A brief overview of the country

Tunisia has undergone significant political developments in recent years, transitioning towards a more open and democratic state. However, sharp inequalities weaken the prospects for economic development by impeding economic progress, increasing social exclusion and threatening social cohesion. Economic growth averaged 1.5 per cent in the post-revolution period compared to 4.5 per cent in the five years before the revolution.\(^1\) Although, the economy is gradually growing again, with a growth rate of 2.8 per cent\(^2\) in 2018 compared to 1.0 per cent in 2016.

Contrastingly, the unemployment rate remains stubbornly high, reaching 15.4 per cent in 2018 as compared with 12.8 per cent in 2005.\(^3\) Women and youth are particularly affected by a lack of economic opportunity: Tunisia is one of the few countries where a higher level of education paradoxically decreases employability.\(^4\)

There have been continuous efforts by the government to tackle the problems of unemployment and poverty for the last decades. Indeed, the poverty rate has largely decreased, dropping down from 23.1 per cent in 2005 to 15.2 per cent in 2015.\(^5\) Children are particularly vulnerable in this context, as child poverty (21.1% in 2016) is almost twice as high as adult poverty (12.8%); in other words, approximately 1 out of 5 children in Tunisia can be considered as impoverished.\(^6\) Furthermore, the current social protection system gives little attention to children. There are also significant geographical disparities, with child poverty as high as 40 per cent in the more remote, deprived western regions.

Despite the halving of poverty, inequality, as measured by the Gini coefficient, remains high. Between 2005-2015 it declined slightly from 0.377 to 0.328. Generous subsidies, especially on energy, food and transport, contributed to the reduction of poverty but did not have a similar effect on reducing inequalities. A World Bank study on energy subsidies found that 13 per cent of the total subsidies were allocated to the poorest quintile while the wealthiest quintile received 29 per cent of these subsidies.\(^7\)

 Pronounced inequalities can also be observed across the regions in Tunisia, where strong economic disparities remain, leading to a significant concentration of extreme poverty, particularly in the western regions. Gradually, the inequality gap is widening again, weakening the prospects for economic development by impeding economic progress, increasing exclusion and threatening social cohesion.\(^8\) The government is failing to protect the poorest in the country. Moreover, there is a widely shared perception that this inequality has increased in recent years has contributed to social tensions manifesting in protests and riots in 2017.\(^9\)

Consequently, since 2011, a gradual interest in social protection can be observed, as an instrument to respond more efficiently to rising social pressures, to promote inclusive growth and to reduce poverty. In 2013 the Tunisian government signed a Social Contract, the SNPS (“Socle de protection Sociale” - Social Protection Floor), identifying social protection as a priority for their country.\(^10\)

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3. Ibid.
5. http://www.ins.tn/fr/themes/%C3%89conomie-et-conditions-de-vie#sub-3672.
8. Ibid.
9. Ibid.
Multiple programmes of social protection have already been implemented in Tunisia; however, they are poorly harmonised, significantly reducing their efficiency.\textsuperscript{11} The ATE (\textit{Allocation Tunisienne pour Enfants}), is the closest comparable allocation with the Universal Child Benefit (UCB), providing essential needs for children under 18 months old. Currently, the AF (\textit{Allocations Familiales}, a contributory family allowance) is awarded for the first three children. Yet the family allowance amount is relatively low and has not been revised for several years.\textsuperscript{12} According to the household consumption and standard of living survey carried out by the INS (\textit{Institut National de la Statistique}) in 2015, the average value of the AF benefit represents only 0.5\% of the average budget of a Tunisian family, and 3\% of the average expenditure and therefore makes an almost negligible contribution to household income and does not make a difference to living standards.\textsuperscript{13} Statistics show that despite numerous efforts to ensure social protection, the programmes show limitations in combating inequalities and reducing the poverty rate.

**Background and Context of proposed universal child benefit**

The introduction of a progressive universal child benefit (UCB), or what has been referred to as a ‘universal child allowance’\textsuperscript{14} in the context of the discussion in Tunisia, with accompanying measures would greatly complement other ongoing Tunisian government efforts to reform and strengthen social protection and increase investment in children. The principal objectives of this proposed programme are to (i) reduce deprivation in the areas of education, health and nutrition suffered by children from poor and vulnerable families (ii) reduce the inequalities the children are faced with, (iii) diminish child poverty, intergenerational transmission of poverty and promote social inclusion.

