



**CARNEGIE**  
ENDOWMENT FOR  
INTERNATIONAL PEACE



# **BETWEEN PERIL AND PROMISE**

**A New Framework for  
Partnership With Tunisia**

Marwan Muasher, Marc Pierini, and Alexander Djerassi

APRIL 2016



**CARNEGIE**  
ENDOWMENT FOR  
INTERNATIONAL PEACE

---

# **BETWEEN PERIL AND PROMISE**

**A New Framework for  
Partnership With Tunisia**

Marwan Muasher, Marc Pierini, and Alexander Djerassi

© 2016 Carnegie Endowment for International Peace. All rights reserved.

Carnegie does not take institutional positions on public policy issues; the views represented herein are the authors' own and do not necessarily reflect the views of Carnegie, its staff, or its trustees.

No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the Carnegie Endowment. Please direct inquiries to:

Carnegie Endowment for International Peace  
Publications Department  
1779 Massachusetts Avenue, NW  
Washington, DC 20036  
P: +1 202 483 7600  
F: +1 202 483 1840  
[CarnegieEndowment.org](http://CarnegieEndowment.org)

This publication can be downloaded at no cost  
at [CarnegieEndowment.org/pubs](http://CarnegieEndowment.org/pubs).

# Contents

<b>About the Authors</b>	<b>v</b>
<b>Summary</b>	<b>1</b>
<b>Foreword</b>	<b>3</b>
<b>Introduction</b>	<b>5</b>
<b>The Tunisian Experiment Is in Jeopardy</b>	<b>6</b>
<b>Identifying the Obstacles to Progress</b>	<b>8</b>
<b>Time for a New Approach: A Framework for Partnership</b>	<b>14</b>
<b>Recommendations</b>	<b>17</b>
<b>Conclusion</b>	<b>28</b>
<b>Notes</b>	<b>29</b>
<b>Carnegie Endowment for International Peace</b>	<b>33</b>



---

## About the Authors

**Marwan Muasher** is vice president for studies at Carnegie, where he oversees research in Washington and Beirut on the Middle East. Muasher served as foreign minister (2002–2004) and deputy prime minister (2004–2005) of Jordan, and his career has spanned the areas of diplomacy, development, civil society, and communications.

Muasher began his career as a journalist for the *Jordan Times*. He then served at the Ministry of Planning, at the prime minister's office as press adviser, and as director of the Jordan Information Bureau in Washington. In 1996, Muasher became minister of information and the government spokesperson. From 1997 to 2002, he served in Washington again as ambassador, negotiating the first free-trade agreement between the United States and an Arab nation. He then returned to Jordan to serve as foreign minister, where he played a central role in developing the Arab Peace Initiative and the Middle East road map. In 2004, he became deputy prime minister responsible for reform and government performance and led the effort to produce a ten-year plan for political, economic, and social reform. From 2006 to 2007, he was a member of the Jordanian Senate. From 2007 to 2010, he was senior vice president of external affairs at the World Bank.

He is the author of *The Arab Center: The Promise of Moderation* (Yale University Press, 2008) and *The Second Arab Awakening and the Battle for Pluralism* (Yale University Press, 2014).

**Marc Pierini** has been a visiting scholar at Carnegie Europe since September 2012; his research there focuses on developments in the Middle East and Turkey from a European perspective. Pierini was a career EU diplomat from December 1976 to April 2012. He was EU ambassador and head of delegation to Turkey (2006–2011), to Tunisia and Libya (2002–2006), to Syria (1998–2002), and to Morocco (1991–1995). He was the first coordinator for the Euro-Mediterranean Partnership, or the Barcelona Process (1995–1998), and the main negotiator for the release of the Bulgarian hostages from Libya (2004–2007). Pierini served as counselor in the cabinet of two European commissioners: Claude Cheysson (1979–1981) and Abel Matutes (1989–1991).

He has published three essays in French: “Le prix de la liberté” (Actes Sud, 2008), “Télégrammes diplomatiques” (Actes Sud, 2010), and “Où va la Turquie?” (Actes Sud, 2013). Pierini is a member of the International Council of the Museum of European and Mediterranean Civilizations in Marseille. He tweets @MarcPierini1.

**Alexander Djerassi** is a nonresident associate at the Carnegie Endowment for International Peace, where his research focuses on Tunisia and U.S. foreign policy toward the Middle East and North Africa.

From 2009 to 2012, Djerassi was chief of staff and special assistant in the Near Eastern Affairs Bureau of the U.S. Department of State, covering U.S. relations with Arab states, Israel, and Iran. He worked on a wide range of matters, including democratization and civil society in the Arab world, the Arab uprisings, and Israeli-Palestinian peace. Djerassi has served as a U.S. representative to the Friends of Libya conferences, Friends of the Syrian People conferences, U.S.-GCC Strategic Coordination Forum, and several UN General Assemblies.

---

## Summary

Tunisia's inclusive democratic development and its resolve against terrorism have won it widespread admiration. But five years after the revolution, internal headwinds and regional whirlwinds continue to bedevil the country, jeopardizing its democratic transition. Tunisians are still waiting for the social and economic grievances that provoked the 2011 revolution to be addressed. To halt the country's troubling trajectory, address its socioeconomic challenges, and help achieve the revolution's aims of prosperity, freedom, and dignity, Tunisia and its international partners need a new approach—a Framework for Partnership that couples Tunisian-led reform actions with coordinated and intensified international assistance.

### Tunisia's Transition Is Stalling

- Beset by corruption, legal, bureaucratic, and security challenges, the Tunisian economy is hurting. Promised growth, development, and infrastructure projects have yet to materialize. Disillusionment among Tunisians is increasing and with it the risk that the consensual fabric that has kept the country afloat and moved it forward may tear.
- A slide into instability would leave Tunisia more vulnerable to terrorism, add to the crisis in Libya and uncertainty in Algeria, and send thousands more Tunisians into the arms of extremist groups or to join the migrant journey to Europe.
- Success and stability in Tunisia would demonstrate the potential for a pluralist and accountable political system in the Arab world and suggest a foundation for tackling the region's systemic challenges.
- Tunisia's financing needs are not massive. In fact, modest levels of focused and strategic support could have an outsized impact if leveraged effectively. To date, international coordination and follow-through has been lacking, making hard choices about meaningful reforms more difficult.
- Tunisians have to do their part. Too much assistance and too many projects are mired in a bureaucratic morass inherited from the previous regime. Unless in the first instance Tunisians are able to work around that morass and in the long term revitalize core government functions, no level of international support will make any difference.



### A Pragmatic Approach to Tunisia's Success

- The Tunisian government and its core international partners should establish a new Framework for Partnership based on reciprocal commitments in five complementary areas.
- Tunisia's core international partners, with Tunisian cooperation, could:
  - Intensify engagement with and assistance to Tunisia to help support urgent priorities.** International participation in a Framework for Partnership should be robust, including through financial aid and trade concessions, and should incentivize those actions that will make international assistance more effective and encourage economic growth.
- The government of Tunisia, with international support, could:
  - Lead a G7+ coordination mechanism for economic assistance to foster transparency, accountability, and follow-through.** Tunisia's core international partners should participate in the effort, with civil society and private-sector actors associated as needed. An assistance coordination mechanism can help to generate and advance high-priority reciprocal commitments from all parties.
  - Revitalize public outreach and launch an inclusive dialogue with all stakeholders about public policies and new laws.** Political games have sapped citizen confidence in the reform process. Unless the government rededicates itself to genuine and rigorous consultation with civil society, reform efforts will remain grounded.
  - Advance reforms that can gain public buy-in and remove obstacles to economic growth, particularly in marginalized communities.** Prioritizing, drafting, passing, and implementing these reforms, as well as improving the overall capacity of the parliament, is a substantial undertaking on which Tunisian and international actors must continue to focus.
  - Establish a fast-track mechanism to implement projects aimed at fostering economic and social development and creating jobs.** New procedures for cross-ministerial coordination, procurement, and security for development projects are needed to transform domestic and external financing into concrete results for Tunisians, particularly youth and marginalized communities.
- The G7 summit in May 2016, the United Nations General Assembly in September, and Tunisia's anticipated fall investment conference are opportunities to formulate this partnership and put it into action, initially by launching and empowering its coordination and fast-track mechanisms. As Tunisia's partners show further commitment to the country's transition and the Tunisian leadership moves forward on reforms and project delivery, a powerful dynamic could ensue, with each party's steps making the other's more effective.

---

## Foreword

The prescriptions for Tunisia's ills are known and have been debated and documented by experts, international financial institutions, development organizations, and—most importantly—by Tunisians themselves. This paper is not intended to provide an alternative set of prescriptions. Instead, it seeks to provide a framework for action that gives Tunisians and their international partners a better chance of applying those prescriptions and ensuring they deliver.

Over the past six months, together with Carnegie colleagues, the authors have led a series of structured consultations with Tunisia's leadership, elected representatives, political parties, businesspeople, trade unions, civil society organizations, and international partners to help identify the contours of such a framework. This effort approached the issues with humility and recognition that only Tunisians should determine their country's course.

With renewed energy and focus from Tunisia's leadership—and from its many international partners—Tunisians may yet realize the hopes and aspirations they have pursued with such remarkable courage.



