Social Expenditure Monitor for Tunisia

Toward making public social expenditure more equitable, efficient and effective

What is the Social Expenditure Monitor?

The Social Expenditure Monitor (SEM) for Tunisia, developed by the United Nations Economic and Social Commission for Western Asia (ESCWA) in partnership with the Tunisian counterparts, informs budget choices and “smart spending” towards the realization of the Sustainable Development Goals (SDGs).

SEM is built on a framework aligned with the SDGs, covering seven broad dimensions of spending that have a social purpose. It links expenditures in these dimensions to targeted populations and communities.

Main benefits of SEM:

• Improves monitoring and governance of social spending through an assessment of the equity, efficiency and effectiveness of social programmes.
• Helps in saving resources and allocating them to the neediest sectors, thus enhancing macro-fiscal sustainability.
• Captures the Government’s social development priorities to support their alignment with the SDGs, and to target its social policy interventions towards inclusive growth and human development.

How much does Tunisia spend on social areas?

In the 2021 budget, public social expenditure in Tunisia represented 25.35 billion Tunisian dinars, or 63 per cent of the total budget or 21 per cent of GDP.

From 2014 to 2021:
• Social expenditure as a share of the budget increased from 63 per cent in 2014 to 68 per cent in 2017 and then declined to 63 per cent in 2021.
• As a share of GDP, it increased from 18 per cent in 2014 to 23.4 per cent in 2020. It is about 21 per cent in 2021, as per the budget estimates.
Due to energy subsidy reforms, expenditures on subsidies have declined in recent years. Subsidies to food processors, fuel, electricity, and support to farms constituted 7 per cent of the budget in 2021, compared with 16 per cent in 2014. This has contributed to an overall decline in social expenditure as a share of budget expenditures in recent years.

When looking at spending on the various dimensions of the SEM framework, “education” accounts for the largest share, at about a quarter of the 2021 budget estimates.

Spending on the “social protection, subsidies and support to farms” and “health and nutrition” dimensions constitutes significant shares of the budget as well, at 15 per cent and 7 per cent respectively in 2021.

Expenditures on critical areas that improve youth capabilities, such as “labour market interventions and employment generation programmes” and “arts, culture and sports”, and on areas that build climate resilience such as “environmental protection”, account for less than 8 per cent of the public budget.

Primary and secondary education constitute the largest share of expenditure, at about 15 per cent of the budget. Outpatient and inpatient services together and subsidies to food processors account for 5.7 per cent and 5.5 per cent, respectively. Tertiary education constitutes 5.1 per cent of budget expenditures in 2021.

Significantly underinvested areas include early childhood development, research and development, skill-training programmes, support to artists, sports persons and facilities, wastewater management and sanitation facilities, and gender equality programmes. These areas could benefit from additional spending to improve human capital, resilience, inclusive growth and human development.

How are expenditures targeted to beneficiaries through social programmes?

In 2021:

- About 18 per cent of social expenditures were targeted at social programmes for households and families, while about 25 per cent were targeted at programmes for children.
- Only 2.6 per cent of social expenditures were specifically targeted at programmes supporting older persons, and another 2 per cent at programmes supporting vulnerable populations, such as socially marginalized groups or those at risk of social exclusion, and persons with disabilities.
- One third of benefits to households and families came from programmes related to social assistance; 46.9 per cent through food subsidies, and 15 per cent through other subsidies for fuel, electricity and farms. The remaining benefits came from public health services, support to housing, and support to family, including developing regional delegations for family affairs and implementing studies on family development in Tunisia.
- Out of total spending targeted at children, 97 per cent was through primary and secondary education services. Only 0.25 per cent came through early childhood education. Children also benefited from various programmes, including expansion of centres for children’s social inclusion, and children’s entertainment centres and clubs.
- Out of total spending targeted at older persons, 97 per cent came from pension schemes, while other benefits came through public health services, grants to older persons residing in care centres, and the preparation, restoration and equipment of care centres for older persons.
How efficiently does Tunisia spend? What are the potential benefits of enhanced efficiency?

Efficiency scores assess the performance of social expenditures on achievements in key development outcomes, such as human development, proxied by the score of the inequality-adjusted Human Development Index (IHDI) of Tunisia.

Tunisia records an overall social expenditure efficiency score of 0.57, on a scale of 0 to 1. The global average is 0.71, which indicates that there is significant potential for Tunisia to improve its social spending efficiency.

Significant opportunities for improvement lie in the performances of expenditure on education and environmental protection, since the efficiency scores are even farther from global averages in these areas. Tunisia performs well in health, social protection and housing compared with the rest of the world.

Governance indicators are strongly correlated with efficiency, suggesting that better fiscal transparency and accuracy, budgeting and monitoring of resource use, and targeting of policies to vulnerable populations can lead to improved outcomes without additional expenditures.

By improving social expenditure efficiency to the world’s average, Tunisia could raise its IHDI from 0.580 to 0.668, and its ranking on the index from seventy-seventh to sixty-third of 152 countries.
SEM as a tool to improve equity, efficiency and effectiveness of budgets

How can SEM support budgeting to improve targeting of needy populations?
Targeting budget lines to needy populations is key to improving efficiency and effectiveness of social expenditures, including at times of emergencies such as when tackling the adverse effects of the COVID-19 pandemic, the war in Ukraine or climate-related disasters. Tunisia has applied results-oriented budgeting since 2014, but allocating expenditures to needy populations and services has remained a challenge owing to lack of a clear targeting framework for tagging budget lines. SEM, with its clear targeting framework, can support improving allocations to the needy population and accelerate the effectiveness of results-oriented budgeting.

How can SEM support budgeting to improve equity?
Rebalancing resource allocations is key to improving equity in outcomes. SEM helps in monitoring and assessing the flow of resources to people and services at the national level, which can be done at the subnational levels if data are available. Reprioritizing resources can help improve outcomes in areas that have been underinvested over time, thus increasing equity.

How can SEM support budgeting to improve efficiency?
SEM helps in tracking efficiency by connecting expenditures to outcomes. It enables expenditure performance assessments against benchmarks, and informs policy reforms that redirect resources to underinvested social areas. SEM can also support consolidating programmes across several line ministries.

How can SEM make a transformational impact in budget allocations?
SEM provides better-disaggregated data in critical areas of budget tracking, including for gender-responsive budgeting and climate-related expenditures. Consequently, it can help channel expenditure towards investments in human capital, drivers of greater productivity, and correctors of inequity. By assessing expenditure performance, SEM also helps determine areas of reform towards achieving the SDGs in accordance with macro-fiscal objectives.