

BTI 2012 | Tunisia Country Report

Status Index	1-10	4.98	# 81 of 128	
Political Transformation	1-10	3.85	# 100 of 128	➔
Economic Transformation	1-10	6.11	# 52 of 128	➔
Management Index	1-10	4.34	# 87 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Please cite as follows: Bertelsmann Stiftung, BTI 2012 – Tunisia Country Report. Gütersloh: Bertelsmann Stiftung, 2012.

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Key Indicators

Population	mn.	10.5	HDI	0.698	GDP p.c.	\$	9550
Pop. growth ¹	% p.a.	1.0	HDI rank of 187	94	Gini Index		40.8
Life expectancy	years	74	UN Education Index	0.645	Poverty ³	%	12.8
Urban population	%	67.3	Gender inequality ²	0.293	Aid per capita	\$	45.4

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

For most of the evaluation period, the system of power relationships and the constitutional and legal arrangements organizing political life in Tunisia were authoritarian. However, this came to an end on 14 January 2011 when the growth of income inequalities and regional disparities coupled with blatant corruption at top state levels eventually served to bring down long-serving President Ben Ali. Ben Ali, elected for a fifth term in semi-competitive presidential elections held on 25 October 2009 in which he, according to officials, received 89.62% of all valid votes. Elections to the Chamber of Deputies, held on the same day, confirmed the hegemony of the state party, the Constitutional Democratic Rally (Rassemblement Constitutionnel Démocratique, RCD), within the regime's formal political institutions.

Only three days after Ben Ali had been ousted, a transitional government was established under the stewardship of Prime Minister Mohamed Ghannouchi that committed itself to holding free and fair elections. By the end of the month, press freedoms had made significant progress and the legalization of new political parties was underway.

Protests continued in Tunisia because many members of the first transitional government, including Prime Minister Ghannouchi, had served under Ben Ali. Ongoing demonstrations and sit-ins led to the formation of a second transitional government on 27 January 2011. But this cabinet, several members of which had been involved in the former regime, was also subject to severe criticism.

Although Tunisia was generally spared the full impact of the subprime mortgage crisis in 2007, the country's export market suffered in 2008 as a consequence of falling demand in the euro zone. Showing growth rates of over 3% for 2009 and 2010 (3.1% and 3.2% respectively), the Tunisian economy has demonstrated a robustness that has been attributed to the diversification of its export industry, strong human resources, and ongoing foreign investment in manufacturing industries higher up the value chain. In addition, stable domestic demand bolstered by the

government's active demand-oriented anti-crisis policy of helped curb the impact of the global economic crisis.

Considering the country's moderate level of difficulty in carrying out reforms, and taking into account the development level that had been reached, Tunisia's decision makers (i.e., those in power until 14 January 2011) were too sluggish in advancing economic transformation. Although some palpable gains have been made in the banking sector, the country has seen too little progress in terms of effective trade liberalization. Inertia in the administration, pervasive crony capitalism and increasing corruption were not properly addressed. Once again, the lack of domestic investment in the economy pointed at persistent bottlenecks to social and economic development which were at least in part related to the closed political system.

History and Characteristics of Transformation

After Tunisia won independence on 20 March 1956, the Neo-Destour independence movement, under the leadership of President Habib Bourguiba (1959-1987) installed a de facto single-party regime. The 1959 constitution gave the president hegemonic power within the state's institutions. From 1963 to 1981, parties other than the Neo-Destour were forbidden. Workers' unions, which had played an important role in the struggle for independence, were incorporated by force into the regime after 1956.

On 7 November 1987, Tunisia's then-prime minister, Zine El-Abidine Ben Ali, ousted President Bourguiba, bringing an end to a cumbersome era of *fin de règne*. Since then, the government has implemented a set of institutional reforms which resulted in a "modernized authoritarian regime." While formally pluralistic elections were conducted, elections were not free and fair. Legalized "opposition" movements and civic associations were mostly controlled by the government. While the state party, the Constitutional Democratic Rally (*Rassemblement Constitutionnel Démocratique*, RCD), dominated formal political institutions and exhibited a high degree of interpenetration with the state apparatus, political power was highly concentrated in the presidency. Constitutional amendments in 2002 established a second (consultative) parliamentary body, the Chamber of Counselors, which further blurred parliament's role within the Tunisian polity.

Despite minor legal reforms introduced since the early 1990s, the human rights situation has remained bleak. Especially notable in this regard have been unfair trials, extralegal arrests of and assaults on journalists critical of the government, judges seeking to implement independent justice, restrictions being placed on human rights groups, and the harassment of opposition politicians who tried to withdraw from the implicit "national consensus" imposed upon legalized political actors.

After achieving independence, Tunisia, like many other developing countries, pursued a development strategy of state-induced industrialization and import substitution, which produced

a highly protected market. Until the 1960s, Tunisia's integration into the world market was primarily managed via the export of phosphates, crude oil and gas. Since 1972, the government has successfully established a set of tax and regulatory measures aimed at attracting foreign investors. It has therefore made better use of its comparative advantages for international subcontracting, which include its proximity to Europe, its low-cost yet skilled labor force, a serviceable infrastructure, as well as political and social stability. In addition to Tunisia's growing export potential, the foreign currency influx from tourism and successful cooperation with international organizations have aided Tunisia's development.

In order to re-install macroeconomic stability, Tunisia embarked on a structural adjustment program in 1986 that included the progressive liberalization of foreign trade, privatization of state-owned enterprises, devaluation of the national currency and a restrictive budget policy.

Beginning with subcontracting in the textile sector and spreading particularly to the mechanical and electrical sectors, Tunisia has attracted increasingly more activities of a high value-added and high knowledge-content nature. An economic upgrading program in place since the 1990s has increased the competitiveness of export-oriented firms. The development of a social welfare state and an active labor market policy has, to some extent, cushioned the social hardships resulting from the country's economic policies. As of 1 January 2008, the process of dismantling reciprocal trade barriers for industrial goods with the European Union has – theoretically – been completed. Nevertheless, there are several stumbling blocks on Tunisia's path toward establishing a full-fledged market economy, including a heavily regulated foreign trade regime, a slow bureaucracy, the public sector's continued dominance over the private sector, as well as corruption and a lack of economic transparency. Furthermore, apart from the presence of a number of big conglomerates close to the regime, Tunisia has progressively suffered from structural barriers to domestic investment in productive, manufacturing industries. Such investment could boost economic growth beyond the "magic line" of 6%, which is badly needed to absorb persistent unemployment.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

During most of the evaluation period, the state faced virtually no competition for its monopoly on the use of force throughout the entire territory. Tunisia has long exhibited a high degree of state institutionalization (including the near omnipresence of state security forces). In the course of socially and politically motivated riots in December 2010 and January 2011, the security forces began to lose its control over parts of Tunis and other regions, particularly in the immediate run-up to President Ben Ali's departure from the country on 14 January 2011. In the days following, gangs loyal to the ousted president allegedly tried to spread anguish among the population. During the chaos that ensued (14-17 January 2011), many ignored the nighttime curfew as a number of shops and shopping malls were looted. In an attempt to at least partially compensate for the power vacuum, citizens spontaneously formed vigilance committees to patrol neighborhoods. The fact that the army supported the revolution and fraternized with the population not only prevented even greater bloodshed from taking place, but undoubtedly also contributed to the overall rapid re-establishment of security and order in the greater Tunis area by the end of January 2011. This decreasing tension was all the more remarkable given the fact that thousands of Tunisians, exercising their long-sought political liberties, regularly took to the streets during this period, demanding the removal of the transitional government. In more remote parts of the country (e.g., the regions around Kasserine, El Kef and Sidi Bouzid), the state's monopoly remained fragile after the events of January 14. A lack of police presence and weakened local administrations have provided fertile conditions for local unrest that continued through the end of the evaluation period and beyond.

Monopoly on the
use of force

8

It should be noted that there have been risks to the state's monopoly on the use of force prior to the events leading up to January 14, and that they have been growing in recent years. These risks, posed by the growing potential of terrorist attacks (often in conjunction with banditry), have been perpetrated by Salafist movements

subsumed under the label of al-Qaeda in the Islamic Maghreb (AQIM) in eastern Algeria and the Saharan regions between Algeria, Mali, Libya and Niger. This risk for the region in a wider sense was illustrated by a kidnapping in September 2010 of five French and several other African employees of the French nuclear company Areva in Niger. (The hostages were liberated after the end of the evaluation period.) Given the partial power vacuum in Tunisia, the eroding state of security in the greater region and the political turmoil in neighboring Libya, the state's monopoly on the use of force in Tunisia is likely to be negatively affected in the future.

Defining citizenship and who qualifies as a citizen are issues that are politically beyond dispute. Contrary to the Berber-Arab cleavage existing in neighboring Algeria, citizens widely accept the nation-state and the prevailing notion of nationhood as legitimate. There has long been a broad consensus in Tunisian society (often accentuated by the authoritarian Ben Ali regime in its political discourse) about the pluralistic character of the Tunisian nation which incorporates Berber, Arabic and Mediterranean ethnic and cultural influences. In formal terms, citizens enjoy the same civic rights; restrictions on these rights have so far resulted from the authoritarian nature of the polity rather than from ethnic, religious or cultural discrimination.

In the wake of the liberalization of political discourse after the January ousting of President Ben Ali, and as party competition develops, political dispute about the presumably Islamic/secularist character of the Tunisian nation may arise and be politically instrumentalized in the short- and medium-term.

Islam is the official state religion and is undoubtedly essential to the self-identification and expression of (increasingly more) Tunisians. Nevertheless, the authoritarian Ben Ali regime long stressed the secular character of the state. Civil and criminal laws are primarily based on European models. For a long time, most high-ranking decision makers and civil servants have been sharing a quasi-secularized notion of the state. Any potential opposition group demanding a more prominent place for Islam in Tunisia was bound to face severe repression. This was most prominently the case with the Ennahda ("renaissance") movement in the early 1990s. Under these circumstances, religious dogmas did not have any noteworthy influence on politics or the law under the Ben Ali regime.

But, as religious sentiments gain traction – particularly among the younger generation – future political elites may be more inclined to make decisions based on religious grounds. Even under the Ben Ali regime, the political leadership noticeably tried to draw more legitimacy from religion in recent years. This could be seen, for example, by President Ben Ali's appearances in mosques and other religious contexts on religious holidays. Also, the opening of Zitouna Bank,

State identity

9

No interference of religious dogmas

7

Tunisia's first Islamic bank, by Ben Ali's son-in-law, Sakhr El Materi, on 26 May 2010, highlights the trend toward Islamization in the latter dates of the Ben Ali regime.

As party competition begins to grow, and as the long-banned Ennahda movement will likely be legalized, political debates over the presumably Islamic/secularist character of the Tunisian nation may arise.

Tunisia's tiny Christian and Jewish minorities (which, together, account for about 0.3% of the population) have so far enjoyed freedom of religion – and the political discourse of the Ben Ali regime often pointed to this freedom as evidence of the country's "tolerance."

International observers (most recently the World Economic Forum in its 2010-2011 Global competitiveness report) have repeatedly referred to the completeness and efficiency of Tunisia's government institutions as being one of the country's main assets with regard to its overall competitiveness. According to World Bank data, 85% of Tunisians now have access to improved sanitation facilities (Algeria: 95%, Morocco: 69%), and 94% have reasonable access to an adequate amount of water (Algeria: 83%, Morocco: 81%). These positive numbers stem from concentrated efforts underway since the 1950s to develop rural areas in particular. The National Solidarity Fund (Fonds 26-26, established in 1992) and the Banque Tunisienne de Solidarité (established in 1998) provide the key funds for these efforts.

Basic
administration

7

Beyond fairly efficient day-to-day services, the administration's performance remains deficient insofar as it has traditionally been plagued by corruption, which is nonetheless moderate in regional comparison. Traditionally, personal ties to administrative bodies have been needed in order to successfully resolve more complex (and even sometimes everyday) issues. The autonomy of civil servants in the late Ben Ali period was known to be more and more limited when clashing with the interests of persons close to the presidential clan. External investors, though, could generally count on preferential treatment.

2 | Political Participation

Presidential and parliamentary elections have been held at fairly regular intervals since independence. Under the Ben Ali regime, the importance of elections was systematically increased in an attempt to draw the attention of domestic and international observers to the regime's purported democratic progress. Elections were also held in order to rally the population around a presidential program, thereby ritually renewing the "unity" between the regime and the population. This

Free and fair
elections

3

also had the effect of periodically rejuvenating party authority and formal political institutions (i.e., the Chamber of Deputies/lower house and Chamber of Councilors/upper house).

While legislative elections (and presidential elections since 1994) have been formally pluralistic and organized in a professional manner, they could never be considered free and fair. The hegemony of the ruling Constitutional Democratic Rally (Rassemblement Constitutionnel Démocratique, RCD), the interpenetration between the party and the state apparatus, the lack of press freedom and the absence of effective opposition parties have each prevented meaningful competition among candidates from gaining a toe-hold, and they have done so more effectively than the sheer manipulation of election results. This notwithstanding, in the absence of any impartial electoral administration and any effective observation of the entire voting process, ballot stuffing seemed to occur frequently, especially in the regional polling centers. Also, Tunisians critical of the regime seemed to encounter problems in registering.