---

## Introduction

The Tunisian experiment is teetering on a knife's edge between peril and promise. As the Arab country with the best chance to consolidate a peaceful transition from dictatorship to democracy in the near term, Tunisia's success or failure will reverberate across the Arab world and the Mediterranean.

In this small nation of fewer than 11 million inhabitants,<sup>1</sup> the international community faces a daunting and underappreciated challenge. Since the revolution of January 2011, the Tunisian people have peacefully deposed a dictator, conducted extensive and inclusive political dialogue, ratified a remarkably progressive constitution, and held several rounds of free and fair elections. The country's recent democratic development owes much to the unique ability of opposing political and civil society forces to compromise on entrenched positions and to respect the democratic process. Tunisia's democratic architecture has been revamped and is currently being completed by a set of new institutions in the making. Yet those who triggered the largely peaceful revolution with calls for employment, freedom, and national dignity are still waiting for material results; in fact, five years later some fear that their lot will not improve and that corruption and authoritarian tendencies in the state are reemerging.

While progress is being made establishing the country's democratic hardware, the software still lags behind. The hopes generated by the revolution remain unfulfilled, and the daily lives of Tunisian citizens have become more difficult, leaving room for extremist political narratives and recruiters from terrorist groups advertising a salary and a sense of purpose. Countries undergoing a political transition regularly face economic and political challenges, but the situation in Tunisia has become dangerous; antigovernment riots in Kasserine that spread across the country in January 2016 and terrorist attacks in Ben Guerdane in March 2016 are warnings that should be heeded. "Each one of us here is a time bomb," a protest organizer in Kasserine told the *Financial Times*.<sup>2</sup> Even before these tremors, 83 percent of Tunisians believed in 2015 the country was headed in the wrong direction.<sup>3</sup>

The United States and other Western countries have promised to help secure Tunisia's democratic transition; billions in foreign assistance and loans have been pledged and repledged. Government sources estimated in December 2015 that \$7 billion worth of loans and assistance had reached the country since the 2011 revolution, with more on the way. Tunisia's

---

**The hopes generated by the revolution remain unfulfilled, and the daily lives of Tunisian citizens have become more difficult, leaving room for extremist political narratives.**

---

postrevolution leaders have made reform commitments endorsed by the international community. And yet, despite this notably broad support and rhetorical consensus, assistance and reforms have failed to materialize in ways visible to ordinary citizens, and Tunisia has continued on a downward economic slide, with social tensions, unrest, and radicalization rising in turn.

With a cascade of other crises in the region, Tunisia has already suffered from a degree of benign neglect; international leaders will be tempted to shift attention further from Tunisia, whose troubles seem mild compared to those of Libya, Syria, Iraq, or Yemen. Turning away, however, would be a mistake. As one senior Tunisian official observed recently, “Democracy will not succeed here if it does not deliver.”<sup>4</sup> Another senior leader warned privately that if the world does not reengage now on Tunisia’s challenges, by the time international leaders wake up to a crisis, “We may no longer be here to receive their help.” If Tunisia succumbs to instability or economic crises, the ramifications for the spread of extremism, illegal migration to Europe, and Tunisia’s vulnerability to shocks from its immediate neighbors, Libya and Algeria, would be swiftly felt.

Tunisia’s several daunting challenges vie for prioritization. Its security threats and socioeconomic challenges are mutually reinforcing, and both are exacerbated by instability in the wider region. While high-profile terrorist attacks in 2015 and 2016 involving assailants trained in Libya seized Tunisian and international attention, the nature and scope of Tunisia’s socioeconomic problems likewise threaten the country’s success, are even more complex to address, and demand greater attention.

## The Tunisian Experiment Is in Jeopardy

In the first crucial years after the revolution, deep divisions in Tunisian society led to a focus on constitution drafting and finding a *modus vivendi* among social and political groups, rather than on bold economic or security reforms. The contentious political climate, weak institutions, and security crises have all been cited in official and unofficial meetings as reasons for the continued delays in reforms and, along with resurgent corruption, for depressed economic growth.

Tunisia faces a mix of internal and external challenges. Internally, the systemic injustice that sank the pre-revolution regime still weighs heavily on the country. Interviews with a wide range of stakeholders confirmed that much of the machinery of the state—its laws, bureaucracies, courts, and police—does not function without the application of significant influence, power, and resources. Under the old regime, the complex and cumbersome state apparatus functioned like a lock—the presidency was the key, capable of unlocking and directing development projects, legal decisions, and access to state resources. Five years after the revolution, the gears of the state’s machinery still turn for those with power and connections, but the average Tunisian feels as excluded

as ever from access to state institutions, dialogue, and the benefits that should flow from citizenship.

In a country where the inaccessible bureaucracy is interposed in nearly all stages and facets of economic life, there has been a profound marginalization and alienation of large swaths of the population, unable to get ahead or provide for their families. Exclusion from their country's economic life pushes Tunisians to seek alternatives while they wait for jobs: some join riots and labor protests, some turn to radicalization and terrorism, and many more turn to the informal economy of smuggling and unlicensed economic activity that robs the state of tax receipts and depletes its meager store of legitimacy. In private meetings in January 2016, Tunisian officials estimated that the informal economy has now overtaken the formal economy in terms of gross domestic product (GDP).

By several measures, the Tunisian economy has worsened since the time of the revolution in early 2011. The national unemployment rate was 13.0 percent in 2010.<sup>5</sup> By 2015, it had increased to 15.2 percent, despite a massive public-sector hiring program.<sup>6</sup> Unemployment among recent university graduates is nearly twice as high as for the general population, and in 2014 it was almost double what it was in 2006—the highest such rate in the Mediterranean basin.<sup>7</sup> Among youth, the unemployment rate was nearly 40 percent in 2012.<sup>8</sup> Meanwhile, Tunisia's finance minister estimated in early 2016 that GDP growth for the previous year had fallen below 1 percent.<sup>9</sup>

Tunisia is generally considered to be the most advanced Arab country as far as women's rights are concerned. The 2014 constitution received special praise because, after a long fight, the principle of strict equality of opportunity between women and men was enshrined in the text. But a progressive constitution can hide a dismal situation: as of 2015, Tunisia ranked 127 out of 145 countries in terms of gender equality, after the Gulf states of the United Arab Emirates (119) and Bahrain (123) but above Algeria (128) and Jordan (140).<sup>10</sup> Gender issues are now a major concern in the country when it comes to political rights, civil and family rights, economic rights, domestic violence, and healthcare (including reproductive healthcare). Women's rights are therefore at the very center of the country's political, economic, and social transition process.

Successive Tunisian governments have unveiled plans designed to bring hope, opportunity, and the greater dignity that comes from work and responsive government. Those plans include announcements for dozens of infrastructure projects (such as fixing roads, providing transport options, expanding access to healthcare, and enlarging ports and export facilities) as well as legal reforms to make doing business easier and cheaper. Both lines of effort—development projects and economic reforms—have stalled, due in part to a tumultuous political environment that has obscured or delayed addressing the obstacles they have encountered.<sup>11</sup>

Tunisia is currently governed by an unlikely coalition of secular and Islamist parties: it reflects the results of a democratic election and provides a form of

coalition by numbers. But some say the arrangement hides fundamental differences between opposing societal projects, for example, on the place of women in society. This, in turn, is a source of latent tension beneath the surface of apparent political agreement.

In addition to those internal challenges, Tunisia faces a determined terrorist foe operating within and across its borders in the form of networks of Islamic extremists who see Tunisia both as an enemy state and as a rich recruiting ground.<sup>12</sup> The country's key tourism sector was hit hard following devastating terrorist attacks in 2015, shrinking by 50 percent.<sup>13</sup>

Tunisia is a small country situated between much larger neighbors, and its homegrown problems cannot be isolated from external threats. Libya's turmoil tops this list. Threats from jihadi-inspired terrorist groups predated

---

**Tunisia is a small country situated between much larger neighbors, and its homegrown problems cannot be isolated from external threats.**

---

Tunisia's 2011 revolution, but powerful terrorist networks have flourished in the region now that the Libyan state has been enveloped by civil strife and other governments have struggled, and at times failed, to control their territory and borders. The country's porous borders with adjacent countries enable resupply and cross-fertilization of terrorist groups. An estimated 6,000 to 7,000 Tunisians have joined the ranks of foreign fighters in the region,<sup>14</sup> the largest contingent from any country. Twice as many have tried to leave and been detained, according to the Interior Ministry.<sup>15</sup>

Tunisia cannot count on stability across its western border, either. Algeria, heavily dependent on energy revenues to sustain its welfare state, might see its previously robust foreign exchange reserves disappear by the end of 2017 or sooner at current rates of drawdown, calling into question long-held assumptions about the country's resistance to instability.<sup>16</sup>

## Identifying the Obstacles to Progress

Since 2011, Tunisians have received outsized promises—from foreigners as well as from their own leaders—that have largely failed to materialize. Notwithstanding the billions in loans and assistance Tunisia has received, patterns of overpromising and underdelivering harm trust between citizens and their leaders, as well as between the government and international donors. Failure to establish a more effective set of relationships among key stakeholders in Tunisia (the government, security forces, political parties, trade unions, business, and civil society) and between Tunisia and international partners could squander a unique opportunity to promote a pluralistic, inclusive model of governance in the Arab world that also delivers economic opportunity and security for its citizens.

