

# Public Sector Size and Performance Management

## A Case-Study of Post-Revolution Tunisia

*Anne Brockmeyer*

*Maha Khatrouch*

*Gaël Raballand*



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## Abstract

This paper examines public sector size and performance management in post-revolution Tunisia, drawing on macro-empirical, legal, and qualitative analyses. The paper first shows that public sector employment figures and the wage bill have increased significantly since the 2011 revolution, but that this represents merely an acceleration of the previous trend. The paper then examines de jure and de facto performance management in Tunisia's public sector, covering incentives through recruitment, evaluation, compensation, and promotion. The examination shows that Tunisia's legal framework is well-designed for recruiting the most skilled candidates into the public sector and promoting the most high-performing employees. De facto, the link between an employee's performance and evaluation, compensation, and promotion is weak. Performance evaluation

is virtually nonexistent and promotions are automatic or awarded through a process that emphasizes seniority over performance. This is particularly true during the post-revolution period, in which a number of ad-hoc arrangements multiplied divergences between the legal basis for performance management and its application. These ad-hoc changes allowed the state to act as employer of last resort, significantly increasing direct (noncompetitive) recruitment and regularizing temporary staff. The increase in and proliferation of allowances have added to the complexity of the compensation system. In a qualitative review of past reform attempts, the paper demonstrates that reformers had identified the weaknesses of Tunisia's public sector performance system as early as 1989, but failed to achieve major change.

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# Public Sector Size and Performance Management A Case-Study of Post-Revolution Tunisia<sup>1</sup>

Anne Brockmeyer

Maha Khatrouch

Gaël Raballand<sup>2</sup>

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<sup>2</sup> Anne Brockmeyer is Economist at the World Bank ([abrockmeyer@worldbank.org](mailto:abrockmeyer@worldbank.org)), Maha Khatrouch is Deputy Director of the Tunisian General Committee of the Civil Service and Gaël Raballand is Senior Public Sector Specialist at the World Bank . The authors would like to thank the management team of the General Committee of the Civil Service (CGFP), as well as Hedi Larbi, Minister of Infrastructure and Sustainable Development at the time of the drafting of the report, and Mondher Kharrat, General Director of Common Services of the Ministry of Infrastructure and Sustainable Development, for their invaluable assistance. We also thank Golvine de Rochambeau for excellent research assistance. All remaining errors are our own.

## 1. Introduction

**Almost four years after the Arab spring was sparked in Tunisia on January 14, 2011, the country has undergone a remarkable democratic transition.** After months-long multi-party negotiations in 2013, the new Constitution was approved by the National Constituent Assembly on January 26, 2014. The country witnessed largely peaceful parliamentary elections on October 26, and presidential elections on November 23, 2014 and December 21, 2104.

**Despite the success of Tunisia's consensual democracy, the Post-Revolution period has presented the country with important socioeconomic challenges.** GDP growth fell from 2.6 percent in 2010 to -1.9 percent in 2011, before rising again to 2.6 percent in 2013. Direct foreign investment declined from 3 percent of GDP in 2010 to 0.9 percent in 2011 before bouncing back to 2.2 percent in 2013. The unemployment rate, which was already high before the Revolution, has increased and now exceeds 15 percent overall and reaches 30 percent among university graduates (IMF 2014). These social pressures have led to a period of social protest. Since the Revolution, demonstrations have become an almost daily occurrence in Tunisia, with teachers demanding an increase in allowances,<sup>3</sup> contract teachers demanding to be hired on a permanent basis,<sup>4</sup> and dismissed public employees demanding to be reinstated.<sup>5</sup>

**To face these challenges, the Tunisian government presented itself as an employer of last resort and has significantly increased the size of the public sector.** Over 90,000 new employees joined the public sector in 2011 and 2012, the majority of them through the regularization of contract workers (INSAF 2014). This meant a doubling of annual recruitment numbers and an increase of total staff to 616,000 employees (excluding public companies). Along with promotions and salary increases, the recruitment drive led to a 44 percent increase in the wage bill between 2010 and 2014, much higher than the 28 percent increase between 2006 and 2009. The increase in Tunisia's public sector wage bill, combined with high subsidy payments and stagnating revenues, has caused macro-economic imbalances. The central government deficit reached 5.7 percent of GDP in 2012 and, according to projections, could exceed 6.7 percent at the end of 2014 (IMF 2014).

**This paper analyzes public sector size and performance management in post-Revolution Tunisia, illustrating how weaknesses in the performance management system are associated with public sector growth.** Our findings draw on a descriptive empirical analysis of trends in the public sector staff size and wage bill; an analysis of the legal framework for public sector performance management and its application in practice, as illustrated by anecdotal evidence and semi-structured interviews with public employees; and a review of the history of public sector reform attempts over the last 20 years. The analysis of performance incentives covers all aspects of a career in the public sector, that is, recruitment, evaluation, promotion and compensation.

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<sup>3</sup> <http://www.lapresse.tn/17072014/65019/une-cascade-de-greves-en-perspective.html>, and <http://www.lapresse.tn/17072014/58565/la-greve-et-apres.html>, July 18, 2014.

<sup>4</sup> <http://www.businessnews.com.tn/manifestation-des-enseignants-contractuels--le-ministere-de-lenseignement-superieur-explique,520,45057,3>, July 18, 2014.

<sup>5</sup> <http://www.lapresse.tn/17072014/78926/ils-entament-une-greve-de-la-faim-aujourd'hui.html>, July 18, 2014.

**We show that Tunisia's public employment and the wage bill have grown significantly since 2011, as an acceleration of the previous trend.** The public sector wage bill has grown in absolute numbers and even more so as a share of GDP. Staff numbers have grown mainly through new recruitment and the regularization of temporary workers. Simultaneously falling government revenues make this trend fiscally unsustainable.

**Tunisia's legal framework for public performance management stipulates incentives through competitive recruitment and promotion, but does not provide for adequate performance evaluation and financial incentives.** Competitive entry exams and a merit-based promotion system are intended to select the most qualified candidates and provide them with strong performance incentives throughout their career in the public sector. However, the evaluation of performance is based on subjective ad-hoc assessments and does not allow for differentiating employees, if it takes place at all. A complex and opaque compensation scheme is associated with limited career mobility in the public sector, and is uncompetitive compared to the private sector.

**In practice, the link between a public employee's performance and her evaluation, compensation and promotion is weak, particularly since the Revolution.** Direct non-competitive recruitment by-passing competitive exams and seniority-based promotions have been common for decades, the latter being partly due to insufficiencies in performance evaluation. During the post-Revolution period, a number of ad-hoc arrangements multiplied divergences between the legal basis for performance management and its application. These ad-hoc changes allowed the State to act as employer of last resort, significantly increasing direct recruitment, by-passing competitive exams, and regularizing temporary workers. Promotions are not only awarded based on seniority but have become automatic in some ministries. The increase in and proliferation of allowances have added to the complexity of the compensation system.

