisions for:

- the monitoring of the Decree-Law's implementation and its consistency with existing legislation;
- the preparation of a framework law to address the contradictions between the various laws existing in this area, particularly the Law on the National Archives, the Penal Code, the Law on Statistics, and the General Status of Civil Service Employees;
- the creation of an independent public authority responsible for the access to administrative documents.

The Creation of an Entity Ensuring Access to Public Documents and Information

Pursuant to Articles 13 and 19⁶ of the Decree-Law of 26 May 2011, the implicit or explicit rejection of an individual's request entitles him/her to administrative appeals (to a higher body or for reconsideration) and to jurisdictional appeal before the Administrative Court. An administrative appeal is mandatory before any legal recourse. The Administrative Court shall decide in chambers. It is feared that requests related to access denials will only end up cluttering the Administrative Court, especially since the summary judgments will take precedence over everything else.

Moreover, Tunisian legislation has not, as we have already observed, created a specialised body responsible for enforcing the laws on access to public documents and information. This is in contrast with a certain number of other countries that have managed to do this. These specialised organisations have an excellent knowledge of applicable law and have established adequate jurisprudence and processing procedures to be able to process a large number of applications. In addition, their processing times are shorter than those of courts in charge of disputes related to access to documents. They are also able, under certain conditions, to enter into a dialogue with the public bodies and find an agreed solution. Thus the French Commission for Access to Administrative Documents (CADA) has, over the past five years, examined about 5,000 cases for which it has given opinions or advice that has been largely followed by administrative authorities, with the applicant often obtaining satisfactory results. In most countries, an oversight body's refusal of an access request may be challenged by way of hierarchical and judicial remedies.

Box 7.1. Examples of Public Agencies in Charge of Ensuring the Right of Access to Public Documents and Information

Germany: the Federal Commissioner of data protection and the right to information ensures, at the federal level, the respect for the right to open access, in addition to the protection of personal data. An independent authority, the Commissioner advises individuals, legal entities, Parliament, and the government, and he/she seeks to promote European and international cooperation. It is empowered to control the federal administrations and to find any violations. It can be asked to intervene in cases of access denial. Devoid of any power to sanction, the Commissioner only gives non-binding opinions.

Italy: the Commission for Access to Administrative Documents (CADA) is an independent agency responsible for ensuring open access to administrative documents. It monitors compliance with the law and gives its opinion in cases of access denial after hearing the parties involved. Its rulings are binding, and it may order the administration to produce a document, thus forcing the latter to reconsider its decision.

France: The Commission for Access to Administrative Documents (CADA) is an independent and advisory administrative authority responsible for ensuring open access to administrative documents. Its composition ensures its independence. Its main role is to provide opinions on an administration's refusal of disclosure requests from individuals, companies or associations. Its intervention is mandatory before any appeal. It advises governments on the accessibility of documents and can be consulted by the government. It can also propose amendments to laws and regulations.

Great Britain: in England and in Scotland, an Information Commissioner's Office (ICO), which is an independent agency, guarantees access to administrative documents and ensures the protection of personal data. The ICO advises and controls compliance with the law by providing recommendations to administrations. Cases can be referred to it in cases of access denial. It is responsible for educating and raising the awareness of individuals and corporations on the issue of open information access. The ICO makes binding orders, has the power to sanction, and imposes fines for infringement of the "Data Protection Act".

Spain: the High Commission for the Assessment of Administrative Documents deals with issues involving heritage conservation and the lifecycle of administrative documents.

Source: www.cada.fr/la-cada,3.html.

Box 7.2. The Quebec Commission for Access to Information: Reminder to Ministries and Agencies of their Disclosure Obligations

“As ministries and public agencies, the law imposes certain obligations upon you. For example, you must:

- respond promptly to requests for access, whether the request is oral or written, explain any refusal, and inform the applicant of the remedies available before the Commission on Access to Information;
- inform concerned individuals (citizens), prior to the collection of personal information, of the purposes of the collection, of the use that will be made of the information, and of whom will have access to it, as well as take security measures to protect the personal information collected;
- ensure that the persons or organisation to whom or to which personal information is communicated, outside the province, provide a level of security equivalent to that which you are required to comply with”.

Source: www.cai.gouv.qc.ca.

Box 7.3. Brazil’s Action Plan for an Open Government

Since 2000, the Brazilian Government has taken a number of legal and institutional measures to promote transparency based on best practices and international standards. Some of the key measures taken during this initial period refer to ongoing enhancement of the Integrated Financial Administration System (Sistema Integrado de Administração Financeira – SIAFI) and the development of the ComprasNet Portal, through which information on government procurement processes and suppliers is provided and electronic reverse bidding procedures are conducted.

In 2004, the Transparency Portal (Portal da Transparência) was launched by the Office of the Comptroller General of Brazil, the official body charged with, among other duties, internal control activities, promotion of transparency and the implementation of corruption prevention measures within the Federal Executive Branch. The Portal provides online information on the execution of the federal budget in clear and understandable language without requiring usernames or passwords to access the pertinent information and data. As of 2010, the Transparency Portal is updated daily, meaning that all of the expenditures executed on a given day are published and available for consultation by Brazilian citizens the following morning.

After the enactment of Complementary Law No. 131 in 2009, all levels of government must disclose in real time on the Internet the budgetary execution data that is being gradually implemented by State and municipal governments.

Brazil has adopted a number of other important transparency initiatives, including the Resource Transfer Agreements and Contracts Portal (Portal de Convênios e Contratos de Repasse – SICNOV); the Brazil Portal (Portal Brasil), offering citizens a variety of online services; the National Health Establishments Database (Cadastro Nacional de Estabelecimentos de Saúde – CNES), providing data on firms and professionals engaged in the delivery of health services; the National Registry of Debarred and Suspended Companies (Cadastro Nacional de Empresas Inidôneas e Suspensas – CEIS), a tool designed to give publicity to the sanctions applied by the Union and sub-national governments to companies found to have engaged in fraud and corruption or to have failed to meet their obligations under the pertinent procurement procedures or administrative contracts.

Source: www.opengovpartnership.org/countries/brazil.

Proposals

- Ensure the implementation of the Action Plan on open access to information. In particular, it would be useful to ensure the respect of the progressive spirit of the Decree-Law by enforcing the application of the concept of administrative document, and of the exceptions to this right to open access in the area of budgetary and financial information. It would be useful to facilitate access to associations and journalists and guarantee the confidentiality of the latter's sources.
- Assess the treatment by the Administrative Court of the appeals presented before it on denied access requests for documents held by public bodies; it would be desirable, in particular, to examine the use of summary proceedings.
- Prepare for the establishment of an independent administrative authority to ensure the implementation of the legislation on access to documents held by public bodies and make recommendations to the government. To do this, it would be advantageous to establish international cooperation, leading to a twinning partnership with a foreign authority that has extensive experience in this field.

Tunisian law was, in particular, inspired by the desire to protect rights, property, and public funds from the weaknesses of men and women responsible for managing them on both an administrative and financial level. It has provided codes of ethics and requirements for publishing the assets of public officials.

The Ethical Behaviour of Public Officials Guarantees Public Interest and Public Finances

Provisions guaranteeing the ethical behaviour of civil servants, such as the obligation of honesty⁷ or the obligation to exclusively devote one's time to one's job⁸, fall within this framework. The same is true of the provision prohibiting any active public official from participating in the management of an entity he/she is responsible for monitoring, for ordering payment to, or for placing into liquidation⁹. It is also forbidden for public bodies to enter into contracts with the representatives of suppliers or manufacturers in Tunisia or abroad who are employed as civil servants in the same ministry, or in any public or other institution taking part in the contractual commitment, or if they worked for them within the previous five years¹⁰.