For the parliamentary elections of 25 October 2009, as in earlier elections under Ben Ali (1989, 1994, 1999 and 2004), the discriminatory electoral system (party block vote in multi-member constituencies) made sure that the state-party RCD won all mandates allocated in the 26 multi-member constituencies (2009: 161). In an effort to artificially pluralize the composition of the lower house, the government had since 1994 granted opposition parties a compensatory quota of seats in parliament, regardless of the total number of votes obtained by the opposition. Technically, this meant that all those parties, which had not succeeded to obtain seats in the constituencies, were allocated seats out of the compensatory quota on the basis of their votes in all constituencies according to a proportional representation formula. The number of these compensatory seats was fixed at 53 in the run-up to the 2009 parliamentary elections. This corresponded to 25% of total seats in the lower house, that is, well beyond the official share of opposition votes (15.41%). Among the opposition parties, the Mouvement des Démocrates Socialistes (MDS) obtained 16 seats, Parti de l'Unité Populaire (PUP): 12, Union Démocratique Unioniste (UDU): 9, Parti Social-Libéral (PSL): 8, Parti des Verts pour le Progrès (PVP): 6, Ettajdid ("renewal") Movement: 2. Two other legalized parties taking part in the elections, the Parti des Démocrates Progressistes (PDP) and the Forum Démocratique pour le Travail et les Libertés (FDTL), both considered the most critical of the legalized opposition parties, did not achieve any parliamentary representation.

At the presidential elections, also held on 25 October 2009, President Ben Ali was officially re-elected with 89.62% of valid votes. As in the 1999 and 2004 presidential polls, a number of hand-picked legal opposition candidates were to lend

credibility to the pseudo-pluralistic elections. Ahmed Inoubli (UDU) and Mohamed Bouchiha (PUP), from legal opposition parties considered close to the regime, were officially credited with 3.8% and 5% each. Ahmed Brahim, secretary general of the (ex-communist) Ettajdid movement, obtained a mere 1.57%. Standing as candidate for a leftist coalition formed around his party, Brahim had defined himself as the only democratic alternative to President Ben Ali.

The hegemony of the RCD in formal state institutions, as well as the politically intended over-representation of the docile opposition, was again ritually reproduced in municipal elections on 9 May 2010. In ways comparable to the national-level electoral system, municipal elections (after 1995) were organized according to a party block vote, with municipalities serving as multi-member constituencies. In contrast to the national-level electoral system, the list having obtained a majority of votes, typically the RCD, received an outright 50% of the seats in the constituency. The remaining seats were then allocated among all lists (including the victorious list) according to a proportional representation formula with a 3% threshold. A newly introduced stipulation in the electoral law for the 2010 elections prevented a single list from being allocated more than 75% of the seats in a municipality where more than one list took part in elections. In total, the RCD won 4,060 (91.7%) out of a total of 4,478 seats in 264 municipal councils. State-run media did not tire of emphasizing the fact that President Ben Ali had urged local RCD sections to reserve for women 30% of seats on its lists.

Before the end of the evaluation period, transitional governments under Prime Minister Mohamed Ghannouchi committed themselves to organizing free and fair (presidential) elections within 60 days. This political priority was modified to holding elections for a constituent assembly on 24 July 2011.

Until the ousting of President Ben Ali on 14 January 2011, effective governing power was mainly vested with the president and his personal entourage as well as those closely connected to them, namely the security services, technocratic government elites and RCD officials. Strictly speaking, there were no veto powers or political enclaves similar to those known in other transition or emergent countries. However, there are rumors that especially in the late years of the Ben Ali regime, the president's effective power to govern was progressively restrained by the influence of personal advisors and family members (especially Ben Ali's second wife Leila Trabelsi and her family).

Subsequent transitional governments under Prime Minister Mohamed Ghannouchi since 17 January 2011 have been lacking sound democratic legitimacy, too. This notwithstanding, and despite a high percentage of ministers having served under the Ben Ali regime, transitional cabinets have had the merit of trying to emancipate

Effective power to govern

2

themselves from the past in the difficult transition period, while ensuring management of everyday affairs and integrating several opposition members into ministerial and state secretary posts.

In the absence of genuine democratic legitimacy, the executive's effective power to govern of has since January 14 been hampered by its instability and internal strife, and its lack of representativeness and competing powers (e.g., ongoing demonstrations or the army, which declared itself though loyal to the government). This trend toward emergent competing poles of legitimacy, perceivable already by the end of the evaluation period, was confirmed in early February 2011 by the establishment of the self-proclaimed National Council for the Protection of the Revolution (Conseil National de Protection de la Révolution), which included several political parties, civil society representatives and the powerful workers' union Union Générale des Travailleurs Tunisiens (UGTT).

Given the radicalism of social upheaval starting from 17 December 2010, and the rapidity with which some relevant political reforms were implemented after 14 January 2011, it is appropriate here to distinguish between the period prior to the ousting of former President Ben Ali (end of January 2009 to 14 January 2011) and the remainder of January 2011.

Under the Ben Ali regime (7 November 1987 - 14 January 2011), any forms of association and assembly, while formally guaranteed in the constitution, were subject to prior permit by the Ministry of the Interior. In practice, the ministry systematically curtailed these rights by rejecting requests for permit of association/assembly when these were perceived as an emanation of independent civil society. Legalized associations, if not strictly apolitical, were supposed to comply with the regime's strategy of allowing a controlled pluralism in order to highlight its pretended "openness." Legalized associations criticizing the political or human rights record of the government were harassed or threatened in numerous ways ranging from detention, physical violence to mafia-like menaces or legal harassment.

Looking back on a long pre-independence tradition, the Union Générale des Travailleurs Tunisiens (UGTT), like the employers' Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA), was incorporated into the regime in the framework of an authoritarian-corporatist scheme. Due to its organizational power, the UGTT has acted on several occasions in recent decades as a kind of opposition within the regime, and the government was well-advised to provide for regular wage negotiations. In their report released in October 2010, Human Rights Watch denounced the systematic harassment of independent workers' or students' unions. In return, the UGTT leadership under the late Ben Ali era had long taken a "responsible" stance, for instance by announcing in July 2010 that the UGTT would take into consideration the country's difficult economic

Association /
assembly rights
4

situation during wage negotiations scheduled for late 2010. Regional UGTT leaders, watching closely the wave of demonstrations in early 2011, defied the regime and decided to go on strike on 11 January 2011, thus accelerating the regime's decline.

Under the Ben Ali regime, demonstrations were permitted only selectively, that is, if they dovetailed with the regime's short-term interests. This was the case, for instance, with minor shows of solidarity with the Palestinians that were directed against Israeli policy in the occupied territories. Such demonstrations were typically organized by smaller legalized opposition parties obedient to the regime (such as the Union Démocratique Unioniste, UDU). Illegal (socially or politically motivated) demonstrations like those in the Gafsa region in 2008 or those that started in December 2010 in several remote towns were typically quashed with excessive force and resulted in demonstrators being detained or imprisoned. Faced with ever-growing crowds of Tunisians lending expression to their anger at the social and political situation, President Ben Ali decreed a state of emergency on 14 January 2011. He also imposed a curfew, prohibited assemblies of more than three persons and gave the security forces extended powers. While the state of emergency was not lifted until the end of January 2011, demonstrations and sit-ins gathering thousands of Tunisians were mostly tolerated until the end of the evaluation period, causing, for instance, the resignation of the first transitional government of Prime Minister Ghannouchi on 27 January 2011.

Association and assembly rights (with regard to political parties) were dismantled under Ben Ali's authoritarian understanding of pluralism. The legalization of political parties was subject to the restrictive 1988 Parties' Law, which left the Ministry of the Interior considerable leeway in interpreting this law. From 1988 to January 2011, the regime selectively allowed for a strictly controlled facade pluralism intended to bear testimony to the regime's degree of "democratization" to the outside world. Hence, apart from the hegemonic RCD, there were eight legalized opposition parties in late 2010.

All of these legalized opposition parties shared the handicap of lacking a solid rooting in the population and were all too often shattered by internal strife. Some of them, though, actually have historical roots as dissident groups that splintered from Bourguiba's PSD party in the 1970s. This was the case for the Mouvement des Démocrates Socialistes (MDS), Ettajdid and the Parti d'Unité Populaire (PUP). Over the years, these parties went through different stages of engaging in closer or looser cooperation, at times also dissidence, with the regime. A number of other parties, such as UDU, Parti Social Libéral (PSL) and Parti des Verts pour le Progrès (PVP) were deliberately launched by the regime and, hence, had to be seen as particularly close to the government.

All legalized opposition parties were implicitly supposed, and often forced, to abide by the authoritarian “national consensus.” This included acknowledging the leading role of the RCD in political life. During the evaluation period, this was manifest by opposition parties’ either supporting Ben Ali’s candidacy (MDS, PVP, PSL) at the presidential elections on 25 October 2009, or, by the candidature of their secretary generals (Mohamed Bouchiha, PUP, or Ahmed Inoubli, UDU), lending credibility to the pseudo-pluralistic character of the polls. Opposition parties attempting to free themselves from this imposed consensus or criticize political stagnation were subject to different kinds of pressure, including legal harassment and government-induced splintering. During the evaluation period this was the case for Ettajdid, the Parti des Démocrates Progressistes (PDP) and the Forum Démocratique pour le Travail et les Libertés (FDTL). These two parties, considered the most critical of the legalized opposition parties, never achieved any parliamentary representation under Ben Ali.

A number of opposition parties sought in vain to be legalized under Ben Ali. Aside from the Parti Ouvrier Communiste Tunisien (POCT), this was most prominently the case for the (Islamist) Ennahda (“renaissance”) movement. The movement was in dialogue with the government from 1988 to 1990 and was allowed to field candidates (running under “independent” labels) at the 1989 elections. After the strong showing of Islamists’ lists in these elections, the party’s request for legalization was rejected that same year with reference to the parties’ law. This law prohibits parties mostly based on religious concerns. Invoking that members of Ennahda were planning a conspiracy, the government, as of 1991, severely repressed the Islamist structures and many of its members were imprisoned.

The ousting in January 2011 of incumbent President Ben Ali completely toppled the context of party association in the country. The long-time oppositional secretary generals of PDP (Ahmed Néjib Chebbi), FDTL (Mustapha Ben Jaafar) and Ettajdid (Ahmed Brahim) temporarily took over ministries in the first transitional government under Prime Minister Mohamed Ghannouchi (17-27 January 2011). At the same time, while the legalization of parties is still being decided on the basis of the 1988 party law, the Ministry of the Interior in the transitional governments since January 17, has taken a much more liberal stance in legalizing political parties. By the end of the evaluation period, more than 10 new parties were legalized (more than 70 parties by the end of April 2011). A number of party legalization requests have been rejected for legitimate (transparent) reasons (i.e., failure to fulfill organizational pre-requisites). Among the newly legalized parties, the Islamist Ennahda movement constitutes the most prominent. The wave of new legalizations is bound to continue in the run-up to elections. By the end of the evaluation period, it became increasingly clear that the former RCD, as the former state party, would be banned (NB: it was officially banned on 7 February 2011).

While the freedom of speech was officially guaranteed by the constitution under President Ben Ali, this civil liberty was undermined by the authoritarian reality of the regime, which encompassed most notably an omnipresent security apparatus, the interpenetration between the RCD and the state apparatus, the judiciary's lack of independence and a media lacking both independence and sufficient economic means.

Freedom of
expression
3

When criticizing the ruling elite, the administration or those close to the regime, individuals (e.g., opposition representatives, journalists, human rights activists or ordinary citizens) and civil society organizations took the risk of serious harassment ranging from threats, physical violence or legal harassment (e.g., being sued for libel or subject to selective tax audits).

Up through the end of the evaluation period, the state controlled directly or indirectly most important broadcast media. The few privately owned broadcast media, such as Nessma TV, Hannibal TV, Radio Mosaique FM or Radio Shems FM (launched only on 27 September 2010) were run by individuals close to Ben Ali's regime and were not able (or willing) to air critical coverage of government policies. While open legal censorship was no longer in use during the evaluation period itself, self-censorship and the close interconnection between government, administration and the media formed persistent and powerful mechanisms that worked against the freedom of the press. In addition, the media were subject to a number of rules that created a climate of fear seriously hampering the freedom of the press. Among these rules was the obliged deposit of all press products at the Ministry of the Interior prior to their publication, rules complicating journalists' ability to investigate, and strict controls placed on the distribution of foreign press products.

Tunisian opposition representatives along with international observers have repeatedly pointed to the fact that under the Ben Ali regime, the few independent media, for instance weekly papers edited by opposition parties, were seriously hampered in their work and repeatedly subject to legal harassment when voicing criticism. Some issues were obviously not open to comment for the press, such as presidential policy, human rights and the security services, and they were not allowed to address social problems without providing extensive coverage of the government's "solutions."

The evaluation period coincided with an unprecedented level of intimidation and repression carried out against independent journalists by the Ministry of Interior in particular. While Reporters Without Borders ranked Tunisia 143rd out of 173 countries in its 2008 World Press Freedom Index, according to the 2010 edition, the country had plummeted to the 164th rank out of 178 countries. This deterioration of Tunisia's media freedom coincided with the confirmation/nomination of ministers of the interior (Bel Haj Kacem) and of communication (Oussama Romdhani) in the

15 January 2010 government reshuffle. Romdhani had previously led the Tunisian External Communications Agency, seen by many independent journalists as a mechanism of censorship insofar as it distributed state advertising to papers and magazines according to their perceived level of loyalty to the government. Dependence on revenues from advertising, along with the executive's influence on printing and distribution companies, have long constituted an Achilles' heel for the press with regard to government interference.

Attacks on press freedoms, as documented by international organizations during the evaluation period, include the six-month imprisonment of Taoufik Ben Brik, a long-time critical journalist, in November 2009, after his alleged attack on a woman in the street, which both Ben Brik and Reporters Without Borders have denounced as a false accusation. In another case being denounced internationally, Tunisian journalist Fahem Boukadous was detained under inhumane conditions and then sentenced to four years' imprisonment on 15 July 2010. Boukadous had covered protests in the Gafsa mining region in the spring of 2008, thus defying the authorities' determination to impose a total blackout on news about the disturbances there.