**Although the weaknesses of performance management in Tunisia's public sector have been known for decades, it remains unclear why past reform attempts failed to bring about change.** An analysis of the reform strategies of 1989 and 2007 shows that the current challenges, such as direct recruitment, absence of performance evaluation, and the complexity of the compensation system, were already identified in 1989. Relevant and concrete reforms proposals have been made, but few of them have been implemented. Understanding the political economy of reform in Tunisia's public sector is an important task for future research.

**This paper relates to the literature on the determinants of government size, and on the size of public sectors in the Middle East and North Africa in particular.** While Meltzer and Richard's seminal model (1981) identifies the extension of the voting franchise as a determinant of larger government, Fischer et al. (1991) model how public employment increases under political pressure. The large and partly contradictory empirical literature on democracy, redistribution and inequality is reviewed in Acemoglu et al. (2013), who find a significant impact of democracy on redistribution as measured by tax revenues as share of GDP, but no robust effect on inequality. Another literature examines the political economy of public sector size in the Middle East and North Africa region, illustrating how the public sector is used as an employer of last resort, as patronage tool, and how it crowds out private-sector growth (World Bank 2013, 2009, Assaad 2013). This paper looks specifically at public employment in the context of the Arab Spring in

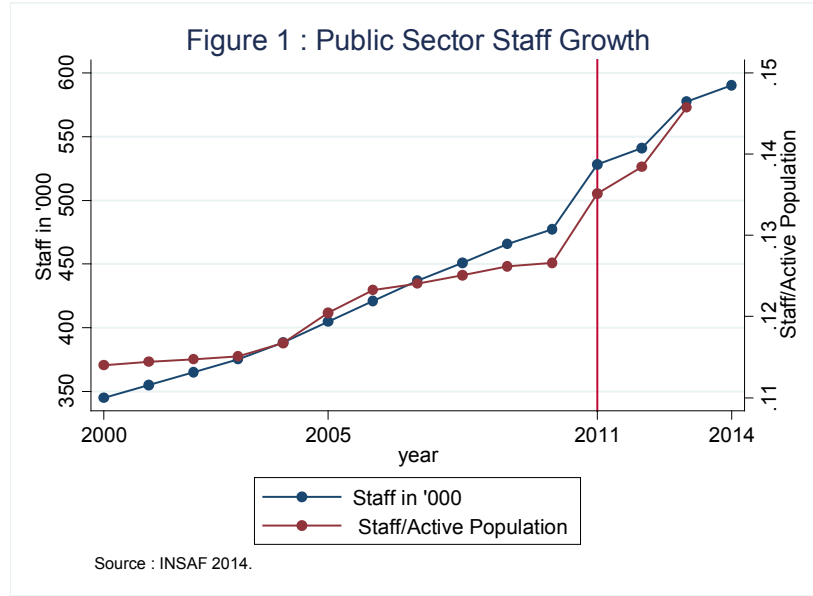
Tunisia. Our contribution is to open the black box of the public sector by examining how specific performance management practices can be linked to employment and wage bill growth.

**The paper also draws inspiration from the theoretical and empirical literature on performance incentives in the public sector.** The public administration literature provides little evidence on the link between performance management and public goods provision (Goldfinch et al. 2012). The theoretical economic literature finds that the impact of incentives on performance in the public sector is ambiguous. Multi-tasking, task complexity, measurement difficulties, and intrinsic-motivation crowd-out might reduce the effect of financial incentives on performance by motivated agents (Perry and Wise 1990, Benabou and Tirole 2006, Francois and Vlassopoulos 2008). Field experiments, however, have shown positive effects of performance pay on recruitment of qualified pro-social workers (Ashraf et al. 2014, Deserranno 2014, Dal Bo 2013) and on the performance of teachers and health-care workers (Miller and Babiarz 2013, Duflo et al. 2012, Muralidharan and Sundararaman 2011). Ashraf et al. (2014) also find that career incentives through promotion attract higher quality applicants to pro-social jobs. Rasul and Rogger (2013) find that incentives negatively correlate with performance of middle-tier bureaucrats in Nigeria and Khan et al. (2014) find that financial incentives increase corruption among tax inspectors in Pakistan. Rather than examining the effectiveness of incentives, this paper takes stock of the design and application of different types of performance incentives in Tunisia's public sector.

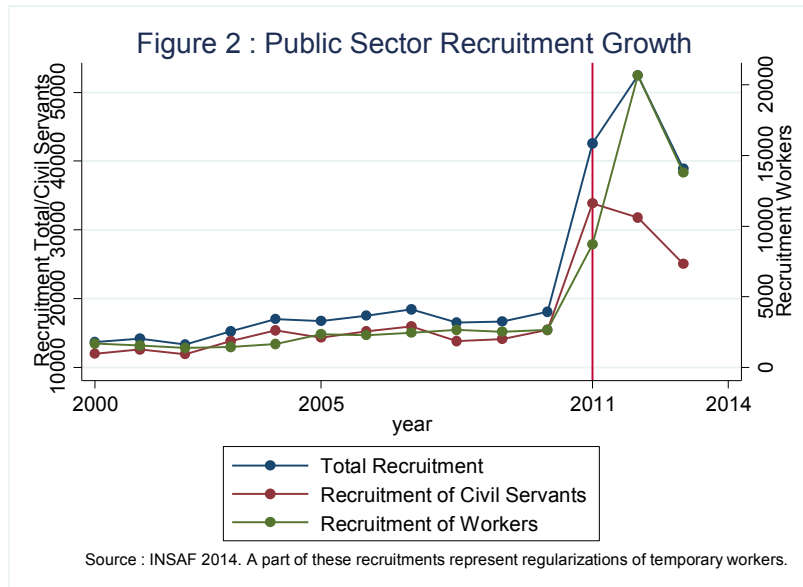
## 2. Public Sector Size

**This section analyzes the evolution of Tunisia's public sector staff numbers and wage bill before and after the Revolution.** The aim is to distinguish post-Revolution changes from long-term trends in public sector growth.

**Public sector staff numbers have followed a rising trend since 2000, and this trend accelerated after the Revolution** (Figure 1). The growth rate showed a marked increase in 2011 and remained higher than the pre-Revolution trend in 2012 and 2013. This is true for the number of public employees in absolute terms as well as in percentage of the labor force. The increase in staff numbers after 2011 thus does not represent a complete break with the past but rather an acceleration of the pre-existing trend.