The Disclosure of the Assets of Public Officials

Law No. 87-17 of 10 April 1987 on the sworn statement of assets of members of the government and certain categories of public officials requires certain categories of public officials to make a sworn statement of all their assets, as well as those of their spouses and minor children.

This obligation applies to judges, ambassadors, governors, business leaders in State equity holding, members of ministerial cabinets, secretaries-general of ministries, directors-general and directors of central government, consuls general, consuls, first delegates, delegates, secretaries-general of governorates and municipalities, the officials of the trade administration, the officials of the tax administration, and all officials of the State, local governments and administrative public institutions acting as authorising officer or public accountant. These people must renew their assets declaration every five years in case they remain in their functions. They are required to establish a new statement on termination of their duties.

The assets declaration is filed with the First President of the Court of Auditors. Any disclosure to third parties of the information contained in the declarations is forbidden, with the exception of, and only in case of necessity, the disclosure by ministers of the declarations of officials working within their jurisdiction, upon the minister's request addressed to the First President of the Court of accounts. The declaration may be legally mentioned in court, if the person who made the declaration is subject to criminal proceedings based on acts committed in or in connection with the exercise of his/her functions and for which the competent court deems the communication of these declarations necessary (Article 6).

When failure to declare within the mandated timeframe is found, additional time is given with respect to the following obligation: another failure constitutes grounds for the person's dismissal (Article 7). Failure to declare upon termination leads to an audit of the person's management performance during the period covered by the assets declaration. In 2012, 2389 people have made assets declarations, as required by the Circular of the Head of Government of 31 December 2011¹¹.

The Shortcomings of the Current System

The current system of assets declaration has revealed the following limitations:

- all persons subject to the declaration do not meet their obligations, and many fail to update their declarations as required, every five years, or upon termination of their functions;
- the number of persons subject to the declaration requirement is too high in relation to the means available;
- the President of the Republic, members of elected bodies, such as the Chamber of Deputies or municipal councils, or the party leaders are not bound by this declaration;
- the law does not apply to people who could hold property on behalf of the person subject to the declaration, such as family members;
- the Court of Auditors is not legally empowered to carry out checks to ensure the accuracy of the information contained in the declarations that have been submitted; in addition, it does not have the material and human resources necessary for this mission;
- outside forced resignation, failure to declare does not result in disciplinary, financial, or criminal sanction;
- the declaration covers the assets and not the interests of people; it cannot, consequently, highlight the potential conflicts of interests that could lead to misdemeanours, such as interference or influence peddling.

Most of these deficiencies are well understood by Tunisian authorities that have, with the assistance of international bodies¹², considered improvements to the legislation. The following proposals therefore constitute contributions to this ongoing work.

Proposals

- Establish a declaration of assets and interests.
- Strengthen penalties for breaches of the obligation to declare or to update the declaration: expand the cases of compulsory resignation to people guilty of having repeatedly ignored their obligation to update their declaration, and establish fines and prohibitions on running for state or local elective office.
- Require candidates for the Presidency of the Republic to declare assets and interests; mandate that all national and local elected officials submit a declaration.
- Create an independent administrative authority responsible for maintaining and controlling assets and interests declarations. It would have significant investigatory powers and could use, as much as necessary, the aid of the tax and customs administration.

Two issues require broader reflection:

- In addition to political and administrative officials, which people would be bound by the requirement to declare assets and interests? Indeed, one cannot dismiss the fact that this requirement can be cumbersome and intrusive and would prove burdensome for persons having little to do with the functions justifying it. Therefore, one should carefully consider the obligations that may be imposed on the immediate family (children, spouses) of public officials, as well as to third parties who may act on behalf of this person (at the risk of interfering greatly in the most intimate life of the person).
- Should the declaration be public? Many countries, such as Brazil, have adopted a system of publication in the press or on the Internet, of all asset declarations. Other countries, like France, have limited, or are currently limiting, disclosure to certain people, such as the President of the Republic, the members of government, or MPs. Indeed, the question of whether or not to publish declarations is complex. Doing so runs counter to the secrecy traditionally attached to personal assets in some countries. It could also be detrimental to the material interests of those subject to the declaration obligation: the owner of a company, who is also a municipal elected official, for example, could, by declaring his assets, reveal business secrets that could, in turn, impact his company.

It would therefore be possible to publish, for example:

- declarations of interests with a clear link with or impact on an individual's official function;
- changes in wealth (by percentage), when such changes are of significant absolute value, such as TND 10,000.
- statements of assets and interests for the most prominent political functions (Head of State, members of government, MPs).

Notes

1. www.jurisetunisie.com/tunisie/codes/ce/pd1025.htm.
2. <http://persocite.francite.com/archidoc/loi%20no88-95.pdf>.
3. Article 7 of Law No. 83-112 of 12 December 1983 on the general status of employees of the State, local governments, and administrative public institutions states: “Regardless of the rules on professional secrecy in the penal code, public officials are bound by the obligation of professional secrecy with regard to all facts and information obtained in the course of or in connection with the exercise of official functions. Any misappropriation or disclosure to third parties contrary to the regulations governing official documents is strictly prohibited. The public official can only be released from the obligation of discretion or exempted from the prohibition in the preceding paragraph by written permission by the head of the administration he/she reports to.”

Penal Code: Article 109: “Any public servant, or any person treated as such, who unduly communicates to third parties or publishes, to the detriment of the State or private persons, any document which he/she was custodian of or had knowledge of by reason of his/her functions, is subject to the punishment of one year in prison. Any attempt to commit such an offence shall also be punishable.” Article 253: “Any person who, without authorisation, discloses the contents of a letter, telegram or other document to another person, shall be punished with imprisonment for 3 months.”
4. Article 5:
“The public body must regularly publish:
 - Economic and social statistical information, including national accounts and disaggregated statistical surveys;
 - **Any information on public finances**, including macroeconomic information, information on the public debt and the assets and liabilities of the State, forecasts and information on medium-term expenditures, any information on the assessment of expenditures and the management of public finances, and detailed budget information at the central, regional and local levels;
 - Information available on social services and programmes.
5. Article 17:
The public body may refuse to disclose a record if it is deemed harmful to:
 - the relations between States and international organisations;
 - the formation or development of effective public policy;
 - national security or defence;
 - the detection, prevention or investigation of a crime;
 - the arrest and the trial of the accused in court;
 - the administration of justice, the respect for the rules of fairness, and the transparency of procurement procedures;
 - the process of deliberation, exchange of opinions and views, examination or testing, or the legitimate commercial or financial interests of the public body.

- ⁶. Article 13: “The lack of response from the public body to a request within the timeframe specified in Articles 10, 11, and 12 of this Decree-Law is deemed an implicit refusal and entitles an individual to administrative and legal remedies.”
- Article 19: “In case of rejection of the application or violation of the provisions of this Decree-Law, the applicant may, within thirty (30) days of the refusal or violation of the provisions of this Decree-Law, appeal to the head of this organisation, who must reply within ten (10) days from the date of receipt of the appeal request.
- An applicant who is not satisfied with the decision of the head of the administration may appeal to the Administrative Court within thirty (30) days. The Administrative Court will render summary judgment on the applicant’s appeal under Article 11 of this Decree-Law.”
- ⁷. Article 54 paragraph 2 of the above-mentioned Act.
- ⁸. Under Articles 13 and 35 of Law No. 83-112 of 12 December 1983 on the general status of employees of the State, local governments, and administrative public institutions.
- ⁹. Article 97 of the Penal Code.
- ¹⁰. Article 13 paragraph 2 of Decree No. 3158-2002 of 17 December 2002 pertaining to public procurement, as amended by Decree No. 3018-2009 of 19 October 2009.
- ¹¹. Directinfo (2013), “All members of government have declared their assets”, 6 May 2013, <http://directinfo.webmanagercenter.com/2013/05/06/tunisie-tous-les-membres-du-gouvernement-ont-declare-leurs-biens>.
- ¹². See, for example: the opinion of the European Commission for Democracy through Law (Venice Commission), 19 March 2013.