A UCB should permit families with children to overcome financial hurdles, simultaneously improving the overall human capital of the country. Studies suggest that an allocation equivalent to 10\% - 20\% of the expenditure of the poorest quintile will have a significant and lasting impact on child poverty and the development of human capital. Thus, the amount of this allowance in Tunisia should be on average between 18 TND - 36 TND monthly per child, equivalent to USD$6.20 - USD$12.40. Based on these estimates, the total value of the UCB for all 0-18-year-old will be 0.7\% and 1.5\% of GDP.

UNICEF has put in place evidence informed advocacy and developed a partnership with the World Bank to pool together expertise and work together on the establishment of a progressive UCB system. Accordingly, a Memorandum of Understanding was signed in 2017 between UNICEF and the World Bank, which includes an exchange of knowledge, technical expertise and policy dialogue and advocacy. The partnership has enabled the acceleration of dialogue with the Ministries and reinforces joint interventions by the government and its partners.

In this context, the Ministry of Social Affairs, the Ministry of Finance and the Prime Minister’s Office with the support of UNICEF and the World Bank, have put into motion the possibility of progressively introducing a UCB. Nonetheless, creating a foundation for a comprehensive social protection system takes time. The work carried out proceeded in accordance with a sequence around the following actions:

- promote advocacy for the social protection rights of children based on data and evidence;
- lay the groundwork and facilitate the political dialogue around social sector reform, notably in education and ECD;
- establish a partnership with the World bank, a key player for reforms in Tunisia;
- launch a dialogue with the EU, BMZ and IMF, as potential partners through their budget support programme in Tunisia.

In addition, the World Bank and UNICEF promoted South-South exchange, with the aim of enabling Tunisian policy and decision-makers and civil society to learn from other UCB experiences worldwide. Government officials participated in exchange visits, workshops and seminars in many countries in both the Middle East and North Africa and Latin America and Caribbean Regions, where child allowance systems are already being implemented and, in some countries, the impacts have been measured.

In this context of South-South partnership, UNICEF Tunisia has been working with the Ministry of Social Affairs and the Ministry of Finance to help develop policy proposals for the establishment of a Social Protection Floor with special

\textsuperscript{11} Ibid.
\textsuperscript{12} Ibid.
\textsuperscript{13} http://www.ins.tn/en/indicateurcle
\textsuperscript{14} Henceforth, referred to as a UCB.
emphasis on protecting and advancing the well-being of children. As is detailed below, UNICEF also collaborated with the International Poverty Centre (IPC), Oxford Policy Management (OPM) and the Partnership for Economic Policy (PEP) to analyse in greater depth the cost, impacts, cost-effectiveness, benefit incidence and fiscal feasibility of a UCB (see results below).

Furthermore, the lessons learned from South-South Cooperation and the Partnership between the World Bank has led to the government of Tunisia to establish a Steering Committee, composed of members from different Ministries. The chair of the Steering Committee, represented by the Ministry of Social Affairs, is responsible for preparing the road map outlining on how a progressive, UCB could be introduced in Tunisia. Both UNICEF and the World Bank are members of the Steering committee.

The Status of the UCB process in Tunisia

Achieving universal coverage for all children is beyond the financial resources of the Tunisian State at this moment. Therefore, the principle retained by the Steering Committee of the project is to frame transfers exclusively within the limits of public finances and therefore rather than opting for an overnight conversion to a fully UCB, these scenarios consider different quasi-UCBs. Three scenarios have been developed and presented while finalizing the project:

1. Geographical targeting by starting the programme in the poorest districts (10-12 delegations) before expanding it nationally.
2. Targeting by age group with prioritization for early childhood (0-5 years) before expanding it to all age groups.
3. Categorical targeting with prioritization for children from non-contributory families: PNAFN (Programme Nationale d’aide aux Famille Nécessiteuses) and AMG2 social assistance programmes with an integrated social protection system covering all children.

The combination of all three quasi-UCB scenarios has sub-options available too. For example, by choosing children not covered by 0-5 contributory plans, or other variations, first-phase budgets become more affordable and are more palatable politically. These scenarios are evaluated at this stage from the point of view of costs and their administrative feasibility, hence the importance of being moderately ambitious. The results of these evaluations will be part of a framing that is currently available and being validated.

Moreover, the results of the various collaborations to evaluate and simulate the impact of a UCB are promising. For example, initial analysis by the IPC16 found that a fully universal UCB would be both more progressive and more efficient as a social protection measure than the existing subsidies. Moreover, OPM's and the PEP analysis also indicate a strong case for quasi or full UCB adoption.