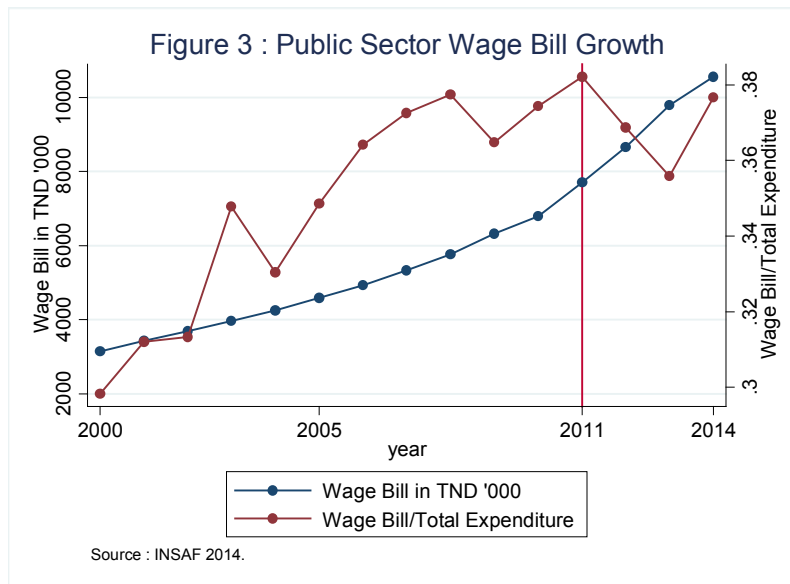


**An increase in recruitment, including the regularization of contract workers, is the primary driver of public sector growth** (Figure 2). Total recruitment more than doubled, growing from 18,115 employees in 2010 to 42,560 in 2011 and 52,448 in 2012.<sup>6</sup> The increase in recruitment is higher among workers, the number of whom multiplied sevenfold, growing from 2,663 recruits in 2010 to 20,650 in 2012 and 13,781 in 2013. Workers represented only 15 percent of hirings in 2010, but 39 percent in 2012.

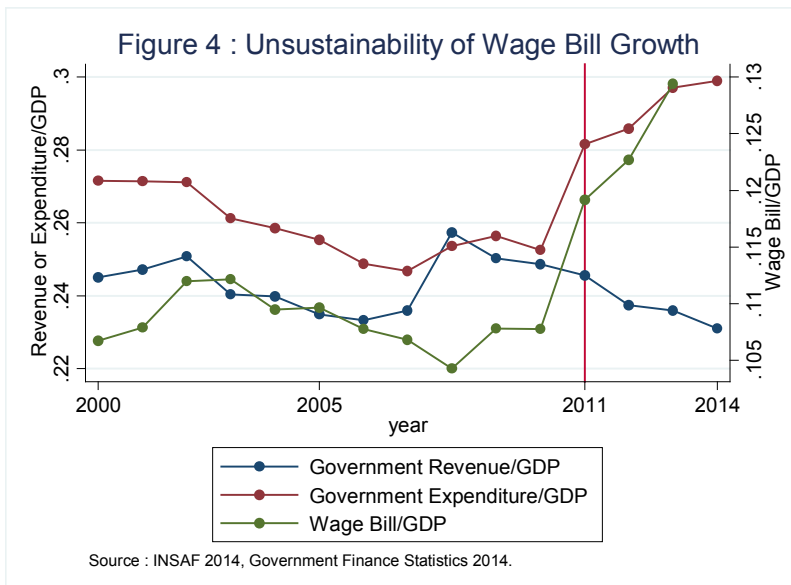


**The wage bill has shown constant growth since 2000, with a slight acceleration in 2011** (Figure 3). Similarly to staff numbers, there has been no clear trend break since the Revolution but rather an acceleration of a pre-existing trend. The share of the wage bill in total expenditures increased between 2004 and 2008 and has fluctuated around 37 percent since 2009.

<sup>6</sup> It should be noted that the 2010 figure refers to actual recruitment, while those for 2011 and 2012 include both new recruitment and the regularization of temporary workers.



**Wage bill growth has become increasingly difficult to control since the Revolution** (Figure 4). While public revenues fell from 24.9 percent of GDP in 2010 to 23.6 percent in 2013, with an even stronger fall in absolute terms, public expenditures increased from 25.2 percent of GDP in 2010 to 29.7 percent in 2013. Since the wage bill represents approximately 37 percent of total expenditures, as discussed above, its growth is an important determinant of the increase in public expenditures relative to GDP.



**Tunisia's public sector currently includes 583,000 employees in the central and regional administration and 33,000 in local authorities, as well as 180,000 employees in public companies** (CGFP 2014). Central administration employees are distributed across more than 25 ministries, many of which also have regional offices and administrative agencies. The five



largest ministries in terms of their wage bill in 2012 are the Ministries of Education, Health, Higher Education, Defense and the Interior (Figure A1). These ministries are also the largest contributors to wage bill growth from 2010 to 2012.

**Public sector employees are governed by one of seven different employment regimes:** the general regime for public employees in central and local state institutions of administrative nature (le Statut Général de la Fonction Publique, SGFP; Law 83-112 of December 12, 1983), which is the focus of this paper, and distinct regimes for the judiciary, members of the administrative court, members of the Court of Auditors, internal security forces, the military, and customs agents. There is also a general regime for employees of public non-administrative institutions, which covers employees in state-owned enterprises (SOEs).

**The public sector employment regimes are divided into approximately 130 professional groups.** Among the civil servants, for example, we find the group of teachers (representing 32 percent of employees and thus the largest public sector group), the group of engineers, and the group of general civil servants. Within each group, public employees are classified according to their level of education and are recruited under one of four categories: A, B, C, and D, with category A being the highest and containing three sub-categories (A1-A2-A3). Category A requires a university degree, category B a high school diploma, and categories C and D a middle school education. Workers are classified into units ranging from 1 to 3 according to their level of education (SGFP 83-112). There are also contract and temporary workers, who are not public employees.

**The General Committee of the Civil Service (CGFP), under the authority of the Prime Minister, is responsible for managing public sector employment policies.** The CGFP comprises the General Directorate of the Administration and Civil Service (DGAFP), the General Directorate of Training and Improvement of Competencies, and the Office of Organization of Public Departments. The CGFP's mission, as defined by decree 2010-258 of February 9, 2010, includes managing competitive recruitment examinations, conducting research on the modernization of the civil service, and developing reform programs.

### 3. Public Sector Performance Management

**This section examines Tunisia's public sector performance management system *de jure*, as defined by the general regime for public sector employees (SGFP)<sup>7</sup>, and *de facto*, as evidenced by a case study of the Ministry of Infrastructure (MoI).** We review performance management along the entire employment-cycle of a civil servant, including recruitment, evaluation, compensation and promotion. The case study allows us to provide data and concrete examples of performance management practices. The MoI was chosen because it has a relatively homogeneous workforce as compared to other ministries (mostly engineers and technical staff), which simplifies the task of performance management. Thus, to the extent that we identify challenges to performance management in this ministry, we believe that these challenges would be replicated and possibly amplified in other ministries and SOEs. The analysis focuses primarily

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<sup>7</sup> Only magistrates, military and security personnel, and employees of SOEs are exempt from the SGFP and are governed by autonomous statutes, which are not discussed in this paper.

on civil servants, although we highlight how performance management for contract and temporary workers differs from that of civil servants.

## Recruitment

**Civil servants are recruited competitively recruitment procedures (*concours*), which can be based on tests, diplomas, or *dossiers* (written applications).** The *concours* are supervised by the CGFP. The number of positions is negotiated between the ministry in question and the Ministry of Finance based on the budget allocated in the annual budget law. Only students from approved schools such as the *École Nationale d'Administration* (ENA) may be recruited through direct appointment, with terms and conditions set by the statute specific to each professional group.