On 31 December 2010, the private channel Nessma TV was the first Tunisian broadcast media to cover the social turmoil that had been underway since December 17. The ousting of President Ben Ali, the abolition of the Ministry of Communication in the transitional cabinet of 17 January 2011, and the new government's pledge to guarantee complete freedom of information marked a clear change for the media by the end of the evaluation period. Subjects that were completely ignored by the print media during Ben Ali's rule are now being tackled. No new TV station licenses have so far been issued because of the need to first draft a transparent list of criteria for awarding broadcast media licenses. Meanwhile, some media that have operated without a license (which they failed to obtain because of their editorial policies), have handed in their files. While we expect a dramatic increase in the number of newspapers, magazines, and radio and TV stations in the short- and medium-term, the quality and actual freedom of the press remains to be seen. In a report published following a visit in Tunisia from 2-4 February 2011, Reporters Without Borders emphasized that mechanisms of self-censorship may survive in Tunisia and return at any moment. As a result, the report urged for the establishment of a legal and institutional framework with lasting guarantees for free expression and for the creation of independent bodies able to regulate the media.

With regard to Internet-based media, Tunisia is Africa's best-connected country, which was certainly one of the reasons for Tunisia's successful "Facebook revolution." Under the Ben Ali regime, the government regularly blocked access to news sites deemed "undesirable." As a result, the country figured in recent years among the 12 countries across the world considered "enemies of the Internet" by

Reporters Without Borders. Cybercafés were placed under surveillance and e-mail was filtered. Blogs, including those of critical journalists, were blocked, and critical news sites were strictly controlled or even shut down. One prominent case involves the blogger Slim Amamou, who was released from prison on 13 January 2011, only four days before he became secretary of state for youth and sport in the transitional government.

3 | Rule of Law

In alignment with the 1959 constitution, revised in 2002, Tunisia has formally had a bicameral parliament, a president and a government appointed by the president. However, this established only the rudiments of a semi-presidential system. In fact, the separation of powers and parliament's contribution to the legislative process were extremely underdeveloped in the constitution. The authoritarian context, especially the hegemony of the president, the omni-presence of security forces in everyday life, and the interpenetration of the RCD and the state apparatus effectively rendered these powers of separation meaningless until 14 January 2011.

The government was not even formally accountable to the Chamber of Deputies, but to the president alone. Sidestepping the concept of parliamentary control, the constitution assigned parliament the role of assessing "whether the government's policy was in conformity with the president's guidelines." A constitutional provision from 1976 – theoretically – gave the lower house the right to topple the government with a vote of no-confidence. In 2002, this provision was amended to require an absolute (instead of a two-thirds) majority in favor of such a motion. Again, the overall authoritarian circumstances, combined with the hegemony of the ruling party (the RCD held 75% of the seats in parliament since the 2009 elections), made the effectiveness of this separation of powers all the more theoretical.

In legislation, the president was allowed to rule in most fields by decree. Thus, in practice, the parliament served to rubber-stamp presidential decisions. Following the constitutional revision of 2002, the establishment in 2005 of the Chamber of Councilors as a second parliamentary chamber further blurred the lower house's role. While mainly endowed with consultative functions by the constitution, the new chamber received disproportionate attention by the state-controlled media in its day-to-day work. Partly comparable to other upper houses in the region (e.g., the Algerian Council of the Nation or Morocco's Chamber of Councilors), the members of the Tunisian Chamber of Councilors were partially nominated by the president and partially elected indirectly by municipal councilors as well as employers' and workers' unions. On the occasion of its first establishment in 2005, and again at the first partial renewal of the Chamber of Councilors in 2008, when the upper house

Separation of
powers

3

was heavily pro-RCD, union members refused to elect their “representatives” from pre-established lists, which at the time resulted in those seats remaining vacant.

Regarding the power balance within the executive, the prime minister, lacking genuine parliamentary backing, was expected to carry out the president’s policy. Here, political events after 14 January 2011, and the new experience of a “coalition government” have endowed Prime Minister Ghannouchi with relatively more powers than before 14 January 2011.

The judiciary, though granted independence by the constitution, fell during the Ben Ali regime under the firm grip of the Conseil Supérieur de la Magistrature, which was charged with nominating and promoting judges as well as taking disciplinary action. The members of this body were appointed by the president. As a result, judges were prone to different kinds of pressure. Criminal judges, in particular, were compelled to allow “political proceedings” against dissidents. Also, the judiciary was exposed to pressure when verdicts would have clashed with the interests of persons close to the presidential clan.

Independent
judiciary
4

Comparable to the fate of other NGOs striving to emancipate themselves from the regime, the leadership of the independent Association of Tunisian Judges (Association des Magistrats Tunisiens) found themselves pushed aside in 2005 and replaced by a loyal leadership after having publicly voiced their discontent with the influence of the Conseil Supérieur de la Magistrature on the judiciary. These judges were then subject to different kinds of harassment. In addition, the Tunisia Monitoring Group (TMG), a group of several international NGOs concerned with the freedom of expression in the country, highlighted in its 2010 fact finding mission that Tunisia’s worsening human rights record (in particular since 2007) had been clearly facilitated by a curtailed and manipulated judiciary.

This appraisal stands in contrast to the relatively high degree of professionalism of the judiciary by regional standards. Several international rankings, including that of the World Economic Forum, have repeatedly highlighted the Tunisian judiciary’s efficiency and professionalism, most notably with regard to jurisdiction in the realms of economic, labor and personal property legislation, and especially with regard to the needs of foreign investors. Also, the Tunisian justice system has been well known for its modern approach to civil law, especially with regard to gender issues and divorce.

Judges and lawyers were among the first to join young Tunisians in voicing their complaints with the regime of President Ben Ali in early 2011. Though privileged by their educational background, these groups were particularly concerned in their day-to-day work with the intrinsic contradiction between the regime’s highly legalistic features on the one hand and, on the other, politically motivated manipulation of the judiciary and pervasive corruption at the highest levels.

According to the Tunisian lawyer federation, an estimated 95% of the country's 8,000 lawyers took part in the general lawyers' strike organized on 6 January 2011 (i.e., relatively early on in the Tunisian revolution of 2011). This strike was organized in reaction to the previous repression of several sit-ins organized by lawyers in Tunis and other regions of the country.

A number of international rankings have regularly lauded Tunisia in recent years for its (by regional standards) moderate level of corruption. According to the 2010-2011 Global Competitiveness Report by the World Economic Forum, corruption ranks far behind other aspects seen as problematic for doing business in the country. Yet, whereas foreign investors generally avoided outright or direct forms of corruption, many seemed to have justly felt the need to collaborate with the "right partner" in the country in order to overcome administrative obstacles "delaying" or "blocking" investment or procurement decisions.

Although foreign investors were able to avoid (for the most part) blatant corruption, most Tunisians were extremely cynical about the corruption of officeholders under the Ben Ali regime. Based on informal reports and day-to-day experiences with petty corruption, this appraisal was corroborated by countless (Western and domestic) reports, according to which officeholders and individuals close to the ruling presidential clan and the family of the president's wife Leila Trabelsi exploited their office for private gain with impunity. Cables from the U.S. embassy in Tunis, dated 23 June 2008 and 17 July 2009, published via Wikileaks in early 2011, revealed concurrent observations and impressions from the U.S. ambassador of that time. In general, mafia-like corruption and practices of crony capitalism seem to have gained traction toward the end of the Ben Ali era. These practices progressively hampered economic development by deterring potential investors from investing in productive activities.

Despite all this, corruption was not discussed publicly. Given the absence of press freedoms, an impotent parliament and the inability of citizens to sue officeholders for corruption, those in office had little to fear in terms of adverse publicity – until the end of the evaluation period.

Very quickly after President Ben Ali was ousted, transitional Prime Minister Mohamed Ghannouchi and President Fouad Mbaza established a commission in charge of investigating cases of corruption under the Ben Ali regime. A number of former high-ranking decision makers, along with members of the presidential family, were actually arrested by late January 2011. Apart from documenting individual outstanding cases of corruption – which should be rather easy to do with regard to members of the presidential family – the commission will likely find it difficult to draw a thorough picture of the extent of corruption under the Ben Ali

Prosecution of
office abuse
3

regime, given its intrinsic nature. Delineating the boundaries of responsibility will prove daunting, but critical in the near to long-term future if Tunisia is to be able to rely on highly qualified administrative elites.

The Tunisian constitution of 1959 guarantees civil rights “within the limits of the law.” Since the late 1980s, the Ben Ali regime managed for some time to create an image of itself as the regional champion of human rights, especially in terms of religious tolerance and gender equality. In practice, however, critical opposition and union members, independent judges, human rights activists and journalists or demonstrators have regularly been denied their civil rights and have suffered from varying degrees of intimidation, repression, unfair trials and different shades of legal harassment. Anti-terrorist legislation introduced in 2003 rendered citizens with actual or alleged Islamist sympathies particularly prone to extralegal detention and different forms of ill-treatment in custody. Such “Islamists” made for the bulk of estimated 1,000-2,000 political prisoners in Tunisia until the end of the evaluation period. In addition, Tunisians were at times deprived of their civil rights, for instance, when economic activities clashed with the business interests of people close to the presidential clan.

Civil rights
4

The evaluation period, especially the last year thereof, coincided with an unprecedented level of intimidation and repression waged against independent journalists. In an October 2010 report, Human Rights Watch accused the government of persecuting critics of its policies and silencing independent labor, student and journalist unions by replacing independent union leaders with government allies and resorting at times to physical aggression.

Faced with an unprecedented wave of protests from December 2010, the regime first resorted to its usual panoply of anti-riot measures. International human rights observers such as Amnesty International reported particularly blatant acts of brutality by security forces during protests in December 2010 and January 2011. These included extrajudicial killings, shooting bystanders and fleeing protesters, and firing at protesters who posed no threat whatsoever. People detained by the security forces were reported to have been systematically beaten or subjected to other ill-treatment. On 12 January 2011, President Ben Ali, in a vain attempt to appease popular protest, dismissed Minister of the Interior Rafik Belhaj Kacem, who was widely associated with the police’s ruthless response to the protests in December 2010 and early January 2011.

As the army fraternized with demonstrators and Ben Ali loyalists were removed from the security forces in the wake of his ousting, repression at the hands of the security forces decreased. And although the state of emergency put in place shortly before Ben Ali left the country was upheld, demonstrations and massive sit-ins were tolerated through the end of the evaluation period. More critical with regard to civil rights was the existence of gangs, presumably funded by the Ben Ali regime, who

sought to spread fear among the population through random acts of killing and looting. Acts of this nature went into decline after 20 January 2011.

On 27 January 2011, the second transition cabinet under Prime Minister Mohamed Ghannouchi signed the U.N. Convention Against Torture and three other international human rights conventions. At the same time, the cabinet announced it would reconsider caveats formulated by the previous regime on a number of other conventions regarding the death penalty or gender-related discrimination.

4 | Stability of Democratic Institutions

To date, there have never been democratically legitimized political institutions on national, regional or local levels. Despite the recurrent organization of formally pluralistic elections, these were not free and fair. Power separation, formally and in practice, did not exist between the formal institutions under the former regime. Parliament mainly served to rubber stamp the decisions of members of the government and the ruling RCD party. Central political actors – that is, primarily the president, ministerial technocrats and the ruling party – did perform their duties in a fairly effective and efficient way. But with the ousting of President Ben Ali on 14 January 2011, the acceding to power of transitional President Fouad Mbaza on 15 January 2011, and the transitional governments under Mohamed Ghannouchi (since 17 January 2011), Tunisia's prospects for genuine democratic transition have improved significantly. Such a transition will require a complete reorganization of the polity. First actions taken by the interim government have been promising. The cabinet promised, and has so far tolerated free media; it has announced plans to establish a fact-finding commission to investigate corruption under the Ben Ali regime and an expert commission to overhaul political institutions and determine necessary intermediate steps. Despite these important, and seemingly sincere, efforts by the transition government to distance itself from the former regime, the cabinet acted under constant pressure from ongoing demonstrations and sit-ins. In a vain effort to appease the heated atmosphere, the RCD ministers in the cabinet left their party on 20 January 2011. Under pressure of popular discontent, the cabinet was simply reshuffled on 27 January which reflects its dearth of sound democratic credentials, especially considering the level of continuity with the past.

The lack of democratic experience and the weakness of the Tunisian party system do not bode well, in the medium term, for government stability and performance in the aftermath of upcoming elections.

Under Ben Ali's rule, the central political actors – in particular the president and government elites – considered the restricted functions of existing (albeit) non-democratic institutions as true embodiments of a specifically Tunisian type of authoritarianism. This was particularly true when it came to the central role of the

Performance of
democratic
institutions
2

Commitment to
democratic
institutions
2

president and his advisors, the ministerial elite and, to a lesser extent, both chambers of parliament and municipal councils. Given the authoritarian character of the political system, any of these institutions, apart from the presidency, could be circumvented as soon as their inner logic clashed with the interests of the ruling elite.

After the ousting of President Ben Ali, there were lively debates about how to manage democratic transition institutionally. Among the most urgent issues discussed was the degree to which institutions carried over from the previous regime could legitimately take decisions during the transition period. The situation became more complex as new relevant actors emerged. This included the UGTT, opposition parties and in particular the army, which played a prominent role in the revolution. The Tunisian population also grew as an actor, making increasing use of its newly acquired liberty to demonstrate and voice discontent after January 14.

Discussions about how to tackle the transition in institutional terms already addressed the issue of who, among the old state elite, should assume transitional powers. This question was resolved in the short term by the members of the Constitutional Council, who named Fouad Mbazaa, then president of the Chamber of Deputies (lower house), transitional president on 15 January 2011.