On all sides, international and Tunisian policymakers acknowledge the damaging pattern of promise and disappointment. There is also consensus regarding

the main contributors to this gap between rhetoric and results: the inherent constraints of a government and political system in transition, and an international community distracted and overburdened by cascading crises elsewhere.

The Tunisian economy needs to be subjected to greater competition and modernization, but powerful interest groups, foremost among them the country's trade and employers' unions, object that their constituencies will be made to bear the up-front costs of liberalization. Bureaucrats wield undirected power to approve or slow-roll bureaucratic processes as they see fit. Change, in the form of legislation or new development projects, encounters bureaucratic obstacles and opposition from interest groups and, in some cases, has slowed to a crawl. International partners whose leverage over these internal Tunisian matters is minimal throw up their hands.

Motivating Tunisia's leaders and international policymakers to invest more energy in fulfilling the same promises that have been slow to materialize over the last five years after the revolution is a multifaceted challenge. On one level is the political challenge: decisionmakers must believe the political risks and rewards justify increased investment. On a more basic level is a more technical or bureaucratic challenge: How can new efforts succeed where past efforts have failed? Answering this question requires honestly assessing the sources of disappointment—undelivered international promises, as well as bureaucratic and other obstacles inside Tunisia—as well as studying one area in which some recent progress has been made: the security sector.

The key to progress is realistic prioritization and the creation and empowerment of new mechanisms designed to overcome the obstacles and bottlenecks that have inhibited progress in the past.<sup>17</sup> To date, prioritization has been hard to come by. Politicians' and international funders' promises have crashed into the constraints of an underresourced parliament, a convoluted bureaucracy, and international donors' lack of coordination.

### **The Limits of International Assistance**

Tunisians across the political spectrum cite the anticipated social cost of liberal economic reforms to justify delaying their implementation or opposing them altogether. Tunisia's leading labor union acknowledges that a measure of economic reform is needed to stimulate long-term growth, but it argues the country is far too fragile to absorb a period of structural adjustment. Tunisian political leaders who travel to Western capitals frequently invoke the need for vastly increased economic aid to Tunisia to eliminate or cushion the costs of the reform process. It is for Tunisian stakeholders to set their reform priorities, since a consensus forged outside the country would be politically unacceptable in the postrevolution context.

This helps explain why the 2011 international summit in Deauville, France, has become shorthand for unfulfilled promises and Tunisian disillusionment with international guarantees, although it generated a \$40 billion commitment



on the part of the then-G8 group of countries, Gulf countries, and international financial institutions to support Arab states pursuing democratic reform in the wake of popular uprisings.<sup>18</sup> Tunisia's then prime minister (now president) returned from the summit and reported that his request of \$25 billion of assistance to Tunisia would be answered, a commitment from the international community that has not materialized.<sup>19</sup>

Besides some double counting and inflation of the assistance amounts promised, the then-G8 commitments did not take into account the complexity of following up in Tunisia and with international aid agencies, while Tunisian politicians coped with political crises and constitution drafting throughout 2012 and 2013. Later on, as Tunisia began to emerge from the immediate tumult of the revolution with the passage of the new constitution, the country was hit by a significant degradation of the security environment, detracting focus from the obstacles that foreign economic and development assistance programs were encountering.

Notwithstanding the prevailing disappointment, postrevolutionary Tunisian governments have requested and received considerable economic assistance in the form of grants, loans, and loan guarantees. From the major international financial institutions, development banks, and Tunisia's leading international partners, the country has received approximately \$7 billion in assistance in various forms, including loans, between 2011 and 2015, according to a government estimate. In 2016, the World Bank announced further lending in the amount of \$5 billion over five years.<sup>20</sup> While such assistance has made positive impacts in Tunisia, its effectiveness has been limited by significant institutional weaknesses in Tunisia and insufficient donor coordination, as well as the overall security and socioeconomic environment.

Unfortunately, international donors have tended to lament the absorptive capacity constraints that inhibit the effect of their assistance, rather than focus on partnering with Tunisian leaders to tackle those constraints.<sup>21</sup> By neglecting to concentrate on the obstacles inhibiting the effectiveness of international assistance, Tunisia and its international partners can be accused of putting the proverbial cart before the horse.

A plurality of international assistance since the revolution has gone to budget support, largely paying the salaries of government employees and bolstering consumption in the country, not investment. Protecting Tunisia from insolvency has been a positive contribution from the international community. But much development aid has been stymied by bureaucracy and issues of political economy at the local level, and other forms of assistance, including training and legislative reforms, are aimed at the longer term. Tunisia desperately needs interventions that can create jobs and help instill renewed hope in the population, but more support will first, or simultaneously, be required to address those capacity obstacles that have slowed results so far.

### **The Public Administration: A Force for Stability, but a Barrier to Change**

Tunisia's civil service and cumbersome bureaucracy, considered a pillar of the country's stability since its independence in 1956, has been described in the postrevolutionary environment as one of the key impediments to economic growth and development, inhibiting the absorptive capacity of international assistance and checking economic activity. The public administration employs more than 600,000 Tunisians.<sup>22</sup> Top Tunisian officials commented privately that the country's bureaucracy could operate more efficiently and effectively with a significantly reduced workforce. According to a study by the Ministry of Development, Investment, and International Cooperation in 2015, some 300 different economic activities accounting for 75 percent of GDP (such as transporting merchandise, organizing cultural or sporting events, or babysitting) require a government license, a procurement process, or bureaucratic approval.<sup>23</sup> Overlapping regulations, a lack of transparency and accountability, and antiquated information systems mean that permissions are frequently subject to inadvertent or abusive delays. It is in this context that the informal economy of unlicensed economic activity has outgrown the formal economy, now accounting for as much as 53 percent of the country's GDP according to private estimates by Tunisian economists and government officials.

Infrastructure projects currently encounter three kinds of obstacles: inefficient interministerial cooperation; a procurement and payment process described as maddening and broken by government officials involved; and real-world factors like technical feasibility, legal flaws, or security challenges. All three sets of obstacles are exacerbated by a lack of adequately qualified or empowered staff at the central or local level to resolve them. Disadvantaged regions face a particularly difficult environment for development projects: a restive population, an absence of sufficient transport infrastructure, and a degraded rule-of-law environment can dissuade companies from bidding on local development projects, resulting in long delays and sometimes prohibitively raising the costs to the government.

### Box 1. Between Bureaucracy and Instability

A local official in one of Tunisia's interior regions described how a popular infrastructure project was stymied by the region's poor security environment and restrictive budgeting and procurement processes. In 2012, the official reported that the government allocated 2 million Tunisian dinars (\$1 million) for the expansion of a main thoroughfare to accommodate two-way traffic. The first public tender received zero bids from companies to implement the project, due in part to the high crime rate and insecurity in the district. A second tender, offering more money, also received zero bids. A third tender, for 3.5 million Tunisian dinars, received one bidder, but the procurement and budgeting process prevented the municipality from clinching the contract with a single bidder. Once bureaucratic authorization was received to award the contract to the sole bid, the company, aware there was no competition, demanded 5 million Tunisian dinars. As of early 2016, road work has still not started.

Foreign diplomats in Tunis and Tunisian government officials reported that a remarkable backlog of funding for development projects has built up over the past four years. The prime minister announced publicly in October 2015 that he had identified 10 billion Tunisian dinars (\$5 billion) worth of stalled public infrastructure projects dating back as far as 2012.<sup>24</sup> Governments and international financial institutions have found it impossible to disburse a majority of the funds they have allocated to the Tunisian government for badly needed infrastructure projects. According to officials, more than \$1.8 billion in international assistance for development projects—a majority of the assistance allocated for that purpose—remains on the table, awaiting approvals from and executed contracts with the government of Tunisia to build new water, road, rail, and healthcare systems. One foreign embassy in Tunis that runs a major assistance portfolio reported being able to spend only 30 percent of the funds allocated to Tunisia for development projects—a rate it assessed as being considerably higher than many other international donors.

In response to a week of nationwide rioting in January 2016, Prime Minister Habib Essid announced a number of measures, including two provisions aimed at cutting the Gordian knot of administrative delays<sup>25</sup>—a government official subsequently clarified that these provisions are to be included in a forthcoming new investment code. First, requests for investment approval held by the administration for one month without answer would be considered approved. Second, certain processes, including the hiring of necessary employees in the ministries, would no longer require the oversight of the prime ministry, reducing a bottleneck in the process. Whether these decisions can be implemented over the objections of various groups will provide a test of the government's ability to improve efficiency.

A longer-term transformation of the bureaucracy has been initiated, with efforts to digitize and expedite processes in certain ministries. The government is proposing to recruit a new cadre of what are known as Status A outside experts and to integrate them in leadership and support positions at various bureaucratic levels to refresh and lead the administration. Some officials and commentators have raised the idea of eventually offering early retirement packages as a tool to significantly slim the bureaucracy. These steps, alongside the European Union (EU) twinning programs between Tunisian and European administrations and the revamped curricula for public servants, can help greatly to improve efficiency but will take years to pay off. In the meantime, the government is considering new decisionmaking processes and mechanisms to fast-track high-priority projects and policies, building on the prime minister's January announcements.