The results of this IPC study were presented in May to a national conference on the establishment of the Social Protection Floor, opened by the Prime Minister. The study found, first, that a UCB would be highly progressive, with the poorest decile receiving about 15% of the benefits, compared with 6% for the richest decile, due to the high concentration of children in poorer households. By contrast, energy subsidies benefit more the richer households, while the benefit incidence of food subsidies is more or less neutral.

Second, a UCB of about 350 dinars a year (USD$10 a month) per child would have substantial positive impacts and would be sufficient to compensate fully for the negative effects on child poverty of the elimination of energy subsidies, which are the main target for subsidy reform.

Third, at full-scale implementation (for all children 0-17), a UCB would cost only 0.89% of GDP in 2023. This compares with a cost of 2.5% of GDP for energy subsidies alone in 2018.

Fourth, a UCB would be highly cost-effective. The cost of achieving a one percentage point reduction of the child poverty headcount is less through the UCB than through the existing poverty-targeted social assistance programme, the PNAFN (National Support Programme for Needy Families). This is partly because the latter focuses on households headed by elderly persons and others without labour capacity, who tend to have fewer children, but also due to serious inclusion and exclusion errors in the PNAFN's poverty targeting.

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15. This refers to health access. It is a programme that provides access to the public medical institution at a reduced rate

Fifth, a UCB is **affordable**, even in Tunisia’s current situation of tight fiscal space. After taking into account a projected reduction of the government deficit, there will be a net gain of about 2.5 percentage points (of GDP) in fiscal space between 2018 and 2023, resulting mainly from the phasing out of energy subsidies, the reduction of the public salary bill (as a percentage of GDP) and increased public revenue. The UCB would require just over one third (37%) of this additional fiscal space in 2023.

### Current Developments

The aim is to launch the UCB in 2020 or 2021 with an initial focus on younger children (0-5) during an initial period when adjustment measures make fiscal space tighter. The programme would then be scaled up in stages as fiscal space expands.

UNICEF has argued that this would be money well spent, not only because it would be very cost-effective and progressive, but also because it would help to realize child rights, bolster investment in human capital development during the crucial childhood years, offset the negative effects of subsidy removal and contribute to social cohesion during a period of economic, social and political stress.

Following on from the May 2019 conference, UNICEF, with technical assistance from OPM, is now supporting the preparation of an ‘orientation note’ for the Council of Ministers on the establishment of the Social Protection Floor, including the launching of the UCB.

The links between direct transfers for children with the objective of facilitating investment in human capital in Tunisia have been established by these studies. Tunisia has joined the Human Capital Project launched by the World Bank in 2018, and the programme on the UCB has been identified as one of the strategies by the government for increase Tunisian Human Capital Index within the coming years.

Key issues still concern the feasibility of introducing a progressive, UCB/universal Child Allowance System are due to the economic situation and the limited fiscal space. In this context, the Tunisian government has joined the new initiative of the Human Capital Index analysing the fiscal space, which will give a better estimate of the total budgetary costs and provide answers with regards to the question of funding and the sustainability of the system.

### Lessons learned

A few lessons have been learned from the experience of developing a progressive UCB in Tunisia:

1. UNICEF needs to build a solid understanding and analysis of the fiscal space and budget situation of the country. Thereby, different financial options need to be identified, including innovative financing. The reduction of subsidies and the reallocation of these programs are not sufficient alone, especially in countries with limited fiscal space. More research and dialogue need to be conducted on in “budget financing for children” including innovative financing.

   This type of analysis is essential to convince governments to embark on investing in a progressive, UCB. If the question of financing the scheme is not resolved, it becomes an essential barrier and therefore delays decision making at an important level. Thus, instead of focusing on the design of the UCB scheme, it is important to proceed to the question of how it can be funded, whether in terms of short, medium or long-term options.

2. The creation of a progressive UCB cannot be established without the help and support of partnerships, such as the World Bank, IMF, the EU or other bilateral governments. They are essential when it comes to the implementation and budget support when considered in terms of short-term measures. However, national investments for these schemes remain essential to ensure their sustainability and scale-up.

3. The South-South cooperation undertaken offered both technical expertise and advocacy between the partners and the government. It allowed the actors to share their experiences in terms of how to finance and to design of different UCB schemes and access evidence that focused on the added value of these schemes in promoting social inclusion and cohesion and reducing inequalities.

4. UCBs ought to be designed through a multi-sectorial approach including the provision of quality social services, parenting education programme, communication for development interventions and robust accountability and monitoring and evaluation mechanisms.
5. Finally, it is imperative that from the onset that these programmes are fully own and driven by government institutions and involve national expertise.

Sources

- UNICEF Tunisia. 2014. « Analyse de la Pauvreté Infantile en Tunisie ».