A first transitional government (17-27 January 2011) under Prime Minister Mohamed Ghannouchi, who had served under Ben Ali since 1999, was formed quickly. This transitional government included a number of representatives from the opposition (e.g., the secretary-generals of the opposition parties PDP, Ettajdid and FDTL) and some UGTT representatives. Apart from these individuals, most ministers in key positions had served under the ousted president Ben Ali. This transitional government obtained the support of the army chief Rachid Ammar on 24 January 2011, who had played a key role in toppling the Ben Ali regime. Ammar also pledged to respect the army's (limited) constitutional role. Nevertheless, the cabinet continued to work under pressure from ongoing demonstrations and sit-ins. As already noted, the cabinet reshuffle of 27 January 2011 underscored the absence of this cabinet's democratic credentials. This second transition cabinet (from 27 January 2011), apart from Prime Minister Mohamed Ghannouchi, was made up entirely of ministers who had not held ministerial responsibility under the Ben Ali regime, and also included a number of representatives from opposition parties.

Despite the fact that transitional governments after 17 January 2011 exhibited only limited democratic credentials and continued to be criticized by many Tunisians through the end of the evaluation period, the decisions and pledges taken by these two governments have so far reflected a certain consensus among relevant actors (and also an important part of the population). This consensus involves a commitment to the democratic future of the country, which includes showing respect for civil rights, enforcing a separation between the state and the RCD (as

demonstrated by the retirement of former RCD ministers from the party on 20 January 2011) and breaking politically with the authoritarian past (as demonstrated by establishing a commission to investigate cases of corruption under the Ben Ali regime). There is also consensus that the imminent transition requires a complete overhaul of the institutional framework. Targeting this goal, the transition government has announced it will establish an expert commission to formulate the legislative framework needed to hold democratic elections.

However, by the end of the evaluation period, there was no consensus on a number of important institutional choices to be made. There is, for example, no consensus on the electoral system to be adopted for upcoming elections to a new parliament (or possibly, a constitutional assembly). There is also no consensus on the character of the parliamentary, presidential or semi-presidential system to be pursued.

Given these weaknesses, there appear to be several risks involved with facilitating the acceptance of democratic institutions in the medium term.

5 | Political and Social Integration

Since Tunisian party pluralism could not develop freely under the Ben Ali regime, and elections were neither free nor fair, it is difficult to establish for this survey period meaningful information regarding fragmentation, polarization, voter turnout or volatility in the country's party system.

In the context of Ben Ali's regime, the governing RCD party was a key factor in creating clientelistic links between society and the regime. Closely interwoven with the state apparatus, the RCD exhibited a deep entrenchment in society throughout the country with 2 to 3 million members. The RCD traditionally collaborated with affiliated associations so as to create a densely woven network of state-controlled interest groups. A nearly indispensable vehicle for those pursuing careers in the state administration and key sectors of the economy, the RCD was able to co-opt young and well-educated people for the regime. The party also effectively promoted women through an internal quota system. Although the percentage of female ministers and members of parliament (27%, compared to a 12% average for the Middle East and North Africa region) was high by regional standards, women did not attain high-ranking ministerial posts.

Apart from the ruling RCD, legalized opposition parties played no role in mediating between society and the state. Despite the historical roots of parties such as Ettajdid (an offshoot of the former Tunisian Communist Party), or MDS and PUP (which splintered from the ruling Destour party in the 1970s), these and the other five opposition parties legalized as of early 2009 – that is, PDP, UDU, PSL, PVP and FDTL – lacked any substantial following in society. Rather than reflecting real

Party system
2

cleavages within the population, Tunisia's controlled pluralism under Ben Ali was more or less designed to uphold the regime's pluralistic façade. In this context, as long as they subscribed to the imposed "national consensus," opposition parties with representation in parliament (the aforementioned parties except for PDP and FDTL) were artificially stabilized by state subsidies.

On the other hand, the weakness of the party system could also be attributed to a certain degree to the somewhat elitist approach of most opposition parties and their unresponsiveness to popular needs. After voicing criticism of the executive, opposition parties were at times played against one another or faced different degrees of repression.

The ousting of incumbent President Ben Ali on 14 January 2011 made it apparent that the state party RCD would no longer play a role in the political life of the country (NB: RCD's final ban on 7 February 2011 did not come as a surprise). By the end of January 2011, more than 10 new parties were legalized, bringing the number of existing parties to around 20 (and to over 70 by the end of April 2011). At the same time, it became clear that more parties would be legalized in the run-up to elections. It also became clear that the Islamist Ennahda movement, banned from legal political life since 1989, would be legalized.

Until competitive elections are held, it will be difficult to predict the extent of the actual backing of political parties that were legalized by the end of the evaluation period. Parties reputed for their proximity to the regime, such as PSL, PVP or UDU, will probably no longer play an important role in political life. It is not clear, though, whether long-time opposition parties like Ettajdid, MDS, PDP or FDTL, which have experienced periods of heavy confrontation (especially in the case of the latter two), but also co-existence and compromise with the Ben Ali regime, will benefit from this oppositional past. Given the absence of a genuine opposition movement under the Ben Ali regime, there is no party representing a "natural" successor to the RCD. Far from being well-known dissidents under the Ben Ali regime, none of these parties can claim to have an important following in Tunisian society, nor do they exhibit strong organizational apparatuses. Instead, former technocrats from within the regime, who could over the next months convince the Tunisian public of their clean record under the Ben Ali regime, may fare better if they mobilize parts of the Tunisian electorate under a new party label. Also, the Ennahda movement, or other parties drawing on Tunisian society's "Islamic character," are likely to play an important role within Tunisian society in the years to come.

Under the Ben Ali regime, there was no freely constituted network of associations or interest groups mediating between society and the political system. In fact a free, pluralistic representation of societal interests via a network of interest groups would have been incommensurate with the prevailing authoritarian system. Independent representation of interests was most prominently hampered by the restrictions on the rights of assembly/association (i.e., selective obligatory legalization by the Ministry of the Interior, repression, legal harassment or manipulation of the organization in case of dissent), and restrictions on the freedom of speech and the media.

Interest groups
3

As a result, the officially legalized civil society organizations (nearly 9,400), if not strictly apolitical, generally complied with the regime's strategy of allowing a controlled pluralism in order to give credence to the government's purported openness. Some organizations were incorporated into the regime in order to cover certain sociopolitical issues, such as the regime's modernistic views on gender, development or environmental issues. These organizations were supposed to channel civil society's activities and to figure as government megaphones with regard to certain policies. In some cases, for instance in the realm of human rights, associations loyal to the regime were launched in parallel in order to limit societal support for the independent organizations. Interest groups trying to emancipate themselves from the regime or criticizing the government's political or human rights record (e.g., Association des Magistrats Tunisiens, Ligue Tunisienne des Droits de l'Homme) faced legal harassment, manipulation (e.g., through the massive entry of regime-loyal people) or faced different forms of repression. Certain social interests – particularly those of the young, the unemployed and those advocating improvements in political rights – remained underrepresented until the end of the Ben Ali regime.

Some societal interests were quite effectively co-opted within the regime through an authoritarian-corporatist arrangement. Nonetheless, some associations achieved certain goals in return for ensuring the loyalty of certain strata of the population. Examples of this include the negotiations held between the employers' association UTICA and the workers' union UGTT. These were held every three years, but under the aegis of the state, which guaranteed for a considerable period that wages, particularly in the lower brackets, continued to rise in a controlled manner. Interest conflicts occurring in this context were not dealt with openly. The right to strike, while officially guaranteed in the constitution, had not been exercised since the 1980s.

Workers' diminishing real incomes and mounting tensions between the regime and the UGTT structurally reduced the efficacy of this corporatist interest mediation in recent years. In July 2010, the UGTT leadership still took a responsible stance, announcing that the union would, during upcoming wage negotiations, consider the country's difficult economic. Yet, in the light of the wave of demonstrations in

early 2011, regional UGTT leaders decided to go on strike on 11 January 2011, accelerating the regime's decline.

The commitment to guaranteeing civil rights demonstrated by the transitional governments of Mohamed Ghannouchi (since 17 January 2011) has facilitated the prospects of new representation patterns emerging via interest groups. The active and critical stance taken by the UGTT (which is endowed with a well-developed grassroots tradition) at the time of writing suggests that representation patterns will show more conflict in the future.

Under the Ben Ali regime, no credible or reliable opinion polls regarding the strength of democratic values could be carried out. Nevertheless, it can be assumed that the concept of Western democracy seems to have enjoyed for some decades, at least on an abstract level, relatively high esteem among middle-aged, well-educated urban elites and the middle class. This is especially true when democracy is understood mainly in terms of an appreciation for respecting human rights and legal norms. This tendency in Tunisian society may come as one explanation for why the Ben Ali regime went to such great lengths to erect a facade democracy and fuel the illusion (at least among parts of Tunisian society) that the country was actually on its way to its "Tunisian version" of democracy. On the other hand, references to Western democracy were also constantly palpable in the calls for more democracy and respect for human rights on the part of opposition parties and human rights groups. This overall positive perception of Western democracy was counterbalanced occasionally in many strata of the population critical of restrictive EU visa policies, U.S. involvement in Iraq and, more recently, Israel's Gaza Strip policies.

Approval of
democracy
n/a

In contrast to this optimistic assessment of democracy, there are also deeply entrenched authoritarian, hierarchical and clientelistic structures in Tunisian society which have undoubtedly contributed to upholding authoritarianism since independence. Pointing to a lack of democratic traditions and established patterns of authoritarian behavior, many Tunisians, under the Ben Ali era, have long displayed cynicism when asked in privacy about the prospects for a democratic transition in their country. Authoritarian attitudes, just like this cynicism, may mark serious burdens for political transition over the next years.

With regard to the future of political culture in the aftermath of the Ben Ali regime, the events in December and January 2011 seem to partly corroborate the more optimistic reading given above. Middle-class urban Tunisians quickly joined in the discontent which had been first voiced by the poorer populace in rural areas. In this process, socially motivated grievances were quickly extended to calls for an end to the Ben Ali regime and for freedom or justice (rather than democratization). Relevant actors since 14 January 2011, most notably the transitional governments, civil society organizations, opposition parties, unions and the army have committed

themselves publicly to do away with the authoritarianism of the Ben Ali regime and to establish a democracy based on pluralism, free elections, the separation of powers and respect for human rights. Also, the most well-known Islamist party in Tunisia, the Ennahda movement, has so far publicly pledged to accept the credentials of a democratic state and seek political success by democratic means only.

The degree to which Tunisian citizens actually approve democratic norms and procedures will become more apparent in the upcoming months, when Tunisians will be witnessing an emerging party pluralism and contradictory political discourses, most notably in the run-up to elections. Of particular interest will be the following four questions: (1) whether a balanced spectrum of different and moderate political parties will be able to rally Tunisians around political programs; (2) whether election campaigns will be conducted peacefully; (3) whether voter turnout at upcoming elections will be satisfactory; and (4) whether Tunisians will accept election results.

Despite the presence of a well-rooted urban middle class and an educational level that is high by regional standards, self-organization in civil society has long clashed with authoritarian intra-societal relationships, the absence of freedom of association and a lack of interpersonal trust. Also, the emergence of civic structures has so far been countered by the culturally engrained tendency to build relationships along family lines or through cronyism. In the long term, the overall level of socioeconomic development, the absence of a history of violent ethnic and religious conflicts, and the country's widespread culture of tolerance should be conducive to building social capital.

During the days following the ousting of President Ben Ali, though, Tunisians exhibited a remarkable ability to form vigilance committees at the level of neighborhoods in an effort of self-defense in the period of partial anarchy. This bodes well for the future of social capital in Tunisia.

Social capital
4

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Tunisia's 2010 Human Development Index (HDI) score (0.683) translates into a respectable 81st place among 169 ranked countries, and places it at the lower end of the highly developed countries (>0.677). Compared to the 2008 ranking, Tunisia thus improved by 14 places, though this is due in large part to a slight change in methodology (2004: 87, 1998: 101). Nonetheless, Tunisia ranked among the four "highly developed" African countries, below Libya (53rd rank) and Mauritius (72nd), but ahead of Algeria (84th). Since 1980, Tunisia's HDI score has risen quicker than that of other Arab states, placing the country today well above the average value of Arab states (0.590), and also above the world average (0.624).

Socioeconomic
barriers
5

This respectable ranking reflects the generally successful path of human development pursued in Tunisia since independence. Tunisia's progress in recent HDI rankings has mainly reflected the country's good achievements with regard to health and income. The country's increasing GDP per capita (in PPP; 2009: \$8,284; 2008: \$7,979; 2007: \$7,542; 2006: \$6,962) has placed the country on par with many Latin American countries (e.g., Colombia and Dominican Republic) and less wealthy southeastern European countries (e.g., Bosnia-Herzegovina and Albania). Compared to these middle-income countries, Tunisia features a median level of social exclusion in terms of absolute poverty. According to the latest available World Bank data (2000), 12.8% of Tunisians earned less than \$2 per day. In terms of absolute poverty, Tunisia featured much better compared to its immediate neighbors (Morocco: 14.0%; Egypt: 18.5%; Mauritania: 44.1%), which exhibit clearly lower levels of GDP per capita than Tunisia.