Chapter 8

International Principles of Budget Transparency

Awareness that fiscal transparency and participation are essential to good governance, national and international macroeconomic stability, and the success of reform programmes, has led many international institutions to establish rules and make assessments in the field. In particular, international organisations such as the IMF, the World Bank and the OECD, have proposed standards and best practices. The International Budget Partnership (IBP) has created an index which, by rating all the countries, has brought attention to the issues of budget transparency. All guidelines emphasise that the budget process, the information contained in the budget, the information attached to it and relative to its execution, are essential to an open and accountable financial management. This chapter lists the different meanings and contents of the concept of transparency in the international sphere.

Dimensions of Budget Transparency

Budget transparency has several dimensions:

- Information transparency – the production of reliable, timely, relevant, and accessible budget information;
- Budget decision-making process transparency;
- The transparency of the institutional roles and responsibilities in these processes.

These three dimensions are closely linked: taken together, they show that the budget information is understandable and usable in the decision process. All are necessary for good decision-making and a full understanding of the results and the budget situation, even if the discussion on fiscal transparency focuses on the first of these dimensions¹.

Objectives of Budget Transparency

The objective of budget transparency is to provide relevant and useful information to the debate on fiscal policy options, and their review. This is to:

- Improve the quality of decision-making, and therefore the performance of the public sector. The provision of timely, reliable, and relevant information to decision makers is considered to contribute to improving the quality of decisions and to achieving three of the major objectives of the public financial management (PFM) system, namely the overall budgetary control, better policy choices or the best allocation of resources to meet the government's economic and social objectives, and the enhanced operational efficiency of the administration.
- Meet the expectations or general requirements of external accountability of the executive vis-à-vis the public and the legislature. This responsibility bases the legitimacy of government actions and the condition of the reactivity of the latter to the demands of Parliament, citizens and taxpayers. They will use the information to make decisions, which is of paramount importance in democratic systems.

The consequences of a low budget transparency therefore include insufficient overall budgetary control, ineffective or inappropriate use of public funds, including corruption and other procedural abuses. Unsatisfactory budget transparency may also reduce the willingness of international donors to provide financial support to developing countries.

The Scope of Budget Information

Budget information is not only about the State's budget. Many public activities with budgetary implications are not included in the budget. Among the most familiar examples, we can mention extra-budgetary funds and the financial activities of State-owned enterprises.

Budget transparency is relevant to all levels of government – national/central or sub-national government, whether it is the government of a province/state, or the government of a municipality/local level.

Budget information covers both:

- **the budgetary outcomes** – presentation of the revenues, expenditures, and budget balance (surplus or deficit);
- **the budgetary situation** – that is to say, the assets and liabilities of the State – understood as “net worth” of the State (sometimes presented as a review of the State's balance sheet). This information is generally more difficult to produce than that on budgetary outcomes. In some countries, it may be limited to the presentation of the financial assets (cash and investments) and liabilities (debt and trade receivables), instead of exposing all of the assets and liabilities.

The information may be historical or forward-looking:

- **forward-looking information** includes forecasts or budgets – for example the enacted Finance Act is a statement of projected actions in terms of budget revenues and expenditures;
- **historical information** includes budget execution based on current revenues and expenditures: annual financial statements of the government, which include an audit of the information on revenues and expenditures of the previous year, and the year-end financial position.

Budget information is however not limited to financial information. It should incorporate all the information required to understand the budgetary outcomes and situation of the State. It can therefore include:

- **information on non-financial performance** – for example, when the information on the performance of a programme (actual outcomes, targets, or both) in terms of both impact and outcomes, is provided. The 2007 OECD Budget Practices and Procedures Survey has shown that 80% of OECD member countries included information on non-financial performance in their budget documents;
- **explanatory textual or contextual information** – which provides the context and meaning of the budgetary information, for instance the economic assumptions underlying the Finance Act;
- **information on public contracts and procurement**, planned or ongoing, which represent a significant part of the State's expenditures. In many countries, however,

government procurement is considered as a separate aspect of financial management, with its own legal framework and its specialised technicians.

The Different Users of Budget Information

There is a wide variety of users of budget information, whose needs differ, due to the diverse nature of their decisions. Transparency “of what and vis-à-vis whom?” is therefore the first question to ask. Potential users of the budgetary information are:

- the general population – given its demand for accountability and its influence on the government;
- the media, who examine and comment budget data, to inform the public;
- the legislature, exercising its budgetary control on behalf of citizens, approves or rejects the budget and ensure the accountability of government in the execution of the budget;

(Note that these users are at the heart of the democratic system of government).

- the Ministry of Finance, other ministries, managing collectively, as a government (or cabinet), public finances;
- spending ministries, who establish and manage their budget in their respective fields of action
- high-ranking officials of the Ministry of Finance, who advise the Ministry of Finance and the government on budget issues;
- policy makers and operational managers in the public service involved in the development and execution of the budget in their particular areas of responsibility;
- international rating agencies (constituting a specific group of users), reviewing the budgetary outcomes and situation across the country to assess the level of risk presented by a loan granted to the country.

These different users need specific information – more or less detailed, or in different formats – and of good quality. Although they all have different needs, the information must come from a common database. A good external transparency (vis-à-vis the public or Parliament) is based on good internal transparency (vis-à-vis the ministries and government officials), on the basis of sound internal financial information management systems providing relevant, timely, and reliable information.

Criteria for Good Information

This section lists the generic criteria that are not specific to the budget area, of good information.

- **Relevance:** it is based on user needs. To monitor the execution of the budget, for example, the Ministry of Finance requires information at a more global level than a sector ministry. Citizens are interested in both the overall budget policies and priorities, and the actions of a particular ministry.
- **Accuracy and Reliability:** the quantitative information and its description must be accurate and reliable.

- **Objectivity:** information is presented in an impartial manner. It is particularly important to avoid a biased, overly optimistic, or propaganda-type textual information.
- **Context:** the assumptions on which the forecasts are based should allow a better assessment of the information by using, for example, comparative figures for the previous years, as well as comparisons between budgets, objectives, and forecasts
- **Appropriateness:** information should not be either too abundant or insufficient. Excessively abundant information makes budget reports too hard to use. Raw data should be distinguished from the information given.
- **Readability:** the format and the presentation should be clear. The definition and explanation of technical terms are paramount. The summary presentation of information enhances understanding by users.
- **Reliability:** this criterion deals with the credibility of assumptions and budget information. Accounting systems based on manuals or paper documents, for example, sometimes provide inaccurate or unreliable information, due to misclassification, improper publication or bad reconciliation of data.
- **Timeliness:** in many countries, financial statements audited annually are not available, more than one year after the end of the fiscal year. This delay makes the statements obsolete and unusable in any decision-making or accountability process.
- **Accessibility:** through websites, published documents, and the media. The various means of dissemination of information provide different levels of access. Accessibility of websites depends on access to the Internet and to a computer, or to a mobile phone, if necessary. Published documents may be available in only documentation centres, of limited number, and accessible for a fee. The media coverage depends on the ability of the media to get information. The public display is a common way offering a good cost/benefit ratio in the poorest countries.
- **The appropriate organisation and classification** of budget information are essential to make it understandable and relevant. There is a difference between raw data and information. The classification can be organised into four levels: the functional level (budget information related to the major functions or priorities of the government); the programme level (information organised by areas of activities related to a specific objective of the government); the administrative level (information presented by organisational units); and the economic or input-based level (e.g. salaries or operating costs). The classification requires accuracy and consistency in order to allow comparison of data over time.