### **The Legislative Process: Capacity Constraints and Public Controversy**

In consultation with international financial institutions, Tunisian government economists have developed austerity and liberalization measures designed to boost and transform the Tunisian economy into a leaner engine of growth, driven by increased competition and new investment. But reforms that Tunisia has pledged (in its agreement with the International Monetary Fund, or IMF, for example) that would constrain the informal sector and diminish public-sector payrolls are political nonstarters in the current environment. Some members of civil society warned that social tensions could boil over, triggered by such controversial efforts. Other reforms on the government's agenda require difficult legislation, including a new investment code, customs reform, and a new tax code, which would set off intense bargaining and competition behind the scenes. Across the political spectrum, politicians expressed doubt that Tunisians desired or were truly ready to move to a competition-based economy.

Dozens of major private-sector investments in Tunisia have been announced and subsequently delayed, while anticipated reform legislation, such as the investment code and elements of financial-sector reform, has missed deadline after deadline. Lack of reform and a degraded security situation have had an adverse effect on both foreign and Tunisian investors.

The year 2015 provided some difficult lessons about Tunisia's new legislative process, revealing important shortcomings, particularly in the parliament. The new parliament remains dramatically underequipped to play its constitutionally mandated legislative role: parliamentarians lack staff, offices, and computers. Additional resources have been allocated to support the work of the parliament in the most recent budget law, but plans, such as a staff selection and hiring process, are still lacking to turn those funds into effective support systems that empower legislators. With the current outlook, one parliamentarian privately described the situation as "impossible."

The much-welcome democratic process comes at a price. New legislation faces a lengthy drafting period, followed by approval by the Council of Ministers and typically a several-months-long process of parliamentary debate and consideration before a vote of approval or rejection.

Beyond the mechanical constraints of resources and processes, Tunisian legislators continue to face a sensitive and unsettled postrevolutionary political environment where virtually all legislation they consider sparks significant controversy and public outcry. Government officials have described a population that is highly suspicious; so far efforts to launch social dialogues aimed at decreasing tensions have largely failed to get off the ground. Engaging youth, in particular, through official channels can be a challenge.<sup>26</sup> Only by listening to Tunisians will government leaders and elected representatives be able to identify and prioritize those reforms that can produce quick economic wins for the country and avoid engendering a political crisis.

Widespread corruption in the Tunisian administration (petty bribery, nepotism in recruitment, or the provision of services) and a continuing lack of accountability for corruption from the past regime help explain Tunisian citizens' skepticism and suspicion. A World Bank report described corruption as "asphyxiating" the Tunisian economy.<sup>27</sup> Under the old regime, relatives and cronies of the former president made use of state banks and government regulations to amass wealth. Under the current government, major state-owned banks in jeopardy of collapse were urgently recapitalized with little regard for audits and investigations.

In a 2015 International Republican Institute poll, a plurality of Tunisians said that employment should be the government's top spending priority. When respondents were asked how to advance that priority, the most popular answer was "reduce corruption."<sup>28</sup> The World Bank estimated in 2014 that corruption was costing 2 percent of GDP in Tunisia and that "tariff evasion, tax evasion and abuses of public procurement undermine competition by favoring better connected firms and those who practice corruption."<sup>29</sup> Indeed, for genuinely inclusive opportunities to be created, for robust competition to take off, and for trust to be reestablished, corruption will have to be tackled. New mechanisms and programs aimed at jump-starting growth in Tunisia should be coupled with redoubled oversight and accountability efforts in order to generate and sustain public support.

## **Time for a New Approach: A Framework for Partnership**

Recognizing that Tunisia still has the chance to overcome the threats arrayed against it, the country and its international supporters should seize the opportunity to forge a new Framework for Partnership before those challenges get

## Box 2. Tunisian-International Partnership in the Security Sector

While economic assistance has languished, terrorist attacks have galvanized the Tunisian government and the international community into action on security-sector assistance. Without a doubt, security-sector reforms that go beyond assistance, including systemic reorganization, policy changes, and anticorruption measures, are still required to put Tunisia on a sustainable security footing and will require overcoming resistance from within the security establishment.<sup>30</sup> Still, coordinated assistance delivery efforts in the security sector include valuable lessons for addressing bureaucratic challenges in other sectors.

In the wake of the June 26, 2015, terrorist attack in Sousse that killed more than 30 people, including dozens of European holidaymakers, Tunisia launched a security assistance coordination process with the G7 countries plus Belgium, Spain, and the EU. The process, termed the G7+3, is organized around three lines of effort: border security, tourism infrastructure, and countering violent extremism, with one G7 country assuming the lead in providing assistance for each. Ambassadors and senior staff from these countries meet regularly under Tunisian leadership, either at the plenary level or as expert working groups, along with representatives of the presidency and prime ministry to share information, understand Tunisian priorities, and coordinate foreign aid strategy.

The regular meetings of all key players, and the backing of both the presidency and the prime ministry, have helped spur the Tunisian government to overcome bureaucratic resistance to cross-ministerial coordination and planning. For example, the G7+3 process identified the need for a unified explanation of Tunisia's security strategy and assistance priorities, and, counter to previous practice, the Tunisian government succeeded in producing one document emanating from the Ministry of Interior and the Ministry of Defense. Responding to that strategy, the United States and Western European states are delivering equipment upgrades; funding new training activities; and providing guidance on strategic planning, joint action, and cross-force coordination. Though not necessarily advancing deep systemic reforms, these programs are improving the effectiveness of the Tunisian military and national guard, which have engaged in a number of actions against armed groups in the country and prevented a number of attempted incursions, for example, successfully repulsing the concerted attacks in Ben Guerdane in March 2016.

The G7+3 process has demonstrated the positive potential of regular, well-coordinated, clearly prioritized engagement between Tunisia and the international stakeholders to ameliorate bureaucratic slowdowns and tend to the country's urgent needs. The rhythm of regular meetings obliges participants to shepherd progress on commitments in their own bureaucracies. The participation of representatives of the presidency and the prime ministry presents a unified executive. It is past time to apply a similarly structured and energized approach to developing Tunisia's economy, implementing lessons from the achievements and shortcomings of recent experience in the security sector.

out of hand. They should identify critical reform, policy, procedural, and assistance commitments and put in place the mechanisms that will turn commitments on all sides into reality. Together, the Tunisian government, the international community, the private sector, and civil society can make 2016 and 2017 turnaround years for Tunisia.

The initiative for a Tunisian Framework for Partnership rests on a triple assessment:

- Tunisia's economic, social, and security situation is well documented, and various prescriptions have been much discussed.
- International commitments in support of Tunisia's transition abound, and the available policy and financial instruments are well-suited to the situation.
- Yet, there is a stalemate in which the Tunisian government and international donors blame each other for the lack of decisive action.

Only the security sector has registered meaningful, though early, progress through innovative forms of cooperation.

The Tunisian Framework for Partnership is therefore aimed at breaking the current stalemate through a novel methodology that will drastically change the way in which dialogue and reforms are conducted among Tunisian stakeholders and the way in which Tunisian stakeholders and their international partners pursue their joint endeavor. The Framework for Partnership will provide a strong incentive for Tunisian authorities to greatly streamline the intricate policymaking apparatus that has become a significant handicap to progress.

As part of reinvigorating a new partnership, international donors should make clear their enduring political support by sustaining high-level engagement with the country's democratically elected leaders, fostering immediate job-creation by opening more generous market access for labor-intensive sectors, and continuing macroeconomic budget and development assistance. Donors should commit to multiyear funding for infrastructure and development projects, ensuring that as financial assistance is turned into roads, power stations, and healthcare centers, it is replenished. International efforts should also target the Tunisian private sector through facilitating mobility; providing help for investors; and enlarging technical assistance, training, and education programs. In short, the country should be treated with a robust engagement commensurate to the potential strategic consequences of its success or failure.

As a critical part of its side of a renewed partnership, the Tunisian government should create and empower new mechanisms, joining together new procedures with new institutional arrangements to coordinate international assistance and make the most of international support to enable job creation and development, particularly in marginalized communities. It should also pass and implement reforms that enable Tunisian and foreign investors to thrive.

The Tunisian private sector and civil society should be included in shaping reforms and new fast-track mechanisms, with support from their international counterparts, to help ensure that these arrangements address their actual needs. In addition to ensuring governments' proposals are grounded in reality rather than wishful thinking, the private sector and civil society can also identify positive steps they are prepared to take if and when governments meet their commitments identified as part of the Framework for Partnership.

In response to troubling economic and security trends over the last five years, Tunisia's leaders and the international community have each asked the other to do more. Tunisia has asked for more foreign aid and investment, while donors have requested that the government make more progress in passing and implementing reforms. Indeed, both efforts are necessary—but not sufficient—to ensure Tunisia's path out of its current predicament. Missing so far has been a focus on the prioritization and procedural changes that could reduce or eliminate the various obstacles to progress that have been blocking Tunisia's path forward.

Given the legacy of mutual frustration, the government of Tunisia and its international partners will have to take reciprocal steps to demonstrate seriousness and to encourage each other to adopt more ambitious measures. That will begin with Tunisian approval and international funding support for new Tunisian-led coordination and fast-track mechanisms in the second half of 2016.

---

**The government of Tunisia and its international partners will have to take reciprocal steps to demonstrate seriousness and to encourage each other to adopt more ambitious measures.**

---

## Recommendations

Tunisia and its core international partners should launch a new Framework for Partnership, based on reciprocal commitments from both sides in five complementary areas.