The median level of absolute poverty and the latest available Gini coefficient of 40.8 (in 2000; 41.7 in 1995) underscore pronounced and in part structurally embedded aspects of social exclusion. According to the Human Development Report 2010, taking into account income inequalities would make Tunisia lose six ranks compared to its actual HDI rank (inequality-adjusted HDI Tunisia). Increasing income inequalities have been inseparable from persistent un- or underemployment. Despite average growth rates of around 5%, unemployment has stagnated around 14% in recent years. This median rate reflects extremely different social realities. Thus, unemployment can be estimated at around 30% among young and better-educated male Tunisians in certain rural areas. Taken together, these facts highlight persistent weaknesses and political risks inherent to the Tunisian development model. The socially motivated riots in the spring of 2008, in

December 2010 and January 2011 are manifestations of Tunisians' sense that poverty and inequality have grown in recent years. This finding is particularly startling when considering the continuing increase in the prices of day-to-day commodities. The varying degree to which different strata of Tunisian society benefited from economic performance and social institutions contributed to the momentum that eventually ousted Ben Ali.

Tunisia is also far from ensuring an adequate freedom of choice for all its citizens. Like many other countries in the region, Tunisia fares relatively poorly in terms of human poverty when compared to medium-developed countries in general. This is due primarily to its relatively high rate of adult illiteracy (22%). However, this level is owed for the most part to blatant levels of illiteracy before and in the first years after independence. Given current high levels of (girls' and boys') enrollment, the illiteracy rate is bound to decrease in the foreseeable future.

Tunisia can be justly seen as a model of gender empowerment by regional standards and also in Tunisia's income group (gender-related inequality index rank: 56 out of 139 ranked countries; Morocco: 104, Algeria: 70, Libya: 52; Egypt: 108). Nevertheless, Tunisian women still suffer gender-related discrimination stemming from traditional mindsets.

There also exists a sharp difference between rural and urban development. Rural populations, although partially integrated into the national economy, still depend in part on subsistence activities. Given the homogeneous character of the Tunisian population, there has not been much exclusion based on religion and ethnicity.

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	38933.9	44879.8	43522.0	44290.8
GDP growth	%	6.3	4.5	3.1	3.7
Inflation (CPI)	%	3.4	4.9	3.5	4.4
Unemployment	%	14.1	14.2	-	-
Foreign direct investment	% of GDP	4.3	5.9	3.7	3.2
Export growth	%	11.8	2.8	-7.6	4.8
Import growth	%	9.6	5.4	-7.2	3.8
Current account balance	\$ mn.	-916.9	-1711.2	-1233.7	-2104.4

Economic indicators		2007	2008	2009	2010
Public debt	% of GDP	45.9	43.3	42.9	40.4
External debt	\$ mn.	20440.8	20772.6	21711.4	21584.1
Total debt service	\$ mn.	2495.7	2011.5	2104.8	2349.3
Cash surplus or deficit	% of GDP	-2.2	-0.7	-1.7	-
Tax revenue	% of GDP	19.1	20.5	19.9	-
Government consumption	% of GDP	16.5	16.1	16.2	16.3
Public expnd. on edu.	% of GDP	7.1	-	-	-
Public expnd. on health	% of GDP	6.2	6.2	6.2	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.4	1.4	1.3	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

Market competition in Tunisia theoretically has a strong institutional framework. The state has traditionally played a strong role in facilitating development efforts. Tunisia has systematically adopted structural reforms and enhanced its entrepreneurial climate in order to achieve growth and attract foreign direct investment. In line with this, it has privatized more than 200 state-owned enterprises since 1990. The government has liberalized prices and controls and reduced the public sector's role in the economy. According to Tunisian statistics, the openness level of the economy at current prices reached 97.7% in 2007, compared to 86.3% in 2006 and 52% in 1986.

International observers come to less euphoric conclusions. The Heritage Foundation's 2011 Index of Economic Freedom ranks Tunisia 100th out of 179 countries (falling 2 places since 2010), classifying the country at the higher end of "mostly unfree" economies. In regional comparison, Tunisia clearly ranks closely behind Morocco (rank 93) and Egypt (96), but well ahead of Algeria (132), Libya (173) and Mauritania (134). Tunisia's 2011 score of 58.5 (0.5 points lower than 2010) reflects recent (moderate) shortcomings with regard to fiscal freedom, freedom from corruption, labor freedom and government spending. In line with the country's export-led development strategy, a moderate improvement was registered with regard to lowering barriers to foreign investment and promoting a growing entrepreneurial sector. However, repatriation of profits from foreign investments is

Market-based
competition

6

possible only with some restrictions, and according to the Global Competitiveness Index 2010-2011, foreign companies have been complaining about cumbersome procedures with regard to capital flows (Tunisia ranks 88th out of 139 countries on this issue).

According to the Heritage Foundation, the weight of government spending remained important, with total government expenditures holding steady at 27.3% of GDP (which is still moderate by regional standards: Algeria with 35.2%, Morocco 29.1%, Egypt 34%). Government expenditure has increased slightly since 2007 (in the wake of the global economic crisis) in order to fund enhanced infrastructure measures, subsidies for everyday commodities and transfer payments.

Some key sectors that have so far remained under government control are finance, utilities and hydrocarbons. Most prices result from free competition without state interference. Yet, the state can set and influence prices for subsidized, socially relevant commodities (e.g., flour, gasoline, propane liquid; for 2009 alone, the budget foresaw TD1.65 billion/\$1.2 billion in subsidies, or 9.6% of the budget) through regulation and state-owned utilities and enterprises. Subsidies have been lowered in recent years, which has helped maintain stagnation in purchasing power. On 16 January 2009, the government introduced a new mechanism for gasoline price flexibility, according to which the government interferes to administered prices when the gap between the international price and the equilibrium index price exceeds \$10 per barrel for three consecutive months. With this new mechanism, the government during the year 2010 alone, raised gasoline prices by 4% in an effort to cut its budget deficit.

The rules for market competition are not always consistent or uniform for all market participants. While private companies have long overtaken the state as the most important economic player, there is ample evidence that market-based competition has been distorted by the importance of groups colonizing different sectors of the economy. These groups are in most cases owned by a number of influential families that have dominated the national economy for centuries.

Since 1987, the ruling Ben Ali- and Trabelsi-clans have engaged increasingly in economic activities. Not only did they exhibit the necessary contacts within the state apparatus and the political sphere to access and secure markets, but they also had the necessary investing power and access to foreign partners. The engagement of the Ben Ali- and Trabelsi-clans in the national economy seems to have progressively deterred many Tunisians from investing and companies from talking openly about their business success. In this latter case, successful companies ran the real risk of being included within the “family sector,” made up of a conglomerate of businesses from diverse sectors and a cash-up system where family members forced successful entrepreneurs to share their profits. In other words, the Tunisian market

economy featured parallel systems, one in which international standards were followed, the other in which the rule of law for all was little more than a concept.

Foreign investors, although they officially benefited from preferential treatment (such as tax exemptions) have seemed to mainly enjoy the progressive, “formal” side of the Tunisian economy. According to the 2010–2011 Global Competitiveness Report (World Economic Forum), Tunisia ranked 32nd out of 139 developed and emerging countries (40th out of 133 countries in the 2009–2010 report). The report hailed Tunisia as being the most competitive African country, far ahead of South Africa (54th) and neighboring Morocco (75th), Algeria (86th) and Egypt (81st), and the fourth competitive economy in the MENA region, behind Qatar, Saudi Arabia and the UAE. As in earlier reports, this positive assessment was based on a number of parameters related to market-based competition. Different Global Competitiveness Reports have lauded the stability of state institutions (2010–2011: 23rd out of 139 countries) and the fairly effective markets for goods and services (33rd). In line with Tunisia’s dependency on foreign investment, the burdens of customs procedures (38th) as well as the impact of state rules on FDI (6th) were perceived as relatively low in Tunisia.

According to the same report, Tunisia ranked lower when it came to rigidities of the labor market (79th among 139 ranked countries), reflecting rigid employment regulations and wage-setting processes. In some Tunisian companies, informal forms of employment seem to be favored over those involving cumbersome registration procedures as well as relatively rigid labor regulations, the relatively high non-salary cost of labor and the difficulty of firing a worker under formal employment schemes.

The Global Competitiveness Index 2010–2011 cites the prevalence of trade barriers (57th) and trade tariffs (127th) as constraints for the development of market-based competition, though slightly improved compared to the 2009–2010 report. Also, income and corporate tax rates remain burdensome. While tariff dismantling has led to a decrease in tariff revenues, any losses have been compensated for by more burdensome tax rates for onshore companies. Hence, according to the Heritage Foundation, in recent years overall tax revenue as a percentage of GDP has risen from 14.9% (2008) to 22.4% in 2010. The top income tax rate and the top corporate tax rate for onshore companies stand at 35% and 30%, respectively. Other taxes include a value-added tax (VAT), a property transfer tax, an inheritance tax, and a vehicle tax.

The 2010-2011 Global Competitiveness Report (World Economic Forum) hails the effectiveness of the government's anti-monopoly policy as one of its strengths with regard to how well markets in the country function. With regard to this factor, Tunisia figured 18th among the countries ranked in the report.

Anti-monopoly
policy
5

But this assessment seems to be relevant mostly with reference to the investment of foreign companies in Tunisia. In terms of onshore companies, though, the aforementioned parallel systems (see "market-based competition") under the Ben Ali regime must be stressed. In fact, good legislation and state institutions did not prevent the ruling family and clans linked to it from taking whatever business seemed profitable (e.g., telecom, consumer goods, banking, all profitable businesses). Even beyond the influence of the families close to the president, conglomerates, typically owned by a number of closely interwoven families, have dominated different sectors of the national economy for decades.

In sum, despite the presence of regulations, de facto monopolies, oligopolies and practices of crony capitalism continuously hallowed out any semblance of economic freedom. It is nonetheless difficult to determine to what degree these practices permeated the economy as a whole and will hinder more competition in future.

Having chosen an export-oriented development path since the 1970s, and exhibiting one of the most industrialized economies in the Arab world, Tunisia has adhered to a number of international free trade mechanisms. Tunisia has adhered to the GATT since 1990 and is an original member of the WTO. Tunisia's foreign trade regime is one of the most liberal among Middle Eastern and North African countries. The country accords at least most favored nation (MFN) treatment to all its trading partners. Tunisia was also the first country in the region to reach – theoretically – free trade in the industrial sector with the European Union as of 1 January 2008. Within the region, Tunisia was a founding member of the Greater Arab Free Trade Area (GAFTA). Set up on 1 January 2005, this regional association is intended to lead to the progressive abolition of tariffs and a liberalization of markets for industrial and later agricultural goods between the member states of the Arab League. In a major step forward, Tunisia co-signed in 2004 the Agadir Agreement, progressively lifting commercial barriers with Morocco, Egypt and Jordan. On a bilateral basis, trade barriers with Libya, Morocco and Turkey have been lowered in recent years.

Liberalization of
foreign trade
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Despite these theoretical commitments to free trade, a 2005 Trade Policy Review by the WTO Secretariat report criticized the dualism existing within the Tunisian economy between an export sector that is dominated by offshore companies and whose competitiveness depends largely on preferential treatment (e.g. tax, customs and foreign exchange concessions), and a domestic sector that is still heavily protected. Importers targeting the onshore market had to take into account the aforementioned parallelism in the Ben Ali economy. This meant that in order to

import products with a very high added value, importers were well advised to find influential partners in the country. Hence, it was for instance no coincidence that the import of prestigious European car brands was concentrated in the hands of different members of the presidential clan.

Conversely, while the 2010–2011 Global Competitiveness Report (World Economic Forum) enthusiastically ranked Tunisia 32nd out of 139 developed and emerging countries with regard to the overall competitiveness of its economy, the country ranked considerably lower with regard to the prevalence of trade barriers (57th) and trade tariffs (127th). This notwithstanding, the same report acknowledged some improvements in these critical fields compared to the 2009–2010 report.

These findings were corroborated by the 2011 Economic Freedom Index. While citing a weighted average tariff rate of 18.3% (2006), the reports takes note of a number of import restrictions, especially prohibitively high tariffs with regard to certain products, import fees, import licensing requirements, and inconsistent customs administration in some fields.

Tunisia's banking system and capital market remained largely insulated from the impact of the subprime crisis of 2007, thanks to their limited degree of integration into the global economy (i.e., low level of external liabilities, only partially open capital accounts). Hence, the financial sector was no major contributor to the economic crisis in 2008–2009, caused mainly by a sharp drop of manufacturing exports.

Despite this relative “strength” in times of crisis, the Tunisian financial sector has often been cited (most recently by the World Economic Forum's Global Competitiveness Index 2010–2011) as one major hindrance to the country's economic modernization. As a result, the Tunisian government has for some years strived to remedy a number of sector weaknesses in order to mobilize more growth potential. Over the evaluation period, the Tunisian banking sector continued to suffer from fragmentation, outdated services, insufficient risk management, and high non-performing loans (NPLs). Nevertheless, the Global Competitiveness Report 2010–2011 also acknowledged that reform activity undertaken in recent years by the government and banks alike, has started to bear fruit. Recent improvements included the availability and affordability of financial services and a shrinking number of NPLs. Progress in these areas account primarily for Tunisia's improved overall competitiveness in the 2010–2011 ranking (32nd position among 139 countries compared to rank 40 in the 2009–2010 report). Over the medium term, the government aims to establish Tunisia as a financial hub for offshore-banking (Financial Harbor Project north of Tunis).

Banking system

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The Tunis Stock Exchange (TSE, established in 1969, transformed into a limited company in 1995) has in recent years become more important in the efficient allocation of resources and has helped boost confidence in the Tunisian economy. Similar to the banking sector, the capital market, due to strict controls on foreign exchange, has been mostly shielded to the global downturn in 2007. Due to robust corporate gains, the years 2009 and 2010 saw a constant influx of new capital from large family-owned groups and an increase in trading volume. Influx in the capital market has been boosted, among other things, by the lowering of the central bank's (BCT) key policy rate to 4.5% in 2009. Over the evaluation period the capital market has witnessed some improvement, most notably easier financing through enhanced venture capital availability and the local equity market. As a result, at the end of 2009, the TSE was behind an estimated 12% of credit to the economy, whereas its share had been only 4% in 2007. Bank shares are the most traded assets on the TSE, with 11 banks accounting for 58% of market capitalization in the stock exchange (2010).