**Workers are recruited using a simplified version of the recruitment system for civil servants.** They are recruited to a permanent position through tests or professional examinations whose terms are determined by the relevant professional statute. The candidates must be Tunisian nationals and at least 18 years old. Temporary workers are recruited by direct appointment on a revocable basis for a determined period, either to fill a vacancy due to lack of permanent staff or to replace a staff member. Contract workers are recruited by contract for specific projects for a limited period.

**Qualitative interviews convey the general sentiment that the civil service recruitment system was well-functioning before the Revolution.** The legal framework was geared to identifying talent and recruiting the most qualified civil servants. However, some interviewees suggest that a bias towards hiring candidates with support from the dominant political party may have *occasionally* undermined the meritocratic nature of the system. Hard evidence for this is of course difficult to obtain. Moreover, the system lacked strategic workforce planning, as recruitment was often based on budgetary capacities rather than on identified needs.

**After the Revolution, the situation changed significantly, with the introduction of a general amnesty.** Decree 2011-11 of January 19, 2011, provided a general amnesty for employees (including civil servants) who lost their positions before the Revolution due to certain transgressions specified in the decree. This decree gave former civil servants dismissed during the Ben Ali presidency the right to direct reintegration into the civil service, bypassing competitive recruitment. Decree 2012-3256 of December 12, 2012, determines the conditions for reactivating the careers of these former civil servants, allowing them to count the years worked in the private sector as if they had never left the civil service.

**Several exceptional provisions were approved to allow for direct recruitments with the aim of safeguarding social peace and stability.** Law 2012-4 of June 22, 2012, stipulated provisions for the direct recruitment of the wounded and other “martyrs of the Revolution” and those with general amnesty status. Direct recruitment was allowed for those wounded in the Revolution, for one member of each family of a victim and each person holding general amnesty, as per Decree 2011-1 of January 19, 2011. The remaining vacant positions were to be offered to the unemployed and candidates exercising an activity that “does not correspond to their educational status”. The recruitment for these positions featured an oral or practical exam, but no written

exams. In addition, the law also instituted a special program for recruiting one person from each household whose members were all unemployed. These exceptional recruitment provisions have thus put in place a recruitment process that is easier to manage than competitive recruitment, but targets a restricted group of candidates and imposes less stringent eligibility requirements.

**Another exceptional provision allowed for the regularization of contract and temporary workers.** This provision, stipulated by Decree 2011-483 of May 7, 2011, has led to the transitioning of large numbers of contract and temporary workers into permanent public employment. The decree has so far been extended three times, with the latest extension set by Decree 2014-2441 of July 3, 2014.

**These exemptions have led to a significant increase in recruitment** (Table 1). The total number of recruits more than doubled between 2010 and 2011, and remained at this high level from 2011 to 2013. The regularization of contract and temporary workers constituted between 25 percent (2011) and 35 percent (2013) of total recruitment. The ministries that were most active in regularizations between 2011 and 2013 are also among the largest in terms of workforce, namely the Ministry of Agriculture (10,921 regularizations), Health (6,988), Interior (5,056), and Higher Education (3,748). These ministries represent 75 percent of all regularizations. Direct recruitment was significant in 2013, contributing to 16 percent of total recruitments. The largest employers of direct recruits were the Ministries of Education (962 direct recruits), Health (818), and Agriculture (608), representing 39 percent of total direct recruitments. However, despite the significant contribution of regularizations and direct recruitment, competitive recruitment also nearly doubled and remains the main recruiting method.

**Table 1: Recruitment and Regularization in the Public Sector since the Revolution**

	Recruitment		Regularization			Total
	Competitive	Direct	Worker	Contract	Temporary	
2010	18,115	-	-	-	-	18,115
2011	30,580	1	265	4,968	2,704	38,518
2012	37,132	2	8,422	2,151	2,252	49,959
2013	21,950	6,149	4,051	4,316	1,484	37,950

Source: CGFP (2014)

**Based on our interviews with the CGFP and the MoI, it appears that the increase in recruitment was accompanied by a deterioration in the quality of competencies recruited,** a phenomenon that unfortunately cannot be illustrated with the data available to us. Regularizations and direct recruitment appear to have led to a decrease in the supervision rate and an over-representation of workers in the workforce. For example, 80 percent of the new employees allocated to the MoI through direct recruitment were workers. At the same time, restrictions on competitive recruitment<sup>8</sup> hinder the MoI from recruiting the technicians and engineers it requires to fulfill its functions. It is likely that the recent surge in recruitment has led to an inefficient composition of civil service staff.

<sup>8</sup> The MoI has not been authorized to organize competitive exams for technicians for the last two years.

### Box 1: State-Owned Enterprises as employers of last resort (World Bank 2014)

- **Recruitment and compensation policies for SOEs are more flexible than for the general civil service:** Recruitment procedures and compensation packages for positions in SOEs are determined by the relevant supervising ministry, in accordance with the SOEs statute (Law 85-78) or company-specific bylaws.
- **Salaries in SOEs are higher than in the civil service.** In 2012, the gross average monthly salary of SOE employees<sup>9</sup> was TND 1,450 versus TND 1,100 in the civil service. In addition, SOE employees receive more generous fringe benefits (e.g. for leave and retirement).
- **“This financial advantage as well as the complexity of the system and the lack of transparency of SOEs explains the temptation to create jobs in SOEs,”** according to the authors of the study entitled *Towards a Better Governance of State-Owned Enterprises in Tunisia* (World Bank 2014).
- **The number of employees in Tunisia’s SOEs has grown by 30 percent since the Revolution.** In 2010, the Tunisian government had approximately 100 SOEs, with 117,416 employees. In March 2014, the number of employees was estimated at 180,000. At least 17,000 contract workers have been hired into permanent positions in SOEs (CGFP 2014).
- **Recruitment and regularization into SOEs happens without regard to the firms’ economic performance.** For example, the number of employees of the Tunisian Chemical Group (GCT) increased from 5,000 in 2010 to 16,000 in 2012 while production declined from 8 million tons to 2.5 million tons over the same period.

## Evaluation

**Civil servants and workers are evaluated using a double rating system, consisting of an annual professional rating and a quarterly performance rating tied to a bonus paid in addition to the salary.**<sup>10</sup> The professional rating is attributed to each civil servant and laborer at the end of the year and is the sum of 5 grades out of 20 for the following criteria: work quality, work quantity, interpersonal relationships and conduct, attendance, and perseverance. The responsibility for making the assessment rests with the employee’s immediate supervisor. The supervisor is required to hold a meeting to inform the civil servant of the rating and discuss potential requests for modification.

**In practice, the annual professional rating lacks transparency and objectivity.** There are no goals or objectives which the rating could be based on, such as defined for example through an objective-setting meeting at the beginning of the year, and no benchmarks for evaluating the quantity and quality of work. The grading of conduct largely depends on the subjective assessment of the immediate supervisor. The evaluation meeting between employee and supervisor is almost never held.

**The professional rating also suffers from grade inflation,** with the majority of civil servants receiving ratings between 95 and 100. This impedes the distinction of high and low performing staff. In fact, some managers confirmed having ignored a CGFP note requiring them to differentiate the professional rating to obtain at a median grade of 80. In any event, the

<sup>9</sup> This excludes public health institutions.