Tunisia's core international partners should contribute to a new Framework for Partnership by:

- Elevating and intensifying support for the Tunisian economy, including through financial backing and market access, and continuing robust assistance and engagement with Tunisia's security sector

The government of Tunisia should lead a new Framework for Partnership in a number of areas by:

- Empowering an upgraded "G7+ mechanism," building on lessons from the G7+3 security-sector process, to coordinate and leverage foreign assistance; the government of Tunisia should take the lead with all the international donors, and with civil society organizations, and the



private sector associated as needed, in order to facilitate transparency, accountability, and follow-through among all parties

- Revitalizing public outreach and a new inclusive dialogue with all stakeholders, including civil society representatives, businesspeople, and citizens, about sensitive or new economic, social, and security policies and laws
- Strengthening institutions and prioritizing reforms, including public administration, investment, and customs reforms, to promote inclusive economic growth, job creation, and the rule of law
- Establishing a fast-track mechanism to overcome obstacles and expedite the implementation of high-priority economic projects, particularly development projects to foster economic and social development and to create jobs

### **Intensified Support From the International Community**

Opportunities abound for the international community to improve on the assistance efforts of the past five years and to identify new support methods across a range of fields that could aid Tunisian objectives and help incentivize their achievement.

In the economic field, a first line of action is to vastly improve trade access for Tunisian agricultural and textile products, which is of prime importance for job creation and income distribution. The EU has enacted temporary measures with a 60 percent increase of the olive oil quota for 2016 and 2017, but it should consider making these policies permanent. Efforts should focus on prioritizing and sequencing elements of the EU Deep and Comprehensive Free Trade Agreement, particularly those that will lead to rapid job creation in Tunisia and labor mobility between Tunisia and the EU. Likewise, consideration should be given to progress on a Tunisia-U.S. free trade agreement, as well as interim measures that could, for example, put the Tunisian textile sector on equal footing with its Moroccan competitors in the U.S. market.

Similarly, increased financial support is of critical importance, in particular in the immediate future when structural reforms might have the most adverse social effects. The case of Tunisia is not one of massive proportion, when compared with recent EU financial decisions concerning, among others, Greece and Turkey. Increased targeted financial support for Tunisia would go a long way toward improving social stability and laying the bases for sustainable long-term development.

In the security field, the efficient cooperation launched in the G7+3 framework should be continued and expanded as appropriate, including with financial and technical support, but with an eye toward supporting necessary reforms. Much is currently being done, but a medium- and long-term approach is needed to make the current improvements in the security sector sustainable

and to bolster Tunisia in the face of highly unpredictable environments in Libya and the wider region.

In the social field, it is of paramount importance that the Tunisian authorities allow for the development of initiatives in which citizens show commitment to improving political dialogue, environmental protection, or technological innovation, among other examples. International support should also be directed to such civic initiatives, despite the usual difficulties in channeling funds from large organizations to micro-projects while leaving them the flexibility that makes such initiatives worthwhile.

Other relevant measures could include:

- Open Skies agreements with the United States and Europe would facilitate efficient air service to and from Tunisia, resulting in thousands of new jobs, as well as airport upgrades and new facilities at key resort towns, financed from outside of Tunisia, potentially in exchange for franchise ownership at airports.
- Tunisia should be reviewed afresh by the Millennium Challenge Corporation (MCC), a powerful tool for supporting broad-based economic growth. As of 2016, Tunisia is not eligible for an MCC compact, though its economic situation continues to degrade.
- Foreign military service and supply contracts for EU and North Atlantic Treaty Organization (NATO) military vessels should be pursued or upgraded with Tunisia. In the areas of naval operations, service, and equipment, this could include developing dry-docking repairs and resupplying foodstuffs and petroleum products. This could be a huge employment generation opportunity. Favorable consideration could be given to small businesses, including training in this new field.

### **A Mechanism for International Assistance Coordination**

International meetings in 2016, including the G7 summit in Japan in May, the UN General Assembly in New York in September, and an anticipated Tunisian international investment conference in the autumn, provide ideal platforms for relaunching the international community's political and economic commitments to Tunisia. But just as important is a realistic and pragmatic set of guarantees by Tunisia to its international partners and investors, embodied in Tunisia's endorsement and leadership of a new assistance coordination mechanism.

Building on the international community's willingness to increase and intensify its support, Tunisia should reciprocate by leading and empowering a G7+ coordination mechanism to effectively leverage international commitments into action on all sides. A new assistance coordination and reporting mechanism could feature an elite staff secretariat to act as a clearinghouse of information among Tunisian ministries and donor states, and engage with civil society and the private sector as appropriate, with a Tunisian secretary general

at its head. Its functions would include convening meetings in Tunisia, issuing regular progress reports on reform and assistance commitments—for example, assessing them as on schedule, behind schedule, or not started—and offering advice and support for Tunisian government entities involved in implementing agreements. Such a secretariat and the issuance of public reports could help make efforts at economic assistance coordination more effective than they have been in the past.

The proposed mechanism would constitute a significant innovation. It would foster mutual accountability between the Tunisian government and its international partners. And it would allow donors and Tunisian government representatives to state clearly the sources of frustration and to register each other's answers and review the situation at the next meeting.

A new coordination mechanism need not obviate the statutory requirements of many individual donors to pursue their agendas as required by their own legislatures. But as a clearinghouse and accounting tool, it would address several of the shortcomings of previous efforts by creating greater clarity for all sides, avoiding duplication of efforts, and matching Tunisian priorities with the strengths of each donor. A Framework for Partnership should focus on a limited, prioritized set of economic, social, and governance issues, leaving security assistance for now to the current G7+3 process.

The keys to success for an assistance coordination mechanism beyond the security sector are clear:

- Tunisian leadership and commitment
- A forum where key Tunisian and international parties participate and share information
- The articulation of priority lines of effort
- The regular issuance of progress reports to establish greater accountability and transparency for the government of Tunisia, international partners, the parliament, Tunisian civil society, interest groups, and the public alike

Furthermore, an assistance coordination mechanism, by serving as a repository of government commitments and publishing reports, would provide an opportunity for private-sector entities to link their plans and commitments to government benchmarks, further incentivizing implementation.

### **Reinvigorated Outreach and Dialogue With Citizens**

Despite widespread acknowledgment that far-reaching reforms will be required in the coming years, the Tunisian government's work proceeds in the shadow of public controversy. Awareness that reform texts are likely to spark outrage and, potentially, labor unrest, slows the already-time-consuming legislative process.

The introduction of a draft law on economic reconciliation in the fall of 2015 showcases the deficiencies of a legislative process in the absence of public engagement and dialogue. The draft was prepared amid great speculation and received with a mixture of dismay and, in some quarters, outrage, when it was perceived as providing a form of amnesty for those who had committed financial crimes under the old regime. The ensuing demonstrations and outcry forced the government to retract the draft, notwithstanding its important provisions aimed at reincorporating funds from the informal economy into the formal economy. The government has vowed to revise the law and reintroduce it.

Instead of repeating this procedure with other pending reform legislation, the government should consider working with members of parliament and civil society groups to organize inclusive public forums and town hall meetings to discuss the content of draft laws and hear and meaningfully take into account citizens' concerns.

Remarkably, and in contrast to the raucous debates of the recent constitution-drafting years, attempts to spur dialogue among partisans of various political parties and civil society groups have frequently been aborted in the face of expected clashes, flared tempers, and a sense of frustration at the results of previous dialogues. Civil society activists have complained of official consultation sessions at which government representatives failed to take any notes. Due to political divergences, gender issues have often been sidelined despite their central importance.

Yet, since January 2011, members of Tunisian civil society (including non-governmental organizations, cultural circles, young civic entrepreneurs, and information technology specialists) have shown a remarkable ability to foster debates, to advance proposals, and to demonstrate creativity in shaping a future for the society. This ability is an extraordinary asset for Tunisia and should be taken into account. More inclusive public outreach and dialogue that provides input to the policymaking process can be expected to have two vitally positive outcomes that more than outweigh the costs in terms of time and effort: the exchange will reduce public anxiety during the legislative drafting process, and it will bolster the prospects for implementation of laws once passed. Ultimately, the process of linking inclusive dialogues to results in the content of reforms and improvements in communities, particularly in marginalized regions, can help restore trust between the public and the state.<sup>31</sup> The international community and international civil society groups have an important role to play in continuing to strengthen the civil society sector in Tunisia, helping empower those actors in the Tunisian system.

### Box 3. Genuine Citizen Engagement

The information technology sector has been for years one of Tunisia's fastest developing economic activities, with novel approaches such as incubators, accelerators, and co-working spaces. A new trend has now emerged with young developers taking multiple self-sustained initiatives and creating, for example, applications for smartphones, some of them winning international recognition. Creative responses from the government have enabled such applications to find their niche markets on the Internet and generate income for citizens who had not even formally created a business.

In the field of education, projects under consideration such as the idea of one tablet per child in primary school could, provided the plan is carefully prepared and appropriately governed, be the vehicle for anchoring from an early stage Tunisia's next generations in the fast-evolving digital age.

Digital means have also been used to lead citizens to exercise their political responsibility: platforms such as OpenGovTN and Al Bawsala have been created with the purpose of fostering citizens' participation in positive governance processes and have generated strong public involvement.

Social entrepreneurship has become a major factor in Tunisia's new open environment where citizens' initiatives flourish in a creative information technology environment. Some such initiatives have received international distinctions, like Youth Decides.