In more than one respect, the Tunisian banking sector is paying today the price for past political domination. With three public-sector banks (Société Tunisienne de Banque/STB, Banque Nationale Agricole/BNA, Banque de l'Habitat/BH) accounting alone for 42.7% of total assets in 2008, and a number of private institutions (in decreasing order of total assets: Banque Internationale Arabe/BIAT, Amen Bank, ATB, Attijari Bank, Banque de Tunisie/BT, UIB, UBCI), as well as a number of banks with mixed Tunisian and foreign capital, the Tunisian banking sector remains highly fragmented, even by African standards. This fragmentation in a limited market of 10.5 million people has proven critical in terms of stiff competition between the banks and slight profit margins. Also, the relative small size of Tunisian banks has made it difficult for them to penetrate interesting neighboring markets such as Libya.

Tunisian banks have also been criticized because of their lack of strategy and ambition. This is probably due to the fact that banks have traditionally been subject to political influence and have therefore had little leeway in defining their policies autonomously. Aside from the state's weight as major shareholder in public sector banks, the government has direct control over financial flows with foreign countries. Top-level executives, in public and private institutions alike, were de facto appointed by the president under the Ben Ali regime.

This political dependency is accentuated in the private sector by the fact that banks typically belong to family-run conglomerates with close ties to the president. One illustrative case in point is Amen Bank, which is part of the Ben Yedder conglomerate, belonging to the powerful Ben Yedder family, also active in coffee trade, health care services and insurance. Belhassen Trabelsi, older brother of former President Ben Ali's wife Leïla, held up to January 2011 a majority of shares in the private Banque de Tunisie, but was also active in travel and aviation

(Karthago Airlines), tourism (Karthago Travel Service, Karthago Hotels), car distribution (Ford, Jaguar, Land Rover), agriculture, real estate, IT, (Global Telecom Networking), insurance (Upcar) and the media (Mosaique FM, Cactus Productions). In October 2009, Sakhr El-Materi, Ben Ali's son-in-law, established Zitouna Bank, the country's first institute of Islamic banking. In the absence of proof for these allegations, many entrepreneurs seemed to have been forced to open bank accounts and place assets with this bank in order to ensure quicker success for this new entrant in the banking sector. In addition, a number of companies, among these the national carrier Tunisair, seem to have been pushed to conclude contracts with this new bank. According to BCT, cited by the French weekly *Jeune Afrique* after the ousting of President Ben Ali, approximately 180 companies belonged to the families of President Ben Ali and his wife Leila Trabelsi. According to the same source, these two clans are reported to have benefited from approximately €1.3 billion of credits, for the most part without providing adequate guarantees. This amount corresponded to around 5% of total loans given by Tunisian banks between 1987 and 2011.

In concordance with earlier reports, the Global Competitiveness Report 2010–2011 highlighted difficult access to financing for SMEs as the most problematic aspect of the business environment in Tunisia. Banks hardly have the necessary risk-management to effectively assess the credibility of business projects. Conversely, consumer credits and real estate loans remain the most important products for Tunisian banks. According to the Oxford Business Group, mortgage lending has grown more than threefold since 2005.

On the other hand, especially public banks such as the STB, have traditionally been involved in public development and infrastructure programs as well as the tourism sector. In this context, these banks have been pushed to lend to certain companies on the basis of personal ties without adequate guarantees. As a result, Tunisian banks have long been suffering from relatively high levels of non-performing loans (NPLs). In 2008, the BCT set new requirements, according to which NPLs should not exceed 15% of banks total credits, and banks' provisioning rates (coverage) must be at a minimum of 70% by the end of 2009. According to the latest available World Bank data, the average NPL ratio for Tunisian banks actually decreased to 19.2% at the end of 2008 (2007: 21.4%, 2006: 24.2%, 2005: 23.6%, 2004: 20.9%, 2003: 19.3%, 2002: 17.6%, 2001: 15.5%). These average data reflect, of course, very different realities. At the end of 2008, a high NPL ratio (23%) for STB, which had served for decades as an engine of state-induced development, stood in contrast to the public BNA bank's 11.9% or private Amen Bank's 14% NPL ratio. According to the Oxford Business Group, in 2009, the NPL ratio broke down to an average of 14.1% for publicly owned banks and 12.5% for private banks. For 2010, STB reported an NPL ratio of 18.8%. While recent political changes may cause a short-term stagnation of NPLs at higher levels, the medium to long-term picture

should see Tunisian banks embark on new efforts to reduce NPLs. BCT has already announced plans to reduce NPL to 12%.

There is still considerable room for improvement with reference to the soundness of banks. After decades of state control, banks remain structurally undercapitalized. According to the World Bank's Global Competitiveness Report 2010–2011, the soundness of Tunisia's banks ranks 59th among 139 countries. Faced with the 2008–2009 economic crisis, the government loosened its tight stance on required bank capitals somewhat in an effort to encourage banks to continue their lending policies so as to bolster household consumption. The required capital-to-assets ratio was then lowered from 10% to 7.5% of assets in late 2008, that is, close to ratios the country had witnessed at the beginning of the decade.

To ensure the continued smooth functioning of the banking system after the ousting of President Ben Ali in January 2011, the BCT continued providing liquidity to the sector. Two banking institutions, particularly impacted by the upheaval, the above-mentioned BT and Zitouna Bank, were put under direct government control. Zitouna Bank in particular saw record amounts of its assets withdrawn by its former customers in a record time in January 2011.

In the medium term, according to the Oxford Business Group, the political turnover in Tunisia will not affect Tunisia's banking policy fundamentally. As before, the planned sale of public shares to international investors should boost efforts to introduce international standards in the banking sector. Unlike in earlier evaluation periods, however, no relevant Tunisian bank was taken over by foreign investors. Aside from Attijari Bank (owned by Moroccan Attijari Wafa bank), thus far only the French banks Paribas and Société Générale have subsidiaries in Tunisia (respectively UBCI and UIB banks).

8 | Currency and Price Stability

Since the end of the 1980s, the Tunisian government has for the most part effectively implemented inflation control and an appropriate foreign exchange-rate policy. The central bank (BCT) is politically dependent. The governor of the BCT is nominated by the president of the republic. Following the ousting of President Ben Ali on 14 January 2011, Taoufik Baccar was replaced as BCT governor by Mustapha Kamil Nabli on 17 January 2011.

During the subprime crisis in 2007, contrary to the situation in other countries, the Tunisian financial system preserved its liquidity and the BCT was forced to intervene in money markets to curb inflation. Between 1 February 2009 and 31 January 2011 the official inflation rate hovered close to the rates reported in the preceding evaluation period (2010: 4.0%, 2009: 4.3%, 2008: 4.9%, 2007: 3.1%, and

Anti-inflation /
forex policy

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2006: 4.5%). The modest increase can be attributed primarily to higher food prices (owed in part to bad harvests in 2010) and soaring energy costs, mostly because of cuts in subsidies on fuel and gasoline. In addition, combating inflation, usually one of the government's priorities, took a back seat during the global economic crisis of 2008–2009 to attempts to stimulate the economy. Conversely, in February 2009, the BCT reduced its key policy rate from 5.25% to 4.50% (for the first time in 30 months) and lowered mandatory bank reserves in order to ensure liquidity in the financial sector and encourage banks to continue giving credit.

The national currency's exchange rate is fixed by the state on a daily basis, but reflects the de facto market price against the euro and the U.S. dollar. As in earlier evaluation periods, the government favored a moderate devaluation of the Tunisian dinar (TD) against the euro, the currency of Tunisia's most important trading partners, in order to preserve the competitiveness of Tunisian exports. According to World Bank data, the actual effective exchange rate showed a moderate devaluation of the TD of approximately 5% from 2005 to 2009. From 2007 to 2009 alone, devaluation was marginal with just 1% against reference currencies. Compared to the euro, the TD lost 2% of its value from 1 February 2009 to 31 January 2011, with hardly any fluctuation in between. At the end of the evaluation period, the TD stood at €0.52.

Non-residents may hold foreign exchange (subject to some restrictions) and foreign currency accounts. Given the impossibility of transferring foreign currency to a dinar account or dinars to a foreign account, special rules (among others: dinar convertible accounts) have been established since 1994, allowing foreign investors, with some restrictions, currency transfers and the repatriation of profits. According to the Global Competitiveness Index 2010–2011, foreign companies have been complaining about cumbersome procedures with regard to capital flows (Tunisia ranks 88th out of 139 ranked countries with regard to this aspect compared to an overall position of 32 out of 139 countries).

For Tunisians, holding foreign exchange accounts is subject to restrictions and prior approval by the BCT. Capital transactions are subject to restrictions, and there remain controls, quantitative limits and other restrictions on payments and transfers. A gradual transition toward a floating exchange rate – which aims to attract more FDI, increase the competitiveness of Tunisian products and facilitate access to capital for Tunisian companies – had been scheduled on several occasions by the government of President Ben Ali, most recently for 2014.

The 2010–2011 Global Competitiveness Report ranked Tunisia as being the most competitive African country. Apart from recent reforms in the banking sector, this excellent ranking was due, as in earlier reports, to the country's overall macroeconomic stability. The effects of the economic crisis 2008–2009, however, made the government loosen somewhat its firm stance with reference to fiscal and

debt policies during the evaluation period. Social problems and an instable political and economic situation after the ousting of President Ben Ali (14 January 2011) bode ill for Tunisia's fiscal and debt discipline in the short- and medium-term.

During the evaluation period, budget deficits soared to -3.8% of GDP in 2009 (2008: -0.9%, 2007: -2.2%, 2006: -2.7%, World Bank data). Estimations of the Tunisian statistical office INS for 2010 stand at -5.1%, and (uncertain) forecasts for 2011 stand at -7.5%. This situation reflects a reduction of receipts following the drop in exports observed in 2009 (-22.9%), rising state expenditure due to the government's demand-oriented anti-crisis policy (e.g., spending on infrastructure, measures to support employment and private consumption), and increasing state subsidies for basic goods (e.g., flour and fuel).

In recent years, FDI has continuously exceeded Tunisia's (slightly increasing) current account deficits. In 2008, with goods imports increasing more rapidly (+35.8%) than exports (+26.3%), the widening trade gap made for a higher current account deficit of -\$1.7 billion, compared to -\$0.9 billion in 2007. In 2009, following a drop in exports (-22.1%) and near-stagnant exports in 2010 (+0.6%), the current account deficit soared to -\$1.8 billion in 2009 and an estimated -\$2.0 billion at the end of 2010 (data: Business Monitor International, BMI). BMI, rather cautious in light of the ongoing political and economic situation in early 2011, is forecasting a current account balance deficit of -\$2.4 billion at the end of 2011.

Nevertheless, as a result of overall managed macroeconomic parameters, total reserves (excluding gold) rose continuously before and during the evaluation period (2007: \$7.9 billion, 2008: \$8.8 billion; 2009: \$10.2 billion). Estimates for 2010 and 2011 stand at \$11.3 billion and \$12.4 billion, respectively.

According to World Bank standards, Tunisia is a "moderately indebted country" and has traditionally promoted a culture of stability in debt matters. Public and publicly guaranteed debt (World Bank tables) rose moderately in the years before the evaluation period (2005: \$14.7 billion, 2006: \$15.3 billion, 2007: \$16.46 billion, 2008: \$16.45 billion). Although total public debt increased during the crisis, it remains manageable. According to Tunisian sources (questionable as they may be) external indebtedness could be lowered from 47.6% (2006) to 39.7% of GDP as of the end of 2010.

The active demand-oriented anti-crisis policy of the government was reflected, from 2008, in total external debt rising somewhat quicker than in previous years. According to World Bank data from summer 2010 (drawn from BMI), total external debt rose from \$19.5 billion in 2007 to \$19.6 billion in 2008 and \$20.2 billion in 2009. Estimations for 2010 stood at \$21.3 billion, and the forecast for 2011 was \$22.4 billion.

9 | Private Property

According to the World Economic Forum's 2010–2011 Global Competitiveness Report, Tunisia ranked fairly well with reference to property rights (rank 31) and intellectual property protection (rank 37). This finding has been partly corroborated by the World Bank's Doing Business Report 2010, according to which Tunisia exhibits straightforward procedures involved in registering property (taking 4 days, on average).

Property rights
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In legal terms, property rights and the acquisition of property are well defined. The acquisition of land by foreign investors, though, is subject to prior permission and can be cumbersome. Permissions are generally easily given in the case of offshore companies investing in industrial areas designated as such. Foreigners may not own agricultural land.

Problems persist, however, due to shortcomings in the rule of law. Commercial cases take a long time to resolve, and legal procedures are complex. Under the Ben Ali regime, increasing practices of crony capitalism and a lack of respect for private property (e.g., cases of forced property sales) on the part of clans close to the regime have increasingly been cited as factors inhibiting investment by Tunisian nationals. In quite a few cases, property had to be sold at symbolic prices to members of the ruling family or bribery was necessary in order to purchase property. Especially in the late Ben Ali years, landowners or investors could never be certain that their property was theirs to keep.

Although Tunisia's intellectual property rights law is designed to meet the WTO's minimum standards, pirated print, audio and video media products are openly sold. According to the 2011 Index of Economic Freedom, custom agents do not investigate copyright violations in the absence of a complaint by the copyright holder. The illegal copying of software, CDs and DVDs is widespread.