Auditing Standards of Budgetary Information

Different auditing standards determine the form and content of the budgetary information that is verified. The use of these standards improves both its relevance and readability. The main standards are:

- The IMF **Governance Finance Statistics (GFS)** provide an international standard and format for verifying global budgetary information. Governance Financial Statistics distinguish, within the global public sector, between a general administration (the budgetary sector), financial and non-financial public institutions, and sub-national governments.

- The **International Public Sector Accounting Standards (IPSAS)**, designed by the International Federation of Accountants (IFAC)². They incorporate definitions of the key accounting concepts, including amounts receivables, commitments, revenues and expenditures of the public sector, and take into account issues of verification measurement and formatting, and the different accounting bases that are available in each country (commitment, liquidity, accrual accounting, modified accrual accounting).
- The **national accounting standards** adopted in each country, reflect the standards that are in effect in the private sector, or are specific to the public sector. In this latter case, the standards generally respect the IPSAS or are in conformity with some of their provisions.

The basis of the budget appropriations, and therefore of financial controls, is composed of bonds (which are confirmed when a commitment of expenditure is made) cash payments (recorded when the payment is made), or costs (accrual accounting), which incorporate the use of resources. The system is based on the budget controls in place in order to facilitate comparison between the budget and actual transactions.

The Range of Budget Reports

The number and content of the budget reports vary by country. They take the following forms:

- **Preliminary reports to the Finance Act or other background reports** supporting the formal draft budget or finance laws. They provide context and stimulate debate on the budget strategies and priorities that will be discussed below.
- **National Planning Documents** – in countries with national planning systems, these documents contain important budget information. They generally focus on the next five years or more, and include information on the macroeconomic and budgetary forecasts, the overall development objectives together with strategies and sectoral budget allocations, capital projects are sometimes privileged at the expense of current expenditures. The documents may include data on private sector expenditures. In some countries, their realism is disputed. They thus seem to have more of an advertising purpose (in order to attract funding from international donors), or to support an excessively proactive governmental approach (by setting goals which are reasonably unattainable). As a corollary, the question of their relationship to the budget documents, or of the coherence of the whole, would arise.
- **The formal budget documents – the annual Budget Act or Finance Act.** Budget acts are crucial for budget transparency, as much in their draft form as in their enacted form. Some countries have separate budgets for recurrent expenditures and capital or investment expenditures; sometimes a Ministry of Planning or of the Economy, separate from the Department of Finance, is responsible for the capital expenditure budget. In some cases, the budget preparation timetables are distinct.

In the vast majority of countries, the budget is an annual document, determining the budget appropriations of the coming year, which is sometimes part of a medium-term budgetary framework. A small number of countries (Austria, Russia) have a formal budget covering two or three years, with multi-year authorisations, but with the possibility to introduce adjustments during the period.

Countries using performance-based budgeting generally have more systematic budget documentation, including information on non-financial performance and descriptive information on programme performance.

Common questions regarding the lack of transparency in budgetary documents focus on the declaration of:

- tax expenditures (tax exceptions admitted as an alternative to grants and donations directly charged to budget);
 - quasi-fiscal activities (QFAs) of State-owned enterprises (public service obligations for the benefit of users and consumers may be delegated to them, instead of being financed transparently by the State budget);
 - the fiscal risks associated with anticipated economic conditions and contingent fiscal liabilities;
 - the expenditures perceived as sensitive when confidentiality is deemed necessary. This can include military and homeland security expenditures, as well as the expenditures of the Head of State.
- The “**Budget in Brief**” and the “**citizens’ guide to the budget**” are increasingly common. They aim to provide a concise and readable overview of the main issues and budget priorities to interested citizens. The budget speech of the Head of Government or the Minister of Finance, presenting all the budget documents, is one such example, but the “Budget in Brief” is sometimes the subject of a separate document.
 - **Assessments of the budget prepared by the independent fiscal institutions:** these institutions can provide a formal assessment of the credibility of the budget and its compliance with the budgetary targets, or other targets set by the government or Parliament. In the Russian Federation and Germany, the national audit institution assists the parliament in the budget review. The National Audit Institution of the United Kingdom has a formal review and reporting role on the underlying economic assumptions of the government budget.
 - **Additional or revised budgets:** in some countries, the law provides a formal mid-term review, leading to an amended budget act, subject to separate publication. In almost every country, there are provisions for in-year amendments to the budget, and their publication depends on whether or not they must be subject to Parliament’ approval.
 - **Reports on the implementation of the budget** – presenting the actual revenues and expenditures, compared to the figures provided by the budget, on a monthly or quarterly basis. These reports are generally made public;
 - **Year-end financial reports:**

Generally, the execution of the budget is subject to an annual audited statement. This statement allows Parliament and citizens to see how the budget was actually implemented. It is often made late due to the delay in its preparation and verification. In Francophone countries, following the auditor’s report on the general statement on budget execution, Parliament adopts a Budget Review Act, which constitutes the formal approval of the report and financial transactions of all budget actors.

In addition to the report on budget execution, or sometimes jointly, the overall annual financial statements are made public by the executive, often in accordance

with the national or international accounting standards (IPSAS). These statements are broader in scope than the budget execution since they routinely integrate the off-budget entities – receivables, liabilities and financial position of the State. The information on receivables and liabilities can only relate to the financial assets and liabilities. In the small number of countries that have established a budget and accounting process based on accrual accounting, the financial statements may cover all the national administrative entities, including State-owned enterprises.

Each public entity often prepares annual reports including information on financial and non-financial performance, and the annual audited financial statements. This is always the case in State-owned enterprises, and sometimes in ministries, agencies, and specific extra-budgetary funds.

- **Reports of the National Audit Institution:**

Reports of external audit institutions can integrate explanations on the government budget reports, comments on the quality of fiscal management, and a formal opinion of the audit authority on the budget execution statement integrated in the annual financial statements – globally and for each public sector entity. Monitoring and control of audit reports by Parliament are also a process that significantly contributes to budget transparency.

- **Pre-election budget updates** may be required by the laws on fiscal responsibility or similar legislation. Their goal is usually to improve the quality of the electoral debate by providing an objective statement on the government's financial situation and an overview before the elections. They generally are the task of the Ministry of Finance, without formal involvement of other ministers.
- **Reports on the long-term sustainability of the budget and the debt** assess the long-term sustainability of the government's fiscal policies. The OECD Guidelines recommend that they be published at least once every five years. In some countries, these reports may be specific to the main items of expenditure such as the national pension systems. The analysis of the sustainability of the debt carried by international financial institutions like the IMF and the World Bank, constitute examples of these reports. The intergenerational equity or the weight of the debt burden on future generations are key issues of these reports.

Process Transparency

We noted in the previous section on the dimensions of fiscal transparency, that it was also a matter of process, not just of information. This aspect is strongly emphasised in the Open Budget Initiative (International Budget Partnership-IBP) questionnaire discussed in Box 8.3. Transparent processes involve the following aspects:

- The roles of all the actors involved in the budgetary procedure (Ministry of Finance, other central ministries such as the Ministry of Planning, the Ministry of Investment, Ministry of the Economy, the Presidency of the Republic, and other officials of the ministries affected by the budget, the Ministry of Finance and the Cabinet taken together, of advisory groups or external evaluation groups) are clearly defined and respected. These roles are often defined by the Finance Act, the Organic Budget Law, or a similar legal document.