<sup>10</sup> The SGFP stipulates no assessment for temporary or contract employees.

professional rating has little influence on promotions. It plays no role in test-based promotions and has thus been practically abandoned by the MoI over the past eight years. As regards merit or application-based promotions, which have become more frequent since the Revolution, the weighting given to the professional rating is marginal compared to seniority criteria (see the section on promotion for more details).

**The criteria for the performance bonus rating are similar to those used for the professional rating and have the same weaknesses.** The performance bonus rating evaluates the quantity of work (40 percent), the quality of work (40 percent), and attendance (20 percent). Most employees receive the highest possible grade, except if they have been absent, arrive late to work, or take sick leave. Even in these cases, the variable portion of the grade effectively represents only 20 percent, so that employees always receive close to the full bonus. Overall, the performance bonus rating varies less than the professional rating. Supervisors consider the performance bonus an additional fixed compensation and prefer to treat employees equally rather than to provoke queries, grievances, and internal conflicts by differentiating grades. To accommodate this situation, the compensation policy has been revised so as to include two-thirds share of the performance bonus as fixed part in the monthly salaries of a number of professional groups, including workers.

**Beyond the performance evaluation, supervisors also have disciplinary powers to sanction non-performing employees.** First degree sanctions include blaming and reprimanding. Second-degree sanctions, which must be handed down by a disciplinary committee, include a one-year delay in advancement<sup>11</sup>, temporary suspension, transfer with change of residence, or dismissal. The disciplinary committee convenes upon the issuance of a report by the immediate supervisor of the employee in question.<sup>12</sup>

**Our interviews suggest that first-degree sanctions are in common use, while the imposition of second- and third-degree sanctions is rare** (even though exact numbers are not available). At the regional level, however, both types of sanctions are used frequently. Dismissals, however, are extremely rare in all administrations.

## Compensation

**The compensation for public employees is governed by Decree 72-358 of November 21, 1972, and the current salary scale is set by Decree 2007-268 of February 12 2007.** This scale defines a base salary for civil servants, workers and temporary workers, depending on their category/unit and rank, with the latter indicating the civil servant's seniority (in years of service in the relevant category/unit). The base salary applies equally to all ministries and public sector institutions.<sup>13</sup> It is highest for civil servants, lower for temporary workers, and lowest for workers. The base wage increases by category/unit and rank.

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<sup>11</sup> See the section on promotions for an explanation of the advancement system.

<sup>12</sup> Temporary workers may also be dismissed and contract workers' contracts may be canceled (see Articles 101 and 109 of the SGFP).

<sup>13</sup> Salaries for employees of SOEs are set by specific statutes or agreements between the labor unions and the company in question. Contract workers are remunerated by contract.

**A large number of specific, special, and common allowances are added to the base salary.** The 37 specific allowances for the various professional groups are set by decree and by the particular statutes for each group. They constitute the largest element among the various types of allowances. There are also special allowances, which are limited to certain professional groups (for example, the collection allowance awarded to Ministry of Finance employees or the duty allowance granted to magistrates) or special situations (such as night work or being assigned to the Sahara region). In addition, all public employees receive common allowances, such as the mileage allowance, which varies according to category and professional group, the family allowance, and the performance bonus, which varies according to rank and performance bonus rating.

**Managerial allowances are granted for positions such as head of service, manager, and general manager,<sup>14</sup> in accordance with Decree 2006-1245 of April 24, 2006.** Managerial allowances include a duty allowance, a housing allowance, and a mileage allowance as well as fringe benefits (such as car, gas vouchers, and housing). However, these fringe benefits cannot be cumulated with the corresponding allowances. For instance, a civil servant who has an official car and gas vouchers is not eligible to receive a mileage allowance. For an illustration of the allowance systems in the MoI, see Table A1.

**Since 1993, the government and the Tunisian General Labor Union (UGTT) have negotiated salary increases for public employees every three years.** Prior to 2011, seven three-year salary increase programs had been put in place. However, these regular increases primarily apply to the specific allowances. The other allowances as well as base salaries are revised sporadically through amendments through the relevant decrees and laws.

**Tunisia's public sector compensation system is extremely complex,** combining a base salary and a multitude of allowances that vary according to an employee's professional group, category or unit, and rank. The specific allowance is usually of similar size as the base salary and higher than the base salary for certain groups such as doctors, magistrates, and engineers. Attempts have been made to integrate part of the specific allowances into the base salary, for example when the previously used index method was replaced by the first salary scale by Decree 97-1832 of 1997, or when the base salary was last revised by Decree 2007-268 of 2007. However, these changes did not achieve a significant reduction in compensation gaps between the various professional groups.

**The system's lack of transparency and the fragmentation of interest groups have led to case-by-case wage negotiations with sectoral unions, further increasing the system's complexity.** Since 2011, the government has had to deal with strikes and demands from dozens of professional groups.<sup>15</sup> The demonstrators primarily demand the creation of specific allowances or increases in existing ones. In addition there are demands for the creation of annual or sectoral allowances that take collective and personal performance into account. The three-year cycle of salary negotiations was broken in 2011 when the government granted an exceptional salary increase that was higher than in previous years. The government later added another exceptional increase for 2012–2013. In addition, over 45 new special and specific allowances were created, 16 types of allowances were increased, and the eligibility conditions for certain allowances were

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<sup>14</sup> Only A1- and A2-level employees may fill these positions.

<sup>15</sup> See notes 1–3.

revised. The amount of the concessions granted to each professional group appears to depend on the strength of its union and its collective action power. The group members' socioeconomic situation and actual needs are rarely a determinant of compensation changes (cf. the 2014 CGFP report on compensation).

**Other challenges are the disconnect between compensation and performance, and the fact that salary differentiation between professional groups impedes mobility across ministries.**

The performance bonus is very small compared to the salary and allowances, and has even decreased in size through its partial integration into the base salary. Besides, the bonus is de facto affected only by attendance but not by quality of work. In contrast to the bonus, the specific allowances for certain professional groups are large. This complicates staff reassignments across professional groups or ministries, as they can result in a significant financial loss to the employee and also entail various bureaucratic hurdles.

**Despite successive salary increases and the proliferation of allowances, public sector salaries are not competitive if compared to the private sector.** According to a 2011 survey of Tunisia's salary structure, the average monthly salary (including all bonuses and benefits) of an engineer in the private sector was TND 2,085. An engineer in the public sector would need more than 20 years of experience to earn the same amount. The starting salary for an A1-category engineer (at the lowest level for all allowances) was TND 1,222 in 2013, while the total salary for an engineer with 25 years of experience and receiving the highest level of all allowances was TND 2,276. According to interviews with engineers from the MoI, the salary available in the private sector is two to three times higher for an engineer at the beginning of his or her career and three to four times higher for an engineer with 25 years of service. The salary paid by SOEs is approximately double that paid in the public administration. Given this wage gap, many engineers contemplate leaving the public sector or choose to work on private sector projects in addition to their civil service job. At the recruitment stage, the low level of public sector compensation means that the *concours* attract a limited pool of applicants, who are either intrinsically motivated to work in the public sector, or were not or did not expect to be successful when applying for a private sector job.