Environmental preservation is a considerable challenge for Tunisia, especially at times when economic reforms and budgetary constraints may make this sector a secondary preoccupation for national and local authorities. Careful attention should be given to citizens' initiatives that have emerged out of volunteer work or in some cases out of corporate sponsorship. Selective garbage collection and recycling activities can lead to citizens' mobilization, awareness, and personal income. The same can be said of tree planting, which can also generate income while preserving arid lands.

One of the most important achievements of the revolution—the ability to craft consensus or compromise in an inclusive manner—should be preserved and expanded in the form of a permanent government–civil society platform. The proposed National Council for Governance, Sustainable Development, and Future Generations, currently in preparation, could go a long way to meeting these requirements. Through this council, government bodies, members of parliament and political parties, business organizations, trade unions, civil society organizations, and cultural circles would raise and debate significant local and national issues. It is crucial, however, that the council be designed in a way that does not allow for a replication of the parliament's political jousts nor of the previous police state's top-down approach.

The most important issues for reinvigorated public debates are the most sensitive. The government should join with civil society to launch public dialogues on issues including counterterrorism and radicalization, security-sector reform,

the future of the economy, and the future of decentralized governance. These debates should be accompanied by greater international technical assistance to Tunisian political parties and to the government to help turn objectives into policy solutions.

A range of initiatives could spur citizen engagement, dialogue, and outreach:

- A few carefully selected projects should be launched to bring visible progress to less-favored regions and segments of the population. Examples include introducing primary school children to information technologies or nationwide programs aimed at selective garbage collection, recycling, or tree planting. Such projects could embody the notion of hope and positive prospects for all citizens, while addressing one of citizens' demands.
- Civic and community improvement programs should be established to train up to 1,000 Tunisian college graduates each year for deployment to underdeveloped regions to work in microeconomic, technical, and social development projects. They would be placed in local and regional institutions, research centers, public-private partnership ventures, and extension services. Foreign partners, both public and private sector, from a variety of countries should be approached to present proposals for consideration in framing this effort and providing support.

### **Institutional and Legal Reforms to Improve Governance and Public Administration**

Among the most important and quickly achievable reforms the Tunisian government is considering is the expansion of the resources and support structure available to the parliament. If new parliamentary staff members with new competencies are not brought on board to supplement those who were retained from the old parliament, inefficient and ad hoc processes will continue to be the norm. Special care must be devoted to their selection, oversight, human resource management, and logistical support arrangements. Furthermore, without computers and an updated information technology system, legislative debates and revisions will continue to revolve around hard copies, dramatically increasing the amount of time required to circulate and approve new versions of bills.

The Tunisian government's Strategic Orientation Note, finalized and released on September 8, 2015,<sup>32</sup> identified at least nineteen legal reforms aimed at improving governance, streamlining administration, promoting the private sector as the engine of growth, bolstering social inclusion, curbing corruption, encouraging economic opportunities, and consolidating democratic practices as well as the rule of law. Even if the Tunisian government bolsters the economy through emergency measures, administrative and security-sector reforms will be necessary to ensure that progress is not short-lived. Ultimately, in its current state, the Tunisian economy is too hobbled by

rent-seeking opportunities and a hidebound administration to create sufficient jobs to meet society's needs. Likewise, the failure to transform the police and security forces' missions from citizen suppression to citizen protection would continue to leave the security sector vulnerable to exploitation by corrupt actors and exacerbate radicalization among the population.

Despite a sizable majority coalition in the parliament since February 2015, the legislative process has been slow, owing to the lack of human and technical resources as well as to the political and social environment. Given the limited time and capacity constraints of the parliament and ministerial committees responsible for drafting legislation, Tunisians across the political spectrum advocated prioritization of reforms based on two basic criteria: the potential to create quick wins in job creation or social welfare, particularly in more marginalized communities; and the avoidance of social costs that could precipitate popular unrest and rejection. Reforms that score well on these measures, as defined by Tunisians, should be identified as near-term priorities in the proposed Framework for Partnership.

Several proposed laws stand out for their ability to encourage job-creating investments and their relatively low likelihood of engendering a political crisis:

- Domestic and foreign organizations, public and private, view the new five-year plan—which, as of March 30, 2016, is still being finalized by the Tunisian government and is not yet before the parliament—as the road map that will lead to a stronger Tunisian economy. The draft law was the subject of cabinet consultations in March 2016, with presentation to the parliament slated for April 2016. If the government passes the plan by the first half of 2016 with implementing decrees ready to promulgate, it will provide a key statement of its intent to international partners that are considering the launch of new partnerships with Tunisia.
- Revision of the investment code will be a signal that Tunisia is open for business. While investment has occurred even in the absence of a revamped code, many top investors are waiting for it, as are the governments who can partner with them. New and streamlined regulatory structures, incentives for regional development, and reduced administrative hurdles could all benefit the economy in the coming years.<sup>33</sup> Government officials and private-sector leaders point to Tunisia's decades-old foreign exchange law, inhibiting Tunisians' access to foreign currency, as a significant barrier to new economic activities.
- Customs modernization, like so many other reforms, will take years to fully implement—the efforts of multiple postrevolutionary governments to enact these changes have met considerable frustration. However, the government has moved to simplify the tariff structure and pursue a new

information system that could improve enforcement and facilitate fair competition in cross-border trade.

- Although a law on public-private partnerships passed on November 13, 2015,<sup>34</sup> implementation remains unclear. Clarification is essential as investors look for the contractual arrangements and guarantees related to taxation, import/export rights, customs procedures, arbitration, and other elements that will provide them with the no-surprises comfort level they seek.
- Without access to credit, micro or larger, start-ups, co-ops, and local investors remain stymied. Legislation already passed in August 2015 recapitalized major state-owned banks, though more work on transparency and structural reforms remain.<sup>35</sup> Now is the time to move on credit arrangements that will foster innovation, job creation, and entrepreneurship. Addressing bankruptcy reform and enlarging access to microcredit in all of Tunisia's governorates could produce immediate dividends.

Reforming the public administration tops the list of profound and difficult steps needed in Tunisia. Recognizing that such change will take years, work-arounds should be developed wherever possible to jump-start the economy, support security-sector modernization, and make good on government promises. To begin the process, a number of ideas are being considered by planners in the Ministry of Development, Investment, and International Cooperation and elsewhere in the government:

- The Ministry of Communication Technologies and Digital Economy has launched demonstration projects bringing together public and private managers to provide training on the job to digitize and modernize multiple sectors. There is ample room for more knowledge and expertise in Tunisia's government agencies and offices, in terms of not only technical know-how but also management styles and results-oriented best practices.
- The government's Strategic Orientation Note highlights the potential for recruiting and integrating thousands of outside experts, especially Tunisians in the diaspora, into the bureaucracy to improve responsiveness and address a pervasive culture of risk aversion. One example is the appointment of a Tunisian ambassador in Silicon Valley whose mission is to facilitate and introduce various Silicon Valley players to Tunisian public officials, private-sector actors, as well as public-private partnership initiatives aimed at incentivizing investment and cooperation in Tunisia.<sup>36</sup>
- In March 2013, Tunisia saw the creation of its first General Authority for the Follow Up of Public Programs.<sup>37</sup> Under different governments, its role shifted from an action-oriented delivery unit to policy planning and evaluation. Delivery units should be considered in every ministry, composed of senior managers and staff specifically tasked to identify bureaucratic obstacles and to move priority projects and programs quickly.



The goal of any effort should be minimal red tape, empowered public administrators who can move projects to match investor objectives with public needs, and a new culture that fosters innovation and risk taking.

### **A Fast-Track Mechanism to Jump-Start Development**

To describe Tunisia's current economic situation as a national emergency is no exaggeration. Unemployment, underemployment, college graduates without jobs, reticent local and foreign investors, growing criminality and the criminalization of the economy, a mounting budget deficit, and a current account deficit all contribute to mistrust between the government and the people, which is a national security threat in and of itself. The situation will likely worsen if steps are not taken soon to move projects forward that reduce public tensions and strengthen official institutions.

---

**A Tunisian Framework for Partnership cannot succeed without a new approach from the Tunisian government to implement high-priority programs and projects.**

---

A Tunisian Framework for Partnership cannot succeed without a new approach from the Tunisian government to implement high-priority programs and projects. Throughout the country, transportation, water, healthcare, and other infrastructure developments are the subject of popular demand and badly needed. Carefully designed, an approach that combines new, streamlined procedures and an augmented, empowered staff could result in higher project-completion rates, demonstrate that the government follows through on vital commitments, help restore public confidence, and begin relieving social pressures that build in response to the persistent lack of basic services. It will create public tolerance for reforms that often yield results over longer periods of time. The government of Tunisia has already been engaged on development projects previously frozen midstream and is considering a fast-track mechanism to expedite authorization and accomplishment of new development projects in the most marginalized regions.