- There is a clear timetable for the budget process, and it is respected. It covers the entire budget cycle, from planning and preparation to the implementation and evaluation of the budget.
- Integrated information in the draft budget is clear, the time allowed for its preparation and examination is sufficient.
- The rules and procedures relating to the amendment, if necessary, of the budget during the year. These are, in the same way as the institutional roles mentioned above, often defined by the Finance Act, the Organic Budget Law, or a similar legal document.
- This timetable provides sufficient time to allow all stakeholders to review the information provided to them throughout the budget cycle, and respond to it if they wish.
- The budget cycle allows for the intervention of external stakeholders, such as business and community groups, labour organizations, the users of public services and citizens groups, NGOs, etc., to give them the opportunity to influence the budget allocation decisions through consultation and advocacy. A good example is the participatory budgeting, in which formal mechanisms for external participation in the budget process are established, including the ability to delegate allocation decisions to outside groups in a well-defined framework. In Korea, for instance, at an early stage of the preparation of the budget, the central budget administration is holding a public meeting for each sector (agriculture, infrastructure, etc.) designed to identify the public's views on spending priorities to introduce in the budget and medium-term expenditure framework (MTEF). Interest groups, such as the business sector, groups of users and consumers, experts, and the media, are involved. The 2010 *Open Budget Initiative* report finds that only 26 countries offer the public the possibility to formally contribute to parliamentary debates on the draft budget.
- Budget allocations were determined through a process of negotiation between the Ministry of Finance and relevant ministries, which has allowed them and the agencies to understand how these allocations have been set (in the draft budget or in the final budget) and what they have to do with these funds.

Transparency of Institutional Arrangements

Understanding who is the person performing a specific function – as discussed in the IMF Code under the title “A clear definition of roles and responsibilities” – makes it possible to better understand the context of the budget information that is the subject of a report and to ensure the accountability of the departments and organisations concerned. There are, however, differences between countries in the definition of roles and how they are actually exercised.

This transparency also involves understanding the relationships within the government on the budget (what levels of government collect what revenues and what levels have what expenditures), as mentioned under the section “Process Transparency” above.

The IMF Government Finance Statistics distinguish, within public sector institutions, between the general government (at its central, regional, and local levels), and State-owned (financial and non-financial) enterprises. This definition is a widely accepted international standard which reinforces transparency.

Another key issue is the role of the legislature in budget policies and, more specifically, with regard to the budget. The roles vary depending on whether the legislature has the power to amend the draft budget proposed by the executive (the United States, Brazil, Indonesia), has some capacity to do so, or has no or a very limited power to do so as is the case in countries where the role of Parliament is based on the Westminster system (Australia, New Zealand, Canada, and other former British colonies). It is important that the powers of Parliament are clearly defined and understood in each country.

Other aspects of the PFM system that affect budget transparency

Budget transparency is a central aspect of a PFM system that operates properly. Other aspects of the PFM system also affect budget transparency. A global requirement involves the seriousness and credibility of the budget, which should accurately reflect the government's policies and priorities. Indeed if the budget is only a formal exercise of little importance, then budget transparency is not a serious stake. These other aspects of the PFM system are the following:

- **The completeness of the budget**

Budget information made public is less useful if the budget is not complete, that is to say, if only the revenues and expenditures provided directly by the State are listed. Without mentioning here extra-budgetary funds, the ban on inscribing in the budget the funds from international donors is an important contribution to fiscal transparency in countries that depend on international aid.

- **The credibility of the budget**

If revenues are notoriously overestimated and expenditures notoriously underestimated, the budget cannot be implemented and the information is not reliable. As stated previously, an *ex ante* formal external evaluation of the budget on the basis of the criteria of credibility and realism of the assumptions and policy guidelines relative to the budget, can be performed by independent fiscal institutions or sometimes by the national institution audit which supports Parliament in its deliberations on the budget.

- **Reliable information systems:** The publication of the actual financial results is less useful if the information is not provided in a timely, accurate, and reliable manner. Hence the importance of:

- an integrated financial management system that works well, which produces information on revenues and expenditures to the attention of relevant administrative levels to enable them to implement the budget and monitor its execution;
- effective internal controls that establish a financial control environment, including through regular data reconciliation and internal audit to promote adherence to these controls and verify their suitability;
- in a similar manner, an effective external audit (in terms of independence, capacity and impact) to assess the control environment and promote adherence to the process, thereby making the budget information published more credible.

- **A sound regulatory framework for reporting and fiscal transparency**

Laws on accountability and budget transparency, distinct from the organic budget law, are increasingly common. They require the adoption and verification of fiscal targets, and the publication of budget reports.

Box 8.1. The IMF Code of Good Practices on Fiscal Transparency

This code covers four main areas:

- A clear definition of roles and responsibilities between the different levels of government and the institutions involved in public finance management, and a clear regulatory and administrative framework for fiscal management.
- The necessity to make available to the public comprehensive and timely information.
- Open budget preparation, execution, and declaration – this includes budget policies and risks, a clear presentation, good information systems, and declaration to Parliament.
- Assurances of integrity – through adherence to standards of data quality and rigorous independent review of the information by the national audit institution, independent experts and a national statistics agency.

This code is accompanied by a detailed manual on fiscal transparency that thoroughly insists on the requirements in each of these four areas.

Box 8.2. Public Expenditure and Financial Accountability (PEFA): Public Financial Management (PFM) Performance Measurement Framework, 2005

This framework was originally developed by the community of donors to assess the progress made by the country PFM systems. It is now widely used as a reference standard by the international financial institutions, other multilateral and bilateral donors, as well as the countries themselves. This framework contains 31 performance indicators, including 3 related to donor behaviour. Many indicators particularly focus on fiscal transparency. These are the indicators in relation to the following points:

- Budget classification
- Completeness of the information included in budget documentation;
- Transparency of intergovernmental fiscal relations;
- Public access to key fiscal information;
- Multi-year perspective in fiscal planning and public expenditure policy;
- Availability of information on resources received by primary service provider units;
- Quality and timeliness of in-year budget execution reports;
- Quality and timeliness of annual financial statements;
- Review of the annual Finance Act by the legislature;
- Review of external audit reports by the legislature.

Box 8.3. *International Budget Partnership* : **Open Budget Initiative**

OBI is a non-governmental organisation whose goal is to promote openness in public finance. It rates countries according to 125 indicators relative to the availability of the budget documentation, the content of the executive branch's budget reports, and the budget process. The survey identifies ten key budget documents: the preliminary report of the Finance Act, the budget summary, the executive branch's draft budget act, the supporting fiscal documents, the citizens' guide to the budget, the enacted Finance Act, the reports made in the course of the year, the mid-year report, the year-end report, and the audit report. However, except for the issue of the quality of the external audit, the OBI rating does not give much importance to the reliability of fiscal information. The OBI indicates that its rating is influenced by the democracy level (authoritarian governments tend to get poor ratings), the level of revenues from natural resources (countries dependent on revenues from natural resources tend to get poor ratings), the level of aid dependence, and the geographical zone (Africa and the MENA region tend to have poor ratings).

South Africa and New Zealand are considered to be the most transparent countries in the 2012 survey, which includes most of the OECD countries. Other middle-income countries with good performance are India, Sri Lanka, and the Ukraine.

In its 2012 Survey, the OBI notes that 77 countries out of 100 do not meet the minimum criteria of transparency and accountability in terms of the national budget. A progressive improvement of fiscal transparency was noted in only 40 countries between 2006 and 2012. Problems of budget transparency are compounded by insufficient opportunities for the public to participate in the budget process, and by existing constraints on the country institutions (Parliament and external auditor) in spite of their formal powers.

Notes

1. The IMF Code of Good Practices on Fiscal Transparency and the Open Budget Initiative discussed below mostly insist on the last two dimensions relative to the institutional devices and processes.
2. www.ifac.org.