**Box 2: The Exceptional Bonus (also known as the *Exceptional Worker Award*)**

- Created in 1997 and governed by Title VI of the SGFP.
- Awarded to an employee who “devised a tool,” “saved the administration from serious damage,” or “showed a high degree of perfection.”
- Can take the form of a promotion to the next higher category/unit, advancement of one or several ranks, or an overall bonus of an amount determined on a case-by-case basis.
- Chosen by the President from proposals submitted by the relevant ministry and according to the number of recipients determined by a national commission within the Prime Minister's office.

## Promotions

**Even before being eligible for promotion, public employees automatically advance within their grade from one rank (echelon) to the next,** based on a timetable defined for each professional group. In most cases, the advancement occurs annually for the first four years and biannually for the remainder of the employee's career.<sup>16</sup>

**Promotion from one grade to another is open to civil servants with at least five years of experience in their grade and takes place in one of three ways:** (i) following a training course organized by the administration; (ii) through choice based on merit; or (iii) through internal competitive procedures.<sup>17</sup> Merit-based promotions are available to civil servants “classified in order of merit on a waiting list drawn up in consultation with the relevant joint administrative committee” (Sub-heading 1, Chapter II of the SGFP). Internal competitions can be based on professional exams (oral or written) or on a written application. The promotion of workers follows a process similar to that for civil servants. It is based on a test or professional examination, organized at the discretion of the relevant joint administrative committee.<sup>18</sup>

**Before the Revolution, most promotions were based on competitive exams.** Promotions based on applications were only used for the highest grades within each professional group. Competitive exams were managed centrally by the CGFP and allowed for testing the specific competencies required for the target position. Although competitive exams are often considered the most objective promotion mechanism, it is not without its problems. For example, there are risks that test questions are leaked.

**During the 1990s and 2000s, there was approximately one promotion round a year for each professional group and employment category.** However, a few years before the Revolution, the pace of promotions began to slow, creating a rise in average seniority in each category. As promotion was seen as a right acquired through seniority, the reduced pace of promotions impeded the advancement of high-performing young civil servants. They had to cede the few opportunities for promotion to their senior colleagues.

**After the Revolution, the government exceptionally encouraged promotions based on applications instead of competitive exams,** as per the internal note of June 11, 2011, and a decree of October 2012. The objective of this measure was to quickly promote a large number of public employees who had not benefited from promotions during the preceding years and thus improve the social climate. Application-based promotions are suitable for this purpose, as they are easier to organize than test-based competitions.<sup>19</sup>

**The number of promotions authorized and executed by the MoI has more than tripled since 2011.** While approximately 150 promotions per year were authorized in 2010 and 2011,

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<sup>16</sup> Contract and temporary workers are the only groups not eligible for advancing from one grade to the next.

<sup>17</sup> Each ministry can choose between internal promotion and external recruitment to fill vacancies based on determined margins and budget allocations set by the budget law. Training is the only means of promotion for certain professional groups, such as doctors.

<sup>18</sup> Contract and temporary workers are not promoted but may receive a new contract for a higher-level position.

<sup>19</sup> In this sense, competition by application closely resembles merit promotion, which follows the ranking established by the last three years' professional ratings, completed training programs, and grade seniority.



this number has grown to more than 400 in 2012 and 2013. Added to these is the remainder of the preceding promotion cycles that had been on hold since before the revolution. As a result, 2012 saw 663 promotions, representing over 10 percent of the Ministry's personnel.

**The MoI's assessment criteria for application-based promotions are transparent but subjective, and emphasize seniority over performance.** To illustrate this, Table A2 presents the assessment criteria for promotions to the grade of General Engineer or Administrator. The assessment is done by the immediate supervisor and based on documentation provided by the candidate. Seniority represents 50 percent and 45 percent of the final grade respectively. Performance evaluation counts for only 20 percent of the final grade and is evaluated on a case-by-case and subjective basis, as is the case for the professional rating.<sup>20</sup> The conduct and attendance evaluation, which represents 10 percent of the grade for promotion to Administrator, is of little relevance, as the grade is below the maximum value for just three out of 23 candidates in this specific promotion round. The assessment criteria for application-based promotions thus serve to maintain a veneer of performance-focus and transparency in a promotion system that is de facto based on seniority.

**In some other ministries, promotions have been conducted without any performance assessment.** Indeed, the Ministry of the Interior, the Ministry of Justice, and the Customs Administration have automatically reclassified the active professional groups, thus creating generalized promotions. The purpose of this measure was again to prevent tensions within these unionized professional groups, whose operations are crucial to the country's security.

#### 4. Past Reform Attempts

**Although the current challenges in Tunisia's public sector emerged mostly after the revolution, the seeds for these challenges had been present long before.** The public sector was considered the motor of development in Tunisia in the 1960s and 1970s. With the beginning of the Ben Ali Presidency in 1987, however, there were attempts to reduce the administration's sphere of influence and modernize it. This section discusses the different reform attempts and their modest impact on the ground.

**The first significant reform attempt was started in 1989, when a commission consisting of senior public officials and academics held a seminar on modernizing the administration.** The proceedings of the seminar proposed that the weaknesses in the system be analyzed and that a list of specific recommendations be compiled. The primary conclusions of the seminar relate to the four pillars of performance management (recruitment, evaluation, compensation, and promotion), but the commission went beyond this and also reflected upon public sector management in general. The commission advocated an ambitious reform of working methods, including objectives-based management, more precise definitions of tasks and responsibilities, and the encouragement of team work. It also recommended a methodological reflection by each administrative division and a reform of initial training, research, and administrative studies (Tunisian Republic; DGAFP 1989).

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<sup>20</sup> The professional rating is technically different from the evaluation given for the promotion, but the grades are usually the same.

**Many of the current weaknesses in the performance management system were identified in 1989 already.** The modernization seminar's conclusions in Table 2 demonstrate this. Among the identified weaknesses are direct recruitment, irrelevant performance criteria, inflated performance appraisals, the missing link between performance and promotion, a complex and opaque compensation system, and a constant and rapid increase in the wage bill.