Tunisian officials and civil society observers explained that the proposed new fast-track mechanism could be implemented by decree, some even calling for an Economic Emergency Law. A ministerial fast-track committee—akin to a special cabinet meeting of select ministers—could be established to approve new or existing projects in specially designated sectors or regions, for example, if they benefit one of the least-developed governorates or grassroots projects, as eligible for expedited procedures and special focus. A prime ministerial decree could establish the structure, salary schedule, procurement regime, staff-selection criteria, and oversight measures of a potential new secretariat with a mission to support the ministerial fast-track committee and identify, recommend, and supervise coordination and implementation of fast-track-qualified infrastructure projects. Current and former officials have recommended that such a secretariat be staffed by a mix of current civil servants and outside experts

and consultants with a range of expertise, including planning, project finance, project management, procurement, and oversight. This secretariat staff could work with newly established fast-track committees in each ministry to identify qualified, “shovel-ready” projects—projects not subject to legal or technical defects—and oversee their implementation; work to reduce obstacles and make more projects truly shovel-ready; as well as liaise with members of parliament, relevant parliamentary committees, civil society, and the private sector.

Projects approved by a ministerial fast-track committee could be subject to expedited procurement procedures, backed by a payment guarantee, and supported by completion bonus payments throughout the administrative chain, including at the municipal level. Funding to set up this mechanism and provide training and support could come from international partners. The Tunisian government would need to carefully craft the selection, hiring, oversight, and other procedures in order to establish trust with the public and constructive relations in the government. Given that the current inefficient procurement and other processes already provide ample avenues for corruption, expedited procedures for fast-tracking project implementation should receive special oversight attention.

The successful implementation of a fast-track mechanism for infrastructure projects could provide a model for other needed fast-track mechanisms, including those targeted at drafting high-priority implementing decrees or delivering professional training related to the law on public-private partnerships and other projects for expediting development and job creation in marginalized regions.

Infrastructure and development projects implemented under a fast-track mechanism could contribute to larger strategic initiatives:

- One possibility is economic centers of excellence that are established throughout Tunisia to foster decentralization; provide training in useful, transferable vocational skills; and generate thousands of new jobs. Implementing nationwide economic reforms is a daunting task for a fledgling democracy coping with the legacies of authoritarian rule. Regional as well as governorate- and directorate-level pilot and demonstration projects where participants are given access to a one-stop shop for interacting with government regulators, as well as security and other support arrangements targeted to local economic priorities, will bring more efficiency. Moreover, each success will breed more success, encouraging hope and generating competition for results. Centers could focus on a number of economic areas, including agribusiness, information technology, medical tourism, and financial services.
- Another is turning Tunisia’s geographic position into an advantage by preparing the country to be the primary base of operations for the future reconstruction of Libya. A government office could be established to

facilitate the participation of Tunisian companies and foreign companies operating in Tunisia in future reconstruction efforts. With each passing month, the destruction in Libya portends a growing eventual demand for reconstruction. Tunisia offers a significant portal for this effort that may well top \$10 billion. Planning for this effort should start now, from ports of entry (sea and air) to services support in Tunis to roads and communications to security to border controls and frontier support bases. Key aspects of this effort include foreign capital investment, public-private partnerships on infrastructure and services, and development of Tunisia's neglected interior and border regions.

## Conclusion

Tunisia's medium- and long-term success requires greater social and gender equity as much as economic opportunity. Tunisia in 2016 is still a long way from being able to lift more families out of poverty, create hundreds of thousands of new jobs, and instill in its citizens renewed hope and confidence. The country faces significant headwinds from instability across the wider region. Its leaders acknowledge the need to address the population's impatience but feel keenly the challenges they face in doing so.

Still, Tunisians remain defiant that they will succeed in the end in achieving the prosperity, freedom, and dignity that they desire. Tunisian stakeholders and their international partners are open to change. Tunisia's challenges, while grave and growing, are still within its power to master.

Tunisia and the international community should seize this moment of opportunity. In seeking to help the country, outsiders must not only take into account the limits of what is possible today in terms of reform and development

but also actively partner with Tunisian officials, civil society, and the private sector to expand the limits of what is possible. Effective international support for Tunisia is profoundly in the interests of the Tunisian people and the world. Leaders in government, local communities, and the private sector will need to act with both urgency as well as patience in order to prevail. A new Framework for Partnership can help them succeed.

---

**Outsiders must not only take into account the limits of what is possible today in terms of reform and development but also actively partner with Tunisian officials, civil society, and the private sector to expand the limits of what is possible.**

---

## Notes

- 1 National Institute of Statistics, Tunisia, “Key Indicators,” updated March 28, 2016, <http://www.ins.nat.tn/indexen.php>.
- 2 Heba Saleh, “Tunisia: After the Revolution,” *Financial Times*, March 10, 2016, <http://www.ft.com/intl/cms/s/0/4f215d9c-d402-11e5-829b-8564e7528e54.html#axzz43Nu2aPwx>.
- 3 Center for Insights in Survey Research, “Public Opinion Survey of Tunisians: November 16 - November 25, 2015,” International Republican Institute, January 13, 2016, [http://www.iri.org/sites/default/files/wysiwyg/tunisia\\_poll\\_nov\\_2015\\_public\\_release\\_0.pdf](http://www.iri.org/sites/default/files/wysiwyg/tunisia_poll_nov_2015_public_release_0.pdf).
- 4 Unless otherwise stated, all quotes come from private interviews in Tunisia between November 2015 and March 2016.
- 5 World Bank, “Program Information Document (PID): Appraisal Stage,” April 29, 2011, [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2011/05/30/000001843\\_20110601141936/Rendered/PDF/Tunisia0GO0DPL00Stage0PID000051211.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2011/05/30/000001843_20110601141936/Rendered/PDF/Tunisia0GO0DPL00Stage0PID000051211.pdf).
- 6 World Bank, “Tunisia Overview,” last modified September 30, 2015, <http://www.worldbank.org/en/country/tunisia/overview>.
- 7 Elyes Zammit, “Tunisia Groaning Under Weight of Unemployment,” *Al-Monitor*, October 2, 2015, <http://www.al-monitor.com/pulse/business/2015/09/tunisia-economy-unemployment-women-men-equality-study.html>.
- 8 Organization for Economic Cooperation and Development, *Investing in Youth :Tunisia: Strengthening the Employability of Youth During the Transition to a Green Economy* (Paris: OECD Publishing, 2015), <http://dx.doi.org/10.1787/9789264226470-en>.
- 9 “Slim Chaker: 2015 GDP Growth Only 0.2-0.3%,” *Tunisia-tn* (blog), February 2, 2016, <http://tunisia-tn.com/slim-chaker-2015-gdp-growth-only-0-2-0-3/>.
- 10 World Economic Forum, *The Global Gender Gap Report 2015* (Geneva: World Economic Forum, 2015), <http://www3.weforum.org/docs/GGGR2015/cover.pdf>.
- 11 By one count, Tunisia has had more than 180 different ministers since 2011.
- 12 See Georges Fahmi and Hamza Meddeb, “Market for Jihad: Radicalization in Tunisia,” Carnegie Endowment for International Peace, October 2015, [http://carnegieendowment.org/files/CMEC\\_55\\_FahmiMeddeb\\_Tunisia\\_final\\_oct.pdf](http://carnegieendowment.org/files/CMEC_55_FahmiMeddeb_Tunisia_final_oct.pdf).
- 13 “Tunisia: 80% of Coastal Hotels Shut Down,” *African Manager*, December 3, 2015, [http://africanmanager.com/site\\_eng/tunisia-80-of-coastal-hotels-shut-down/?v=7516fd43adaa](http://africanmanager.com/site_eng/tunisia-80-of-coastal-hotels-shut-down/?v=7516fd43adaa).
- 14 United Nations Working Group on the Use of Mercenaries, “Preliminary Findings by the United Nations Working Group on the Use of Mercenaries on Its Official Visit to Tunisia – 1 to 8 July, 2015,” United Nations Human Rights Office of the High Commissioner, accessed April 1, 2016, <http://www.ohchr.org/en/NewsEvents/Pages/DisplayNews.aspx?NewsID=16219&LangID=E>; and Soufan Group, *Foreign Fighters: An Updated Assessment of the Flow of Foreign Fighters Into Syria and Iraq*