Chapter 9

Assessment of Fiscal Transparency in Tunisia in the Light of International Principles

Tunisian institutions and finances have long been subject to the evaluation of international public or private institutions. This chapter will present some assessments conducted since 2008 that have had a strong impact in Tunisia, and will observe Tunisia's budget and public finances in light of the OECD Best Practices in this area.

A Few International Evaluations of Fiscal Transparency in Tunisia

Both the 2008 assessment of Tunisian public finance management (PFM), which was conducted using the PEFA methodology¹, and the 2004 World Bank Financial Accountability Assessment have judged Tunisia's fiscal transparency to be satisfactory at every level: information, processes, and institutional arrangements. The information generated by the governmental accounting system was considered reliable given the limited fiduciary risks for international donors. The Tunisian classification system, moreover, was considered largely compatible with the Public Finance Statistics.

The 2008 PEFA Assessment indicated that, in terms of the adequacy of the information contained in the budget documents, Tunisia provided seven of the nine documents expected. The documentation of the budget was detailed. The omissions noted mostly concerned financial claims, including investments in State-owned enterprises. The financial report of State-owned enterprises did not meet the imposed deadline. Budget data did not include the social security fund. However, extra-budgetary funds were reduced. There was no medium-term budgetary framework.

The 2008 PEFA Assessment also indicated that four of the six budget reports it requested for examination were available to the public. The omissions involved the external audit reports (but a summary report was available) and the budget review reports for the year in progress. These reports are now available on the Ministry of Finance's website², which presents comprehensive information on the country's budget, Treasury, and public debt.

Because the annual financial reports and the review act are only made public after Parliament's adoption of the Finance Act, their late production (up to two years after the end of the budget year) limits their interest. The assessment also observed that while Parliament played an active role in the evaluation of the draft Finance Act, and while the discussions were open and transparent, there was no institutional mechanism in place for monitoring the external audit reports. The Court of Auditors, which is an external audit institution, was qualified and produced sound audit reports.

Yet, the 2012 Open Budget Survey³, which, covered Tunisia for the first time, gave it a mark of 11 out of 100 for its fiscal transparency, concluding that the country provided its population with insufficient information on its budget documents. This mark placed Tunisia along with Yemen at the bottom of the rankings for the MENA region, far behind the regional leaders like Jordan, Morocco, and Lebanon, but also in back of Egypt and Algeria. Quite surprisingly, this result reflected the lack of a preliminary report before the submission of the Finance Act (although this information could be provided in the budget documents), the absence of a citizens' guide to the budget or of a "budget in brief", and the lack of a mid-year budget assessment. The survey also noted that the draft Finance Act is produced for internal use only, a practice it views as flawed. In addition, it found the legislative and external auditing structures to be weak.

Box 9.1. National Case Studies in the MENA Region

Egypt has significantly improved its fiscal transparency between 2006 and 2010, by making available to the public documents that previously were not, and developing new budget reports. Its OBI ratings increased from 18 in 2006 to 43 in 2008 and then up to 49 in 2010 – ratings that have made Egypt the most transparent MENA country in budgetary matters, alongside Jordan.

The Finance Minister’s budget speech in Parliament was the only public document available until 2006 – even though the national planning documents included complete information on investment expenditures. Thereafter, the enacted budget document was released in its entirety on the Internet and was made available for purchase from the Government Printing Office; a more accessible summary highlighting the macroeconomic assumptions, medium-term budget forecasts, and the government policies and priorities defined in the Finance Act, was developed. The draft budget, however, has not been made public. Beginning in 2004, the Ministry of Finance has also launched a monthly financial publication on macroeconomic, monetary and foreign trade data. It includes summary budget data on budget execution. But Parliament does not hold any public debate or hearings on the draft budget, and the reports of the external auditor are not made public.

The OBI rating of Egypt, however, fell to 13 in the 2012 survey, given the disappearance, in the aftermath of the Revolution, of some documents that were previously published.

Yemen continues to be characterized by a low level of budget transparency but its OBI rating increased from 9 in 2008 to 25 in 2010, once again as a result of the publication of documents that were previously not made public: the draft budget, the in-year budget execution report, and the year-end budget execution report.

Box 9.2. The IMF Code of Good Practices on Fiscal Transparency Rests upon Four Major Principles

- **Clarity of Roles and Responsibilities.** There should be a clear distinction between the activities of the public sector and of businesses. Public finance management should be part of a clearly defined legal and institutional framework. Within the public sector, the allocation of decision-making and management functions should also be clearly defined and made public.
- **Open Budget Processes.** Budget data should be presented in such a manner as to facilitate analysis and to promote government accountability. Budget documentation should specify the objectives of fiscal policy, the underlying macroeconomic assumptions and the main identifiable risks. The terms of revenue collection and monitoring of approved expenditures should be clearly established.
- **Public Availability of Information.** The public must be fully informed of the past, present, and projected government budgetary activity. Countries should commit to providing timely information on public finances.
- **Assurances of Integrity.** Fiscal information should meet accepted data quality standards, and should be externally scrutinised.

Source: IMF (2007), *Code of Good Practices on Fiscal Transparency*, IMF, Washington, D.C.; IMF (2007), *Manual on Fiscal Transparency*, IMF, Washington, D.C.

Box 9.3. Experimental IMF Report on Observance of Standards and Codes : Tunisia

September 1999

- Fiscal policy design should be based on a rolling macroeconomic forecast (updated at every budget cycle) rather than on the unchanged assumptions contained in the five-year Economic Development Plan.
- The quasi-fiscal activities of public enterprises and agencies should be more clearly defined, so as to increase overall fiscal transparency and reduce the scope for contingent liabilities in the budget.
- Better information on local government finances, tax expenditures, public debt and State equity holdings would enable a better reading of the fiscal situation.
- Wider dissemination of information on the State budget, and the inclusion of a fiscal risk statement summarising the effects of possible changes in economic assumptions on the budget would help increase public awareness of the fiscal situation.
- Regular and timely in-year reports on budget and extra-budgetary outturns should be published. Final central government budget accounts should be prepared earlier, and their external audit conducted more rapidly.
- Taxpayers' rights and appeals procedures need to be better defined and observed, and a simplification of the tax regulations would help to ensure the integrity of the tax system.
- The independence of the national audit institution (Court of Auditors) would be enhanced if it were to be appointed by the legislative branch, and if its independence were guaranteed by law.

Budget Transparency in Tunisia in the Light of the OECD Best Practices in this Area

As already stated in this report, a culture of secrecy used to prevail in Tunisia. This situation is currently evolving. Thus, the Ministry of Finance opened its new website in April of 2013: v2.portail.finances.gov.tn. It contains a great deal of general information and provides links to the websites of the country's main financial and banking authorities, such as the Bank of Tunisia. Some sections of the website, such as the one devoted to the Treasury, provide up-to-date and very interesting information. Many sections, however, remain empty, inactive, or very limited. This is the case, for example, of the section devoted to budget documentation, which only provides the 2004 OBL. Furthermore, the previous website, portail.finances.gov.tn, still exists, although most of its sections are either empty or not updated. Similarly, the Court of Auditors has made publicly available annual reports that used to only be shared with the highest levels of the State. A number of positive developments in the area of fiscal transparency in Tunisia have been outlined in this report. But the Tunisian government is seeking to move further on this by comparing its own situation with that of other countries.

In 2002, the OECD established a guide on best practices for budget transparency in OECD member countries. Part 1 lists the principal budget reports that governments should produce and their general content. Part 2 describes specific disclosures to be contained in the reports. This includes both financial and non-financial performance information. Part 3 highlights practices for ensuring the quality and integrity of the

reports. This document proved very useful to member countries to improve their budgetary governance, and several non-member countries have used it for the same purpose.