**Table 2: Conclusions from the Seminar on Modernizing the Administration, 1989**

<b>Recruitment</b>	<b>Weaknesses:</b> <ul style="list-style-type: none"> <li>• The Ministries of Education and Health bypass competitive processes and recruit directly;</li> <li>• Competitive processes are often burdensome to manage and poorly adapted to the desired profiles;</li> <li>• The probationary internship is not evaluated and tenure is practically automatic.</li> </ul>
	<b>Recommendations:</b> <ul style="list-style-type: none"> <li>• Raise recruitment standards and relate these to diplomas earned;</li> <li>• Develop direct appointment paths for graduates from specific schools;</li> <li>• Preselect candidates through competitive examinations;</li> <li>• Appoint a trainer supervisor for each trainee and evaluate each training program.</li> </ul>
<b>Evaluation</b>	<b>Weaknesses:</b> <ul style="list-style-type: none"> <li>• Employee performance and the quality of service are low;</li> <li>• Poor assiduity and discipline are common and go unpunished;</li> <li>• Professional grades are subjective and unrelated to the behavior or performance of the employee, with the majority of employees scoring 100 percent;</li> <li>• Grades do not affect compensation or promotion.</li> </ul>
	<b>Recommendations:</b> <ul style="list-style-type: none"> <li>• Review criteria for evaluating professional performance and introduce bonuses to link compensation to performance;</li> <li>• Introduce checks of absences and sick leave;</li> <li>• Reform the disciplinary system by expanding the range of sanctions and speeding up the enforcement of first-degree sanctions;</li> <li>• Decentralize disciplinary authority.</li> </ul>
<b>Compensation</b>	<b>Weaknesses:</b> <ul style="list-style-type: none"> <li>• Wage bill increases rapidly;</li> <li>• The remuneration system is complex due to the multitude of allowances and differences between professional groups;</li> <li>• Allowances constitute a significant portion of overall salaries.</li> </ul>
	<b>Recommendations:</b> <ul style="list-style-type: none"> <li>• Replace the index system with a base salary scale;</li> <li>• Put an end to the proliferation of allowances;</li> <li>• Create financial incentives for postings in rural areas.</li> </ul>
<b>Promotion</b>	<b>Weaknesses:</b> <ul style="list-style-type: none"> <li>• Internal candidates are given preference over external candidates;</li> <li>• Competitive testing is neither rigorous nor objective;</li> <li>• Continuing education and resulting internal promotions are underdeveloped;</li> <li>• Choice-based promotions are conducted without regard to the candidates' merit;</li> <li>• Competition for civil service jobs leads to a multiplication of structures.</li> </ul>
	<b>Recommendations:</b> <ul style="list-style-type: none"> <li>• Ensure that 70 percent of recruitment is external, at least for category A positions;</li> <li>• Limit the number of permissible attempts in internal competitions;</li> </ul>

	<ul style="list-style-type: none"> <li>• Organize training for internal competitive examinations;</li> <li>• Review continuous education courses and target homogeneous professional groups;</li> <li>• Limit civil service employment to a five-year renewable term.</li> </ul>
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Source: Tunisian Republic; Direction Générale de l'Administration de la Fonction Publique (DGAFP) 1989.

**Although relevant reform recommendations were made and some were implemented, actual changes in performance management have been marginal.** For example, work quality and quantity criteria were introduced for the professional performance rating, while attendance criteria were introduced for the performance bonus rating. However, the assessment of work quality and output remains subjective, attendance is weighted lightly, and the spread of scores is narrow. The link between the professional rating on the one hand and compensation and promotion policies on the other hand remains weak. Also, replacing the index compensation system with a base salary scale did reduce the complexity of the compensation system.

**Further attempts at modernizing the civil service were launched in 1996, and again during 2007–2011, a reform period recognized for its consultative nature.** An important result of the 1996 reform initiative was the introduction of the INSAF human resources management system in 2002 (OECD 2010). The 2007-2011 administrative development strategy was part of the 11th development plan and intended to facilitate Tunisia's integration into the global economy. Public consultations on an unprecedented scale brought together government executives, external experts, donors, and international organizations. 2008 was the most active reform year, with Expert Committees formed in January, a national workshop held in July, and reform documents published for an online discussion in September. This participatory approach was meant to increase reform transparency and gather the support of various stakeholders. The basis for the consultations was the triennial negotiations framework between the UGTT and the government, as these negotiations had evolved from wage negotiations to general discussions about human resources management in the public sector (OECD 2010, Tunisian Republic 2007).

**The 2007-2011 administrative development strategy targeted challenges and proposed reforms similar to those suggested by the 1989 Commission.** This list of problems that persisted from the 1980s to the 2000s included poorly managed competitive exams, the irrelevance of professional evaluation criteria, the disconnect between performance, compensation and promotion, restrictions to inter-ministerial mobility, and the complexity of the compensation system. The proposed reforms were focused on revising performance indicators, reforming the recruitment system, improving training, and strengthening the connection between performance and promotion. However, the reform document lists only overall objectives and makes no mention of specific actions. It is not clear what impact the administrative development strategy had, apart from the introduction of a voluntary retirement program for civil servants aged 57 to 60 in 2008 (OECD 2010).

**The administrative development strategy was accompanied by donor-led projects which, just like the strategy itself, had limited impact on the ground.** The partners for these projects were the United Nations Development Program (UNDP), the French General Directorate of Administration and Public Services (DGAFP), and the European Union.

**The UNDP's Public Administration Modernization Program (MODAP) was launched in 2009 and aimed at improving administrative governance in the Citizens Relations Office.**

The program's activities included a functional assessment of the services provided by the Citizen Relations Office, a review of quality control standards set by the Office of the Prime Minister, and an awareness raising campaign on e-governance (UNDP 2012). However, the program was abandoned midway, due to the Revolution, and the UNDP admitted in its evaluation report that "The project experienced delays, some websites were poorly constructed and inadequately coordinated between the different stakeholders, and the management team changed twice within one year." Moreover, the program was faced with "resistance to change" (UNDP 2011).

**At the bilateral level, Tunisia's CGFP started a technical assistance partnership with the French DGAFP in 2007.** The current partnership agreement is for 2012–2015 and covers a range of reform areas, including civil service mobility and career paths; social dialogue with the civil service; job and skills management (including a database of competencies); the development of a follow-up system and of strategic planning to facilitate decision making in the public sector; the development of the skills of those involved in central administration training; and experimentation of a new service approach based on users' "life events" (CGFP 2012). An assessment of the impact of this technical assistance partnership is not yet available.

**Although the weaknesses of performance management in Tunisia's public sector have been known for decades, little is known about the political economy reasons for reform failure.** The 1989 and 2007 reform strategies identified the same challenges that persist today, including direct recruitment, the lack of evaluation, and the complexity of the compensation system. The 1989 study also made concrete and relevant reform proposals which were reiterated in later reform programs, but were implemented partially at best.

## 5. Conclusion and Outlook

**This paper has examined public sector size and performance management in post-Revolution Tunisia, drawing on macro-empirical, legal and qualitative analyses.** We first show that public sector employment figures and the wage bill have increased significantly since the 2011 Revolution, but that this represents merely an acceleration of the previous trend. We then show that Tunisia's legal framework for performance management is, *de jure*, well-designed for recruiting the most skilled candidates into the public sector and promoting the most high-performing employees, but the system is weakened by insufficient performance evaluation and an opaque compensation scheme. *De facto*, the link between an employee's performance and her evaluation, compensation and promotion is weak. This is particularly true during the post-Revolution period, in which a number of ad-hoc arrangements multiplied divergences between the legal basis for performance management and its application. Finally, we provide evidence that past reform attempts have not been able to address the above-mentioned structural weaknesses, although they have been known for decades.

**Given the persistence of the identified weaknesses in Tunisia's performance management system, these must be seen as structural weaknesses rather than temporary divergences.** The non-sustainability of the salary system is a result of these structural weaknesses in the system, not simply a side effect of the Revolution. It follows that any reform aimed at reducing the wage bill can only be succeed hand in hand with a reform of the performance management system.