- (New York: Soufan Group, December 2015), [http://soufangroup.com/wp-content/uploads/2015/12/TSG\\_ForeignFightersUpdate4.pdf](http://soufangroup.com/wp-content/uploads/2015/12/TSG_ForeignFightersUpdate4.pdf).
- 15 Agence France-Presse, “Tunisia Blocks 12,000 From Joining Terror,” *Arab News*, April 19, 2015, <http://www.arabnews.com/middle-east/news/734496>; and George Packer, “Exporting Jihad,” *New Yorker*, March 28, 2016, <http://www.newyorker.com/magazine/2016/03/28/tunisia-and-the-fall-after-the-arab-spring>.
  - 16 Intissar Fakir and Dalia Ghanem-Yazbeck, “Running Low: Algeria’s Fiscal Challenges and Implications for Stability,” Carnegie Endowment for International Peace, February 11, 2016, <http://carnegie-mec.org/2016/02/11/running-low-algeria-s-fiscal-challenges-and-implications-for-stability/itu8>.
  - 17 The term “mechanism” here is used to refer to a certain combination of practices, procedures, and institutions.
  - 18 Sebastian Moffett, Nathalie Boschat, and William Horobin, “G-8 Pledges \$40 Billion for ‘Arab Spring,’” *Wall Street Journal*, May 28, 2011, <http://www.wsj.com/articles/SB10001424052702304520804576348792147454956>.
  - 19 Confirmed in a private interview in January 2016; see also Presidency of the Government of Tunisia, “Al-liqa al-sahafi al-mushtarik li rais al-jumhuriya wa rais al-maniya al-fedralia” [Joint press conference by the president of the republic with the president of Federal Germany], Facebook video, 9:55, April 27, 2015, <https://www.facebook.com/Presidence.tn/videos/888782481179810/>.
  - 20 Tarek Amara, “World Bank Plans to Lend Tunisia \$5 Bln Over Five Years,” Reuters, March 25, 2016, <http://af.reuters.com/article/idAFKCN0WR10R>.
  - 21 Monica Marks, “Tunisia: Completing the Transition,” in *Five Years On: A New European Agenda for North Africa*, ed. Anthony Dworkin (London: European Council on Foreign Relations, 2016), [http://www.ecfr.eu/page/-/FIVE\\_YEARS\\_ON\\_-\\_A\\_NEW\\_EUROPEAN\\_AGENDA\\_FOR\\_NORTH\\_AFRICA\\_-\\_ECFR-159.pdf](http://www.ecfr.eu/page/-/FIVE_YEARS_ON_-_A_NEW_EUROPEAN_AGENDA_FOR_NORTH_AFRICA_-_ECFR-159.pdf).
  - 22 “Dying to Work for the Government,” *Economist*, January 30, 2016, <http://www.economist.com/news/middle-east-and-africa/21689616-unemployment-undermining-tunisias-transition-dying-work-government>. In a hearing with the Assembly of the Representatives of the People on May 27, 2015, Ahmed Zarrouk, secretary general of the Tunisian government, pointed out that the number of public employees in Tunisia is 630,000. The number is higher than that in Morocco (with 450,000 employees), while the Tunisian population is one-third of the Moroccan population. See Adhadhi Nidhal, “Ahmed Zarrouk: Nous avons un nombre de fonctionnaires publics plus élevé qu’au Maroc” [Ahmed Zarrouk: We have more public servants than Morocco], *Réalités*, May 27, 2015, <http://www.realites.com.tn/2015/05/ahmed-zarrouk-nous-avons-un-nombre-de-fonctionnaires-publics-plus-eleve-quau-maroc/>.
  - 23 Ministry of Development, Investment, and International Cooperation, “Projet du Nouveau Code d’Investissement” [New investment code project], AHK Tunisia, May 25, 2015, [http://tunesien.ahk.de/fileadmin/ahk\\_tunesien/04\\_PR\\_Service/NL\\_2015/06\\_2015/20152705-Code\\_d\\_investissement-FR-V0.8.pdf](http://tunesien.ahk.de/fileadmin/ahk_tunesien/04_PR_Service/NL_2015/06_2015/20152705-Code_d_investissement-FR-V0.8.pdf).
  - 24 “Grand Tunis: 10 milliards de dinars de projets bloqués” [Grand Tunis: 10 million dinars of blocked projects], *Kapitalis*, October 8, 2015, <http://kapitalis.com/tunisie/2015/10/08/grand-tunis-10-milliards-de-dinars-de-projets-bloques/>.
  - 25 Cheima Ben Hmida, “Tunisie: Les 10 mesures d’urgence annoncées par Habib Essid” [Tunisia: 10 emergency measures announced by Habib Essid], *Huffington Post Maghreb*, January 29, 2016, [http://www.huffpostmaghreb.com/2016/01/29/mersure-durgences-habib-essid\\_n\\_9109014.html?utm\\_hp\\_ref=tunisie](http://www.huffpostmaghreb.com/2016/01/29/mersure-durgences-habib-essid_n_9109014.html?utm_hp_ref=tunisie).
  - 26 Maha Yahya, “Great Expectations in Tunisia,” Carnegie Endowment for International Peace, March 2016, [http://carnegieendowment.org/files/CMEC\\_60\\_Yahya\\_Tunisia\\_Final.pdf](http://carnegieendowment.org/files/CMEC_60_Yahya_Tunisia_Final.pdf). Yahya observed that the “young generation of Tunisians is seeking ways to express itself politically yet is actively avoiding doing so through institutional instruments, including mainstream political parties and civil society associations.”

- 27 Bob Rijkers, Antonio Nucifora, and Caroline Freund, “‘All in the Family, State Capture in Tunisia’: Questions and Answers,” World Bank, April 3, 2014, <http://www.worldbank.org/en/news/feature/2014/04/03/all-in-the-family-state-capture-in-tunisia-question-and-answers>.
- 28 Center for Insights in Survey Research, “Public Opinion Survey of Tunisians.”
- 29 World Bank, *The Unfinished Revolution: Bringing Opportunity, Good Jobs and Greater Wealth to All Tunisians* (Washington, DC: World Bank, 2014), [http://www.worldbank.org/content/dam/Worldbank/document/MNA/tunisia\\_report/the\\_unfinished\\_revolution\\_eng\\_leaflet\\_online.pdf](http://www.worldbank.org/content/dam/Worldbank/document/MNA/tunisia_report/the_unfinished_revolution_eng_leaflet_online.pdf).
- 30 Yezid Sayigh, “Dilemmas of Reform: Policing in Arab Transitions,” Carnegie Endowment for International Peace, March 2016, [http://carnegieendowment.org/files/CEIP\\_CMEC61\\_Sayigh\\_Final.pdf](http://carnegieendowment.org/files/CEIP_CMEC61_Sayigh_Final.pdf). Sayigh observed: “The Tunisian security sector has . . . deployed a discourse of counterterrorism to justify its resistance not only to reform and restructuring but also to government oversight.”
- 31 Maha Yahya, “Great Expectations in Tunisia.” Yahya wrote: “Tunisian political elites need to rebuild the bonds of trust between the citizens and their state, strengthen democratic institutions, and uphold the principles of equity and social justice as enshrined in the constitution.”
- 32 Tunisian Ministry of Development, Investment, and International Cooperation, “Synthese de la Note d’Orientation du Plan Stratégique de Développement 2016–2020” [Abstract, Orientation Note of the Strategic Development Plan 2016–2020], Nawaat, September 8, 2015, [http://nawaat.org/portail/wp-content/uploads/2015/10/Presentation\\_Note\\_Orientation\\_-FR\\_VF.pdf](http://nawaat.org/portail/wp-content/uploads/2015/10/Presentation_Note_Orientation_-FR_VF.pdf).
- 33 Ministry of Finance, “Aperçu général sur la Fiscalité” [General note on fiscal policy], Tunisian Republic, [http://www.finances.gov.tn/index.php?option=com\\_content&view=article&id=75&Itemid=258&lang=fr](http://www.finances.gov.tn/index.php?option=com_content&view=article&id=75&Itemid=258&lang=fr); and Imen Zine, “Tunisie: 19 réformes prévues par la nouveau Code de l’investissement” [Tunisia: 19 reforms envisaged in the new investment code], *L’Economiste Maghrebin*, June 8, 2015, <http://www.leconomistemaghrebin.com/2015/06/08/tunisie-19-reformes-prevues-par-le-nouveau-code-dinvestissement/>.
- 34 Presidency of the Government of Tunisia, “Projet de loi no. 69/2012 relatif aux contrats de partenariat public-privé (PPP)” [Draft law 69/2012 on public-private partnership contracts (PPP)], Marsad Majles, accessed March 31, 2016, <http://majles.marsad.tn/2014/fr/lois/55673f5912bdaa4738fc565b/texte>.
- 35 Nizar Manek, “Tunisia’s Flawed Bank Bailout,” *Foreign Affairs*, October 18, 2015, <https://www.foreignaffairs.com/articles/tunisia/2015-10-18/tunisias-flawed-bank-bailout>.
- 36 “Noômane Fehri fait le bilan de sa visite à la Silicon Valley” [Noômane Fehri sums up his visit to Silicon Valley], *Business News (Tunisia)*, February 25, 2016, <http://www.businessnews.com.tn/impression/534/62707/>.
- 37 Presidency of the Government of Tunisia, “Décret no 2013-1333 du 12 mars 2013, relatif à la création de l’Instance générale pour le suivi des programmes publics” [Decree 2013-1333 dated 12 March 2013, concerning the creation of the General Authority for the Follow Up of Public Programs], DCAF Trust Fund for North Africa, March 15, 2013, <http://www.legislation-securite.tn/fr/node/32814>.



## Carnegie Endowment for International Peace

The **Carnegie Endowment for International Peace** is a unique global network of policy research centers in Russia, China, Europe, the Middle East, India, and the United States. Our mission, dating back more than a century, is to advance the cause of peace through analysis and development of fresh policy ideas and direct engagement and collaboration with decisionmakers in government, business, and civil society. Working together, our centers bring the inestimable benefit of multiple national viewpoints to bilateral, regional, and global issues.

---

The **Carnegie Middle East Program** combines in-depth local knowledge with incisive comparative analysis to examine economic, socio-political, and strategic interests in the Arab world. Through detailed country studies and the exploration of key cross-cutting themes, the Carnegie Middle East Program, in coordination with the Carnegie Middle East Center, provides analysis and recommendations in both English and Arabic that are deeply informed by knowledge and views from the region. The Carnegie Middle East Program has special expertise in political reform and Islamist participation in pluralistic politics throughout the region.





BEIJING

BEIRUT

BRUSSELS

MOSCOW

WASHINGTON

# THE GLOBAL THINK TANK



**CARNEGIE**  
ENDOWMENT FOR  
INTERNATIONAL PEACE

[CarnegieEndowment.org](http://CarnegieEndowment.org)