Thus, it seemed desirable to carry out the assessment of fiscal transparency in Tunisia in light of the OECD Best Practices in this area. This project has encountered a number of difficulties related to accessing (especially on the Internet) and translating documents; it has, however, been carried out within the methodological framework that was outlined.

Budget Documentation Available in Tunisia

Preparatory Documents and Contents of the Finance Act

- **The introductory note to the 2013 draft Finance Act:**

This 10-page note is submitted with the draft act and summarises the main measures proposed in it. It is composed of seven sections:

- Measures aiming at fostering the competitiveness of businesses, employment, and investments, such as the three-year corporate tax exemption extended to SMEs that were created in 2013;
- Social measures, such as the granting of aid to projects conducted as part of the Mentoring Programme for Housing;
- Measures to support competition, to foster fair transparency, and to fight against tax evasion, for instance by extending the statute of limitations for criminal tax offenses from three to five years;
- Measures to further tax reform and improve tax collection, such as the deduction of provisions on securities held in the capital of companies subject to the mandatory control of an auditor;
- Measures to strengthen taxpayer guarantees and the smooth operation of tax administration activities, such as instituting a prohibition on conducting a new preliminary examination for the same tax and the same period;
- Measures involving the allocation of additional support resources to the Development Fund, such as supporting the competitiveness of the tourism sector and increasing the resources for the General Compensation Fund;
- Miscellaneous measures (stamp duties, increasing the resources of the Decontamination Fund).

- **Explanatory notes** on the expenditures of each chapter, divided by type and by the different programmes and missions that were authorised, are provided alongside the draft Finance Act.

- **The 2013 Finance Act⁴ and its appendices:**

A highly detailed document, the 2013 Finance Act, which has been enacted, is about 28 pages long, with over 107 pages of accompanying tables and appendixes. Article 1 authorises, for the year 2013, the collection, to the benefit of the State budget, of revenues from taxes, fees, contributions, miscellaneous income and loans totalling TND 26,692 million.

Expenditures are divided into five main titles: management expenditures, public debt interests, development expenditures, repayment of the principal on the public debt (technically a funding article), and expenditures of the Treasury funds. Proposed changes to revenues, in particular those regarding taxes and expenditures, are followed by summary tables tracing them. As this is a prescriptive law, no historical figure for comparison is included. The appendices list all the programmes and projects in considerable detail, covering about 50 pages, followed by the details of the revenues and expenditures for each of the hundreds of other spending units, covering 43 additional pages.

- **The introductory note to the 2013 Finance Act:**

This relatively brief explanatory document (13 pages in 2013) is prepared by the Ministry of Finance and provided alongside each budget. It describes in general terms the budgetary choices in relation to the country's policy priorities, such as the enhancement of competitiveness, employment and investment, the government's social policy, the fight against tax evasion, and the improved operation of the tax administration. This note follows the same line, contains the same sections, and follows the same order as the introductory note to the draft Finance Act for 2013 but incorporates the changes adopted by the National Constituent Assembly.

- **A separate note to the Finance Act** details the measures concerning each ministry. In addition to this separate note, additional information relative to PBB is provided for the budgets of the four pilot ministries.

- **The Report on the State Budget:**

Prepared by the Directorate General of Resources and Balances (DGRE) of the Ministry of Finance, this report describes in 110 pages the main macroeconomic events and financial results, putting them in comparative perspective with the previous two fiscal years, in terms of both revenues (evolution of tax and non-tax revenues, debt products, windfall) and expenditures (current, investment, debt repayment, etc.).

This document reflects the standards of presentation dictated by Tunisian law (including the OBL) and international standards (balance of the State budget, total revenues and grants, total expenditures and loans, recoveries, balance of the State budget and consolidated statements).

Undoubtedly this document is very comprehensive and the information contained is highly relevant and useful.

- **Summary of public finance indicators** outlining the significant tax aggregates since 2008:

The Ministry of Development and International Cooperation (MDCI) prepares the **economic budget**, which is available (in Arabic only) on its website. This document links the multi-year objectives of the National Development Plan and the annual budget, and it sets the underlying economic assumptions, such as the ones related to GDP growth, investment, inflation, unemployment, etc., although no alternative scenario or sensitivity analysis is included. It also reconsiders the economic results of the previous year, and provides an economic and financial vision of the draft budget. Major fiscal aggregates are briefly presented, alongside a sectoral analysis of the State's social and economic policies.

Reports on Budget Execution and Financial Statements

The Internet portal of the Ministry of Finance includes the following documents:

- **Monthly reports on budget execution.** The publication of the *Provisional Results of the State Budget Execution at the end of 2012 and in March 2013* shows, for February and March 2013, the following main balances: State budget balance, tax revenues, monthly change in tax revenues, non-tax revenues, monthly change in non-tax revenues, borrowing resources, off-debt spending, public debt, total revenues and grants, total expenditures, and net loan recoveries.

But the October 2012 monthly report is not available and the most recent is that of November 2012. It presents the information in Arabic, French, and English. It begins with a brief summary of budget results at the date of its publication. It follows the presentation of the Finance Act, summarising revenues and expenditures, loans and debt, and indicating the balance of the budget. It is accompanied by a separate presentation of the budget balance using the GFS methodology. In addition, no monthly report of the budget execution for 2013 is provided. This could be explained by the migration from the old to the new Ministry of Finance portal.

- **The monthly reports on public debt**, prepared by the DGRE of the Ministry of Finance, are also published late (the last one dates back to December 2012). This would also be transitional.
- The **preliminary results from the execution of the State budget** (approximately 30 pages), were prepared by the DGRE of the Ministry of Finance as required by the OBL, international standards, and the Special Data Dissemination Standard (SDDS).

No **annual financial statements** – or management accounts of public finances or consolidated statements of the authorising officers' expenditures – are published and open to public consultation, since they are apparently regarded as confidential documents. The general declaration of conformity between the accounts of public accountants and the general account of the financial administration, issued by the Court of Auditors, is used by the Ministry of Finance to prepare the State's general account, which includes information on the balances of all accounts and a summary of revenues and expenditures, alongside information on the budget and public debt. Using this data, the Ministry of Finance prepares the Budget Review Act, which is examined by the Court of Auditors. However, none of these documents is publicly available, except the Budget Review Act, which is published in the *Official Gazette of the Tunisian Republic*, and can be found on the website of the Court of Auditors in Arabic, and in French on the website of the *Official Gazette*.

The **annual report of the Court of Auditors** presents the results of its work, including its controls for all the entities within its jurisdiction and an analysis of the major public and financial policies for the year. It also makes recommendations to the government and is now available on its website.

In general, it appears that the budget information produced by the Tunisian government is abundant, detailed, and readily available to the public, even though the websites should be improved. Increasing the transparency of the financial year-end documentation would require, however, substantial improvements.

Assessment in Terms of Conformity with OECD Best Practices for Budget Transparency

The OECD Best Practices for Budget Transparency are grouped under three main headings: Budget Reports; Specific Disclosures; and Sincerity, Control and Accountability. One should note, however, that the financial reports of autonomous institutions and agencies, as well as that of State-owned enterprises, are not included.

Budget Reports

The Budget

Tunisia seems to comply with the Best Practices in the following cases:

- The budget is complete. While special Treasury funds continue to appear in separate tables in the Finance Act, they are integrated into the accounts of the State and their amounts remain very limited. Thus, capital transactions covered by external assigned loans are, following the Organic Law of 25 November 1996, introduced in the overall budget document, which represents a step forward in terms of the transparency of public funds.
- The economic assumptions underlying the budget are presented in a separate document of the economic budget, prepared by the Ministry of Development and International Cooperation. However, they were not available until December 2012, which prevented the National Constituent Assembly from using them during the review of the draft budget for 2013.
 - The budget is invariably approved by Parliament before the start of the fiscal year.
 - The presentation of expenditures follows the non-netting rule.
 - Expenditures are classified by administrative unit with additional information classifying expenditure by economic and functional categories. An appendix to the Finance Act provides information on expenditures by each expenditure unit and the budget of each spending ministry is visible separately on the Ministry of Finance portal. However, no functional classification seems announced.