**Future reform efforts should begin with an in-depth study of previous reform efforts and the reasons for their lack of success.** To identify the obstacles to reform, it is important to first recognize the stakeholders in the reform process, namely political parties, labor unions, donors, and public employees. The objectives of these actors must then be examined along with the way in which the reform proposals affect them. The final step involves an analysis of the decision-making process, including consensual negotiations, unilateral decision making, and dominant players. It would also be useful to reflect upon the intended role for the public sector in the country, whether it be as employer of last resort, social safety net, instrument of patronage and political cooptation, or service provider.

**Reforms to reduce the wage bill should disentangle the complex web of base salary, bonuses and allowances, and revise recruitment and promotion policies.** Workforce reduction can be carried out via layoffs, early retirement, or reduced recruitment. These initiatives may be accompanied by other measures aiming at rationalizing spending, including the modernization of processes and the pooling of certain functions. Clearly, these measures may have a negative impact on the morale and performance of public employees. Moreover, they could also be circumvented through complementary reforms. For example, mass promotions or increased allowances may make salary cuts ineffective in reducing the total wage bill. Similarly, an early retirement program will not reduce the wage bill if direct recruitment and automatic promotions continue. To determine the impact of any intervention, the interactions between the various aspects of performance management should be taken into account.<sup>21</sup>

**To prevent budget austerity measures from being overturned, these must be complemented with strategic management of staffing, budgets and competencies.** Strategic management is based on a sound understanding of skills requirements for different tasks and of current and desired supervision ratios in different ministries. Strategic management would allocate available resources to achieving the public sector's objectives in terms of service provision. As it requires setting objectives and targets, strategic management would also facilitate the performance evaluation of individual employees and teams, and strengthen the link between performance on the one hand and compensation and promotion on the other.

**In countries with low-level administrative capacities, centralizing personnel and budgetary control is often a significant element of public management reform.** A centralized system for collecting information, evaluating performance, and setting compensation policies can facilitate the identification of fictitious jobs and the application of fiscal compliance in compensation. For Tunisia, strengthening centralized management means extending the INSAF system and accelerating the inclusion of all contract, temporary, regional, and SOE employees in the database.

**However, an examination of the advantages and disadvantages of centralizing performance management is recommended.** Some OECD countries have started replacing central controls by a more decentralized system that delegates certain recruitment, promotion, and compensation

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<sup>21</sup> To simplify the compensation system, the CGFP is currently designing a project to replace in-kind benefits by allowances that are then integrated in the base salary. In particular, the project would replace fuel vouchers by a bonus indexed to the fuel price. The project would also create a support fund to allow civil servants to buy their own car rather than request a service car.

decisions to the ministries. In fact, if the ministries have better information than the central administration on their work programs and required competencies, delegation can make personnel management more efficient and lighten the workload of the central administration. However, delegation requires sound budgetary discipline and clear and transparent rules, and may complicate the total wage bill analysis.

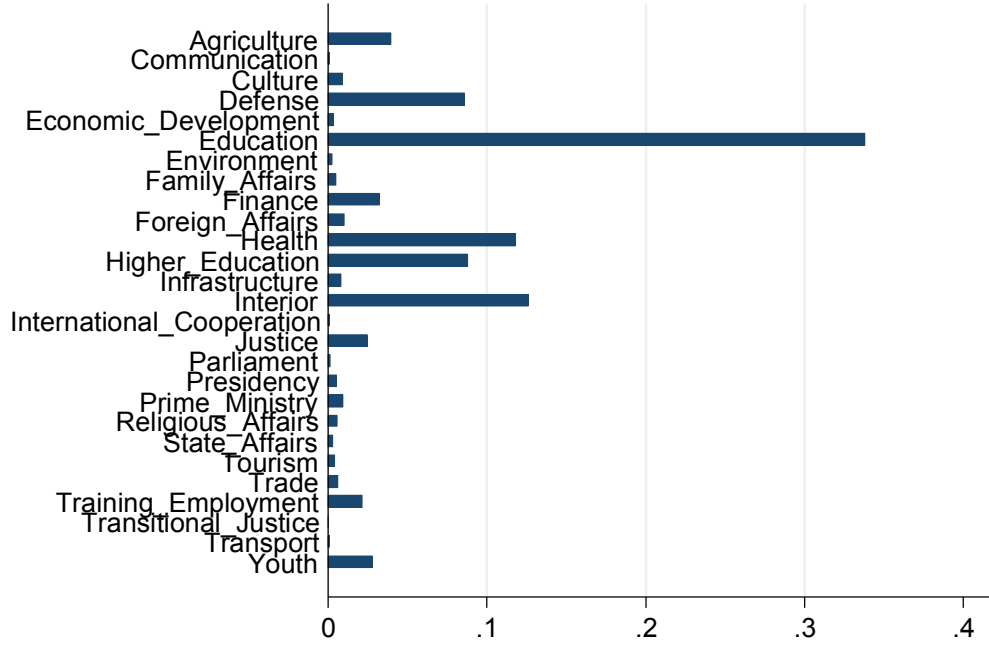
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Figure A1 : Ministries by Share in Wage Bill



Source : INSAF 2012.

<b>Table A1: MoI Special, Common, and Functional Allowances</b>				
<b>Allowance Group</b>	<b>Type of Allowance</b>	<b>Recipients</b>	<b>Monthly Total (in TND)</b>	<b>Determining Factors</b>
Common allowances	Family	All statuses (civil servants, workers, temporary, contract)	7.320-27.345	Number of children, spouse's work situation
	Mileage	All	17.25-39.00	Status, grade/unit
	Housing	Some occupational groups	15-60	Status, grade/unit
	Performance bonus	All	13.333-133.333	Status, grade/unit
Special Allowances	Special allowance	MoI corps of engineers, technicians and workers	11-95	Grade/unit
Managerial Allowances	For managerial positions	Managerial positions	200-500	Position
	Mileage*	Managerial positions	50.7-97.5	Position
	Housing*	Managerial positions	35-75	Position
	Special allowance supplement	Managerial positions, corps of engineers and technicians	55-100	Position
	Special allowance supplement	Managerial positions, corps of administrative staff	60-120	Position
	In-kind benefits <sup>x</sup>	Managerial positions	Car + 135-360 liters of gas	Position

\* Replaces the common mileage and housing allowance.

Source: Ministry of Infrastructure 2014.

**Table A2: MoI Assessment Criteria for Application-based Promotions**

<b>Promotion to the grade of General Engineer (2012)</b>		<b>Promotion to the grade of Administrator (2013)</b>	
<b>Criterion</b>	<b>Weighting (percent)</b>	<b>Criterion</b>	<b>Weighting (percent)</b>
Overall seniority	30	Overall seniority	25
In-grade seniority	20	In-grade seniority	20
Education	5	Education	10
Professional development (participation and supervision of seminars and training, research and publications)	25	Completion of training courses	15
Work quality (contribution to projects/studies, quality of analysis and recommendations)	20	Rating attributed by the immediate supervisor	20
		Conduct and attendance	10

*Source:* Ministry of Infrastructure 2014.