After only a brief "socialist"-inspired period in the late 1960s, private enterprises – or, more precisely, private conglomerates owned by influential families – have come to form the backbone of the Tunisian economy. More than 200 public companies, founded since the 1960s in an effort of state-led development in a number of sectors (transport, banking, tourism, and building) have formally been privatized since 1990s. Also, in international rankings, Tunisia exhibits formally straightforward procedures with regard to incorporating and registering a new business. According to the World Bank's Ease of Doing business Report 2010, it takes no more than 10 days to open a business in Tunisia, which is impressive by regional standards (Egypt: 6 days, Morocco: 26, Libya: 26, Algeria: 24).

Private enterprise
6

These assessments seem somewhat over-enthusiastic. Market economic and private sector activities were in fact part of the rhetorical window dressing of the regime. While private companies have admittedly surpassed the state as the most important economic player, there is ample evidence that market-based competition has been distorted by the presence of conglomerates able to colonize different sectors of the economy. These groups are owned by a number of clans, mostly rooted in some regions like Tunis, Djerba, Sfax or the Sahel, which have dominated the national economy for centuries. These groups enjoy not only the necessary contacts within the state apparatus and the political sphere to access and secure markets, but they also have the requisite investing power and access to foreign partners. Since 1987, the ruling Ben Ali- and Trabelsi-clans have been increasingly more aggressive in their economic activities.

Within this context, respect for private companies as the key drivers of economic production clearly does not always equal the existence and implementation of uniform and fair rules for all market participants. Companies with access to high-ranking political actors and the administration generally profit from a privileged position that yields, among other things, easier access to credit and de facto “guaranteed” domestic markets. Given the close connection between the political and economic spheres, such arrangements had grown in recent years under the Ben Ali regime.

Access to new and promising business niches was particularly cumbersome for new competitors on the markets. Although in principle these competitors were permitted to operate freely, lacking the necessary connections, they often faced structural economic barriers, especially those connected to the weaknesses of the banking sector and the bureaucracy. Under the Ben Ali regime, successful private players in new sectors often sparked interest among parts of the most influential families to develop an “association” with the new business. This was one major reason why some companies looked for foreign partners. Offshore companies were mostly exempt from these practices of crony capitalism, given that they typically did not constitute a “threat” to established players in the local market.

It is obvious that under these conditions, privatization under the Ben Ali regime did not always take place according to market principles. One illustrative case in point was the “intuitional acquisition” in 2005 by Sakhr El-Materi (Ben Ali’s son-in-law), of 17% of shares of Banque du Sud, shortly before the latter was privatized as Attijari Bank via the sale of its shares to Attijari Wafa Bank, a Moroccan bank.

10 | Welfare Regime

The Tunisian public health care system ensures free or grant-maintained basic health care for approximately 90% of the population. Aside from oil-rich Libya, Tunisia has the highest ratio of hospital beds per 1,000 inhabitants (currently 1.9) among its Maghreb neighbors (Algeria: 1.7, Morocco: 0.9). However, the quality of the public health care system in areas beyond urban centers and the northern and eastern coastal regions is often lacking. A decline in health spending in recent years (3.2% of GDP in 2005; 3% in 2007) means that shortcomings in the public sector, which still provide almost 50% of all services, are increasingly compensated for by a vibrant private clinic sector. The importance of private clinics is likely to continue developing at a faster rate due to their importance also for the export of health care services to neighboring Maghreb countries (especially Libya).

Employees with official contracts pay social insurance contributions; in 2007, this system included approximately 50% of the population and provided coverage that included maternity leave and some other services beyond basic medical care. Due to declining standards in state-run social security systems and the emergence of private nursing providers, the 2007 reform of public health insurance provided for a better integration of private and public health care providers. Since 2007, those insured under the public insurance scheme have been able to receive refunds for services and treatments they paid for in the private sector.

Government employees have a right to a pension. In order to cushion the social hardship linked with economic liberalization and to combat unemployment, the state offers both financial and direct aid to needy families, and it provides low-interest loans to encourage private home ownership and the founding of small businesses.

Persistently high unemployment and the absence of unemployment insurance mean that the role of the informal sector as well as private solidarity networks remain important.

Equality of opportunity exists under the law. But in practice, equality of opportunity is seriously hampered by the persistence of patron-client relations as well as corruption in the economic and political realms.

Tunisian society has traditionally maintained relatively low levels of income inequality. According to official government data, up to 80% of Tunisians number among the middle class. However, the riots that spread from Sidi Bouzid as of 17 December 2010, at the very latest, confirmed observations that social disparities have grown despite strong economic performance in recent years.

Social safety nets
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Equal opportunity
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According to the latest UNDP Gender Inequality Index Tunisia ranks 56th among 139 ranked countries in 2008 (Algeria: 70th; Libya: 52nd; Morocco: 104th; Egypt: 108th). Women's rights have been enhanced by reforms under President Ben Ali in several stages, including the 1993 lifting of laws regarding women's obligation to obey their husband. President Ben Ali also established quotas for the representation of women on RCD lists. In other areas, such as abortion rights or divorce law, Tunisian law is relatively progressive within the region. In Tunisia, abortion is legal up to the end of the third month. When marriages end in divorce, women typically keep the apartment and are granted primary custody of the children. These points highlight the fact that in terms of the legal code, and with reference to some parameters, Tunisia can justly be considered a regional champion of gender equality.

Despite all this, women remain disadvantaged in terms of overall equality of social and economic opportunity, particularly regarding income levels or holding public office. There is still much to do in order to improve women's equality. For example, in family law, the law of succession or the right of women to pass on their nationality to their (foreign) husband and children should be changed.

Access to education for girls and boys, together with literacy campaigns, have been targeted by the state since independence. With a 97.7% ratio of female-to-male enrollment at primary level, nearly as many Tunisian girls as boys attend primary school these days. Tunisia performs better on this point than does neighboring Algeria (93.9%) and Morocco (90.5%). Comparable to neighboring Algeria, but in contrast to Morocco and most other African countries, the ratio of female-to-male enrollment increases at advanced education levels, reaching 148.8% at the university level.

Inequalities of opportunity are reflected in an adult literacy rate of approximately 78%. Illiteracy is today more or less a phenomenon associated with older generations. Differences between men's and women's literacy rates (respectively 86.4% and 69.6%) point to persistent shortcomings in gender-related equality of opportunity. However, in terms of the adult literacy rate, Tunisia performs better than neighboring Morocco (56.4%) and Algeria (72.6%), but lags behind Libya (88.4%).

11 | Economic Performance

As in earlier evaluation periods, Tunisia has been able to count on its sound economic foundations to weather economic turmoil since 2007.

Output strength

7

Thanks to the financial sector's limited interpenetration with international markets, economic growth was hardly affected by the subprime crisis in 2007–2008. Parallel to economic growth (2008: 4.6%, 2007: 6.3%, 2006: 5.7%, 2005: 4.0%), GDP per capita (PPP) rose from \$6,962 in 2006 to \$8,284 in 2009.

GDP growth slowed down in 2009 and 2010 to 3.1% and 3.2% respectively, which was still considerable given that Tunisian goods exports, after record growth rates of 31.6% and 26.3% in 2007 and 2008, had plummeted by 22.1% in 2009 and stagnated in 2010 at around 0.6%. Here, the recession in the European automotive and textile sectors that began in late 2008 had an almost immediate impact on Tunisian exports. Primary factors in cushioning the impact of adverse economic conditions over the evaluation period were a good harvest in 2009 (but a bad one in 2010), a good 2009 tourism season, the government's demand-oriented anti-crisis policy, and stable household consumption. Shrinking growth was reflected in GDP which fell from \$40.84 billion in 2008 to \$39.6 billion in 2009 (2006: \$30.96 billion, 2007: \$35.6 billion).

Parallel to reduced growth, key macroeconomic parameters remained stable with inflation rising moderately in 2009 (4.3%) and 2010 (4.0%) compared to an average inflation of 3.5% over the period from 2003 to 2008. Tax revenue that had risen from 20.6% of GDP in 2006 to 22.5% in 2008 (parallel to a constant GDP growth) dwindled to 19.7% of GDP in 2009. This notwithstanding, budget deficits remained manageable over the evaluation period. Following the economic slowdown, budget deficits increased slightly to -3.8% of GDP in 2009 (2008: -0.9%, 2007: -2.2%, 2006: -2.7%, World Bank data). Estimations of the Tunisian statistical office INS for 2010 stand at -5.1%, and forecasts for 2011 are at -7.5%.

Following plummeting exports, Tunisia's current account deficit stood at an estimated -\$2.0 billion at the end of 2010 (2009: -\$1.8 billion, 2008: -\$1.7 billion, 2007: -\$0.9 billion). However, rising current account deficits were exceeded by increasing FDI up until 2008. According to the Tunisian Foreign Investment Promotion Agency (FIPA), FDI rose between 2005 and 2009 from €615 million (2005) to €2.7 billion (2006), €1.3 billion (2007), €2.1 billion (2008) and €1.4 billion in 2009. FDI stood at €1.2 billion by the end of October 2010.

In structural terms, growth rates over the evaluation period lagged behind the ambitious annual growth target of 6.1% set by the 11th five-year development plan (2007–2011). Growth at that level would have been badly needed to tangibly reduce

unemployment which, according to official figures, has been stagnating at around 14% in recent years. Considering structural underemployment and blatant regional differences, this national aggregate exhibits only limited significance. Social turmoil in December 2010 and January 2011 has demonstrated how critical high levels of unemployment can be to political stability. While social discontent led to the ousting of a long-serving dictator, the success of Tunisia's political transition will partly depend on how effectively this issue is tackled by future governments.

Moreover, Tunisia urgently needs more economic activities and investment, as the relatively low level of private investment continues to be a critical issue. Economic growth still depends too much on domestic consumption, which has once again been fueled during the evaluation period by easy consumption credits to private households.

12 | Sustainability

Tunisia will have to deal with considerable environmental challenges over the coming years. Particularly hit by the climate change, Tunisia will be increasingly exposed to the risks of de-forestation and erosion in the medium and long term. The country's water needs will grow as the country continues to industrialize and extend its agricultural use areas. There is little leeway in terms of exploiting the scant natural water resources, such as those in the Medjerda basin in the north of the country. Given the high energy consumption involved with desalination, the prospects of implementing this procedure for fresh water preparation are limited. Some of Tunisia's industrial plants, especially in the chemical sector, are running on outdated technology, giving rise to inadequately treated wastewaters, emissions or hazardous wastes.

Faced with these challenges, Tunisia was the first Arab country to establish a Ministry of the Environment in 1992. In their discourse, political decision makers have been addressing environmental issues for some years. The government has set up significant and highly differentiated policies and institutional schemes, such as those in charge of promoting energy-saving practices and technology (Agence Nationale pour la Maîtrise de l'Energie), combating erosion and desertification, the provision of wastewater treatment, and subsidizing private households that purchase solar-based water-heating units. Environmental legislation in Tunisia is still unsatisfactory, contradictory in itself, and not always in line with urgent needs and legislation in the sectors at stake (e.g., water, real estate, energy, construction). Environmental policy at times suffers from the stewardship of civil servants that lack the proper training or by conflicting competences between ministries and subordinated agencies. Given these shortcomings and pervasive corruption, existing legislation could and still can easily be ignored or circumvented.

Environmental
policy
5

In political discourse, the notion of “environmental policy” is regularly blurred by authorities who broaden it, for example, to include planting trees and other measures to embellish urban environments. Otherwise, the government often formulates the idea of environmental policy in the larger context of infrastructure investment (e.g., when it comes to questions of water treatment, waste disposal or the mobilization of water resources via the construction of dams) or agricultural development. Environmental concerns often seem not to be a goal in themselves, but are intermingled with proclaimed political goals such as regional development or job creation of alleged export opportunities (e.g., the newly proclaimed export potential of organically grown goods). When it comes to “eco-tourism” or “sustainable tourism,” public authorities and private actors alike are still unsure of how to employ such concepts to enrich the country’s tourism portfolio.

Tunisia is taking part, via the national energy producer STEG, in the Desertec initiative, which is striving to create a network of solar and wind power generating projects across North Africa that are expected to supply 15% of Europe’s electricity needs by 2040.

On the whole, environmental concerns continue to take a back seat to growth considerations. This was all the more true over the evaluation period in times of economic crisis and mounting social strife. In urban planning, for instance, improving road and highway infrastructure has taken precedence over the promotion of public transport in recent years. In microeconomic terms, the government has only hesitantly set incentives for environmentally sound consumption and investments to households and companies (e.g., by setting up collection boxes for plastic water bottles, labeling environmentally preferable white goods).

With reference to its environmental policy, Tunisia was a regional champion according to the 2008 Environmental Performance Index (EPI) by Yale University. With a score of 78.1 the country ranked 60th among 149 countries. Among its regional peers the country ranked 3rd behind Israel and Cyprus. However, according to the 2010 edition of this index, Tunisia ranks a disappointing 74th among 163 nations (Algeria: 42nd, Morocco: 52nd, Egypt: 68th, Libya: 117th, Mauritania: 161st). While Tunisia’s EPI score of 60.6 exceeds the MENA average score (54.1), the country still came in only sixth behind Algeria, Morocco, Syria, Israel and Egypt. Yet, as many other countries of the region, Tunisia clearly underperformed with reference to the average score of its income peer group (65.7).