Tunisia seems, however, to have difficulties with the following Best Practices:

- Parliament has less than three months to examine the draft Finance Act. Indeed, it is submitted no later than October 25, while it should be approved by December 31. In addition, there is no time limit for filing the budget documents attached to the draft Finance Act;
- The non-financial performance data are only included in the documents pertaining to the four pilot ministries for the implementation of PBB: the Ministry of Agriculture, the Ministry of Public Health, The Ministry of Education, and the Ministry of Higher Education and Scientific Research. It also appears that the explanatory notes on the proposed appropriations are addressed to Parliament and indirectly available to the public, but are not published.
- Although the draft budget would incorporate in its design the country's economic and social development plan, no medium-term perspective is presented in the

draft budget. In addition, a medium-term budget framework for 2009, now obsolete, is on the Ministry of Finance website.

- There is no expenditure analysis.
- There is no analysis of the financial assets and liabilities, non-financial assets, employee pension obligations, and contingent liabilities. Some of this information may be in the general account which is not public.
- There is no detailed comment on each revenue and expenditure item. Only figures are provided.
- Comparative information on the actual revenues and expenditures for the current year and the past year for each programme are not provided in the introductory note or in the Finance Act.

Pre-Budget Report

There is none.

Monthly Reports

Tunisia does not usually implement the Best Practices. It appears that the monthly reports on budget execution are made public on the Ministry of Finance website within six weeks following the end of each month, which does not compare with the four weeks recommended by the OECD Guide.

Monthly reports on budget execution contain comments, historical data and comparison with forecasts, as well as data on borrowing and debt service, as recommended by the OECD and the GFSM accounting standards.

However, as mentioned above, the most recent monthly report on the new website of the Ministry of Finance is for November 2012.

While a monthly report on public debt is issued, the one on the new website is for the month of December 2012. The source of these delays could be found in the ongoing development of the Ministry's websites.

Expenditures are, in turn, classified into three functional categories (social, administrative, and capital expenditures) and two economic categories (operating expenditures and capital). Classification by programme does not exist.

Mid-Year Report

There is no mid-year report, reflecting the fact that there is no formal review of the budget implementation in mid-year, even when amending finance acts exist.

Year-End Report

For the first time, the **preliminary outturns of the State budget for the year 2012** are available on the Ministry of Finance portal.

As mentioned above, neither the accounts of public accountants nor the authorising officers' consolidated statements of expenditure, are published or publicly available, as they are apparently regarded as confidential. Similarly, the general account prepared by the Ministry of Finance is not public.

The draft Budget Review Act, prepared by the Ministry of Finance, is transmitted to the Court of Auditors, which, after verification, issues a declaration of conformity; the two documents are then addressed to the Government and Parliament for vote. The Budget Review Act is published, contrary to the compliance report, but is only available on request and in a summary form.

Pre-Election Report

There is no report specific to the pre-election period.

Long-Term Report

There is no report on the long-term sustainability of current government policies.

Specific Disclosures

The budget document does not include any disclosure of the government's fiscal expenditures, financial assets and liabilities, non-financial assets, employee pension obligations, and contingent liabilities. The degree to which this information is publicised in the year-end reports could not be determined. However, the economic assumptions are published in the economic budget, which is prepared by the Ministry of Development and International Cooperation.

In addition, information on the public debt is included in the monthly budget implementation reports and in the monthly report on the public debt, although the reports the experts in charge of this study looked at were not current.

Integrity, Control, and Accountability

Accounting Policy

A summary of the accounting policy adopted does not accompany the draft Finance Act and accompanying documents. Among the documents that were examined, only the **provisional State budget outturn for 2012** included a brief description of the accounting methods that were used. As for the documents that were unavailable, we obviously do not know if they include information on accounting methods.

Systems and Responsibility

The reports examined did not contain an accountability statement by the Minister of Finance and the senior official responsible for preparing the report certifying that all government decisions with budgetary implications were introduced in the report, or that the Ministry of Finance committed all its expertise to the development of these documents.

It should be noted that an effective and reliable system of internal financial controls, including internal audit, exists, although considerable misappropriations were committed under the former regime.

Audit

The Court of Auditors applies the Guidelines on Financial Control (ISSAI) proposed by the International Organisation of Supreme Audit Institutions (INTOSAI), and its working methods are generally sound and modern. The compliance report on the Finance

Act, which is established by the Court of Auditors and submitted to Parliament at the same time as the Budget Review Act, is not published.

In contrast, the annual report of the Court of Auditors, which contains observations on the financial administration of ministries and public agencies under its control, is now publicly available on its website.

Public and Parliamentary Scrutiny

While “the State’s Draft Budget Review Act is voted on the same terms as the draft Finance Act”⁵, Parliament does not seem to actually use the documents submitted to it by the Court of Auditors.

In general, Parliament has the legal capacity to examine budget reports, but does not have the necessary human and material resources to really do it.

Budget documents and budget execution reports (although they are currently produced late) are publicly available on the Ministry of Finance website. Moreover, as mentioned above, year-end financial reports are not available and audit reports on the financial statements are confidential.

Currently, however, the Ministry of Finance actively promotes the understanding of the budget process by citizens and non-governmental organisations, for example, through a committee made up of civil servants and representatives of civil society.

Conclusion

In conclusion, it appears that the preparatory documentation accompanying the draft Finance Act and related to adopted laws, is abundant and of good quality. It is also relatively accessible to the public, although the websites of financial authorities are in need of improvement. The transparency of the financial year-end documentation could also be substantially improved.

Similarly, some budget reports are not prepared, are kept confidential, or, when published, are not updated. In addition, some accounting principles, such as the certification of the accuracy of documents by the Minister or the Director of Financial Administration, and certain information, such as explanations or changes in costs and revenues, are not included in the documents. But more importantly, it should be noted that a lot of information pertaining to budget execution remains unpublished. In addition, the Parliament does not have all the means to fulfil its mission, and has no tradition of using all of its budgetary and control powers.

Box 9.4. OECD Best Practices for Budget Transparency

Part 1 of the *Guidelines* lists the principal budget reports that governments should produce and their general content. In addition to the budget itself, they cover pre-budget reports, monthly reports on progress made in implementing the budget, the mid-year report, the pre-election report, and the long-term report.

Part 2 describes specific disclosures to be contained in the reports. This includes the economic assumptions, the tax expenditures, the financial liabilities and commitments, the non-financial assets, employee pension obligations, and contingent liabilities.

Part 3 highlights practices for ensuring integrity, control and accountability. These include coherent accounting policies, efficient internal controls, a clear definition of responsibilities,

efficient external auditing, as well as real public and parliamentary scrutiny.

Notes

1. Public Expenditure and Financial Accountability (PEFA) methodology.
2. www.portail.finance.go.tn.
3. <http://internationalbudget.org/wp-content/uploads/OBI2012-TunisiaCS-French.pdf>.
4. Law No. 2012- 27 of 29 December 2012 on the Finance Act for 2013.
5. Article 48 of the OBL.

Bibliography

International Monetary Fund (2007a), *Code of Good Practices on Fiscal Transparency*, IMF, Washington, D.C.

International Monetary Fund (2007b), *Manual on Fiscal Transparency*, IMF, Washington, D.C.