When taking a closer look at the results of the 2010 Environmental Performance Index, Tunisia ranked respectably by regional comparison as well as compared to its income peer group with regard to environmental health. This dimension of “environmental performance” shows relatively good performance when it comes to managing risk factors such as poor water quality and sanitation and indoor and

outdoor air pollution. This notwithstanding, Tunisia's mediocre overall ranking is attributed in part to the fact that it lags behind in terms of its "ecosystem vitality," that is, setting policies relevant to the goal of reducing the loss or degradation of ecosystems and natural resources. Policy categories for this aspect of environmental performance include measures with regard to climate change, air effects on ecosystems, water effects on ecosystems, biodiversity and habitat, and productive natural resources.

In the aftermath of the Tunisian January 2011 revolution, the former Ministry of Environment has been put together with the Ministry of Agriculture under the label of the latter. The transitional government's aim to be more efficient by reducing the number of ministries for a while is understandable, yet the choice clearly shows that environmental policy is not among the priorities. The Ben Ali legislation always stressed the importance of "the environment" and the presidential program included ambitious goals such as the certification of 500 companies according to ISO 14001 by 2012. Hopefully the new government will institute a sound policy program and regular law enforcement.

According to World Bank data, Tunisia's spending on education in 2007 was one-fourth of its budget (7.2% of GDP), which is clearly more than neighboring Algeria (4.3% in 2008) and Morocco (5.7% in 2008). Investment in human capital has undeniably been a major feature of Tunisia's overall positive development in recent decades. The World Economic Forum's Global Competitiveness Report 2010 – 2011 most prominently lauded Tunisia with regard to the country's quality of its primary education and the high degree of its primary school enrollment (ranks 22 and 33 respectively out of 179 ranked nations). While ranking somewhat lower with reference to the enrollment in secondary and tertiary levels (ranks 53 and 69 respectively), Tunisia figured at an excellent 20th position for the overall quality of its education system, and even 8th out of 139 for the quality of the country's math and science education.

Effectively, Tunisia occupies a top position in regional comparison as far as gross school enrollment is concerned. Nearly 100% of children between six and 12 years are enrolled at primary level, with nearly as many girls (97.7%) as boys attending primary school. This percentage makes Tunisia fare clearly better than neighboring Algeria (93.9%) and Morocco (90.5). While today's adults aged 25 and above received only 6.5 years of schooling on average, children beginning their education today are likely to complete 14.5 years of schooling.

Whereas 91.8% of secondary school-aged children attend school (Morocco: 55.8; Algeria: 83.2%), around 33.7% of the corresponding population benefit from tertiary education (Morocco: 12.3%, Algeria: 24.0%). Comparable to neighboring

Education policy /
R&D
6

Algeria, but in contrast to Morocco and most other African countries, the ratio of female-to-male enrollment increases at advanced education levels, reaching 148.8% at the university level.

Education is mandatory and free of charge until the age of 15. While the number of new pupils entering primary education has been slowly decreasing since 2004 (which suggests that Tunisia has actually managed its population growth), the number of university students increased tenfold from 1986 to 2006, and the current enrollment figures are well beyond 300,000 students.

However, education quality is more than simply providing the infrastructural basis of an education. In this respect, the above enthusiastic appraisals of the quality of the Tunisian education sector can justly be questioned. With a U.N. Education Index rating of only 0.722 in 2009 (ranking 123rd out of 179 countries), Tunisia must still be considered – just like most other countries in the region – as an educational underachiever, especially when considering the country's combined rank of 81 in the Human Development Report 2010.

In the absence of systematic independent assessments, in recent years, educational standards seem to have deteriorated outside urban middle-class areas both in state-run primary and secondary education as well as at the university level. This, combined with high pressure on students for annual exams, has led to an increasingly significant proportion of students paying taking extra classes that are paid for out-of-pocket. There is a significant attrition rate among students. On the other hand, underachievers often seem to be kept within the educational system in order to avoid their being categorized as unemployed. There is also a problem with the apparently decreasing quality of a diploma, which is in part due to the current social problems among young people. About 50% of youth looking for work are recent college graduates. Also, the education system does not seem to be sufficiently responsive to the needs of an increasingly complex economy striving to produce products with higher added value. Classes seem all too often based on mere repetition and do not provide students with the skills needed by the labor market.

State-run education and training facilities are available for most relevant industrial and service sectors. Yet, the vocational training sector is underdeveloped, which undoubtedly adds to the inadequacy of education with regard to the country's economic needs. Private educational institutions – of varying quality – are becoming more important.

According to UNESCO data from the year 2005, Tunisia invested 1.02% of GDP on R&D in 2005. Following more recent government data, R&D expenses accounted for 1.07% of GDP in 2006, up from 0.53% in 2001. This remains modest considering the development strategy of the country consisting in the growing export of manufactured products, and more precisely the supposedly rising share of

added value products involving technology (e.g., electronic components, information and communication technologies, health care and food industries). However, according to the current development plan, R&D as a percentage of GDP should reach 1.25% by 2011.

A recent World Bank report identified several reasons as to why R&D contributed only modestly to the Tunisian economy, and this despite the existence of qualified research personnel, universities, specialized institutes, industrial parks and research facilities supposedly acting as an interface between industry and research. According to the report, only 5 to 6 patents are registered annually in Tunisia (compared to 6,500 in France). One major structural reason for this situation is the persistently weak technological basis of the economy, the industry being mostly based on offshore activities of foreign companies, while R&D remains concentrated in companies' home countries. The report also pointed at sometimes cumbersome bureaucratic structures in universities and research institutes, the lacking commitment or capital of the industry to foster R&D activities, as well as shortcomings at the level of cooperation between industry and research facilities. A recent government decree issued on 5 April 2010 tries to encourage companies to foster R&D and promotes cooperation between the industry and research institutes by setting up a new incentive system, covering for instance feasibility studies or the acquisition of lab material.

Transformation Management

I. Level of Difficulty

While remaining moderate for most of the period under study, structural constraints on the political leadership's governance became more difficult towards the end of the evaluation period.

Structural
constraints
5

As in earlier evaluation periods, the leeway granted to political decision makers remained considerable (owing to the authoritarian polity and the absence of veto powers). This finding also remained true with regard to the fairly efficient state administration, the moderate development level already reached, the country's generally positive social and economic performance, and the absence of ethnic and religious conflicts.

The government's financial leeway was progressively restricted over the evaluation period due to mounting social tensions, resulting from the ramifications of the economic crisis in 2008 and 2009, rising international fuel prices, and from a bad harvest in 2010. As a result, the government accepted slightly soaring budget deficits and indebtedness to support the economy and to subsidize social security contributions.

With the ousting of President Ben Ali on 14 January 2011, and the setting up of transitional governments under Prime Minister Mohamed Ghannouchi (from 17 January 2011), structural constraints on the government have increased drastically. Indeed, growing social discontent, linked to economic risks in early 2011, had an immediate impact on governance following January 2011. Faced with in some cases violent demonstrations, the transitional governments tended to give in rather quickly to various social demands in order to ease political tensions. Illustrative in this respect was the promise given by transitional President Fouad Mbazaa in January that wage negotiations between the government and employers' and employees' unions were soon to be held. In these negotiations, the workers' union UGTT might well capitalize on its increased bargaining power based on its "revolutionary legitimacy."

The revolutionary situation in early 2011, together with the limited democratic legitimacy of the government and the pluralistic composition of transitional governments, constituted considerable constraints of the governance capacity of the government. In early 2011, for instance, the army leadership (following its fraternization with the populace) emancipated itself from the regime and established itself as a de facto veto power. For the time being, the army, though, has not weighed openly on the decisions of transitional governments. On the other hand, opposition forces, especially the workers' union UGTT, emancipated themselves from the regime, too. By leaving the first transitional government on 27 January 2011, UGTT representatives underscored that the question of forming stable governments is likely to become more difficult over the short and medium term.

Despite the presence of a well-rooted urban middle class and an educational level that is high by regional standards, civil society has remained weak under authoritarian rule since 1956. In this context, self-organization in civil society was bound to clash with authoritarian intra-societal relationships, the absence of freedom of association and a lack of interpersonal trust. In practice, between 1956 and early 2011, subsequent Tunisian governments systematically hindered the growth of civic organizations outside the structures linked to the dominant party. NGO activities were either systematically suppressed or channeled toward "system-compatible activities." The corporatist, top-down initiation of associations close to the RCD could serve only to some extent as a functional equivalent to open spaces for civil society activities. As a result, up until early January 2011, there was widespread cynicism within Tunisian society regarding the possibility of a truly free and effective civic engagement.

Civil society
traditions

7

The ousting of former President Ben Ali on 14 January 2011 has toppled the political context. The commitment of the transitional governments of Mohamed Ghannouchi (since 17 January 2011) to guaranteeing civil rights has opened up opportunities for a more free civil society to develop. The large number of new political parties and NGOs established by the end of January 2011, together with Tunisians' newly acquired appreciation for demonstrations may be interpreted as encouraging signs of a nascent civil society. The active and critical stance taken by the UGTT, which is endowed with well-developed grassroots organization, suggests that patterns of debate in this new civil society are likely to show more conflict than in the past.

Looking beyond the regime's authoritarian nature, the relative weakness of civil society is inseparable from deeply entrenched patterns of authoritarian behavior within Tunisian society, the tendency to build relationships along family lines or through cronyism, and a certain lack of private initiative. Nevertheless, Tunisia might well profit from its advantageous socioeconomic setting in facilitating a

viable civil society, especially when compared to other countries in the Middle East and North Africa. Conditions that stand to facilitate such a development include a relatively well-differentiated and high level of education, the absence of a history of violent ethnic and religious conflicts along with a tradition of tolerance, and the relative economic and cultural homogeneity of Tunisians.

Facing partial anarchy following the ousting of President Ben Ali, Tunisians exhibited a remarkable ability to form vigilance committees at the neighborhood level in an effort of self-defense. This indicates that there is a real potential for civic engagement outside official channels in local or personal matters.

Former BTI evaluations pointed to the fact that despite Tunisia's apparent social stability, there was a growing potential for socially motivated riots in the country. Despite the Ben Ali regime's undeniable development successes, social and economic progress visibly passed by ever growing proportions of the population. A number of events, such as the riots in early 2008 in Gafsa, could be seen as spontaneous eruptions of this social discontent – with the difference that, at that time, social upheaval remained locally confined and did not develop into the far-reaching wave of protests the country saw over the evaluation period. Prolonged negotiations in 2008 between the trade union UGTT and the UTICA employers' organization took longer than they had in previous years to lead to a government-mediated solution. This showed the limits of the up-to-then successful authoritarian development path, but also serves as an example of authoritarian-corporatist interest integration.

Between December 2010 and January 2011, the country witnessed an unprecedented upsurge of socially motivated conflict intensity. The weeks that followed the self-immolation of Mohamed Bouazizi in the central Tunisian town of Sidi Bouzid (17 December 2011) saw an ever-growing wave of clashes between, at first, hundreds, then tens of thousands of Tunisians and the security forces spilling all over the country. During this process, initial social discontent of the underprivileged population in central Tunisia reached wider strata of the middle classes. Gathering Tunisians under the French slogan "Dégage" (get out), social discontent was channeled along the way into further-reaching political demands for the ousting of President Ben Ali and the end of the RCD regime. Faced with unprecedented popular anger, the regime initially resorted to its usual panoply of anti-riot measures. The regime's bell tolled when on 13 January 2011, General Rachid Ammar, chief of staff of the army, refused to order his troops to fire on demonstrators, hence denying President Zine El Abidine Ben Ali any further support.

The Tunisian revolution of 2011 caused the death of between 100 – 200 persons, mainly demonstrators, security forces and inmates of one prison in the town of Monastir. After the toppling of Ben Ali, and subsequent partial anarchy (presence

Conflict intensity
3

of looting gangs) the degree of violence was quickly reduced by the military's fraternization with the public and Tunisians' capacity to compensate for the momentary power vacuum by setting up quarter-based vigilance committees.

The considerable number of new political parties and NGOs that have been established by the end of January 2011, along with Tunisians' new taste for demonstrations suggest that debates and open conflicts will play a larger role in Tunisian political life. Both socioeconomic and religious cleavages are likely to grow and could lead to more virulent conflicts in the future. Subject to severe repression since 1991, the Islamist Ennahda movement, or alternatively another party drawing on the "Islamic character" of the Tunisian society, is most likely to play an important role within Tunisian society in the years to come. It remains to be seen whether these movements will play a constructive role in the political reconstruction of the country.

There are, however, a number of things likely to reduce the prevalence of violence and moderate political/social strife in the near future. These include the overall advantageous socioeconomic setting, the importance of a well-developed middle class, the relatively high level of education, the absence of a history of violent ethnic and religious conflicts, a tradition of social and religious tolerance, and the relative economic and cultural homogeneity of Tunisians.

II. Management Performance

14 | Steering Capability

Given their technocratic capabilities and political leeway, along with the absence of an organized political opposition (until January 2011) or relevant internal veto players, political decision makers did prioritize and organize their policies according to long-term strategic aims. Saying this, it must be kept in mind that up until the ousting of President Ben Ali on 14 January 2011, in spite of their official rhetoric, decision makers' policy aims and objectives hardly corresponded with the normative requirement of establishing a constitutional democracy. Instead, the conduct of presidential and parliamentary elections of 25 October 2009, but also the regime's record with reference to human rights and press freedoms, underscored Ben Ali's pretense to hold a firm grip on political power. When faced with unprecedented popular anger since December 2010, the regime firstly resorted to its usual panoply of anti-riot measures. Only shortly before leaving the country, between January 10 and 12, did Ben Ali show hesitant, and generally unconvincing, signs that he might embark on a slight liberalization. Thus, on 10 January 2011,

Question
Score

Prioritization
4

President Ben Ali announced he would not run for a sixth term in 2014 and, on 12 January 2011, in a vain attempt to appease popular protest, Ben Ali dismissed Minister of the Interior Rafik Belhaj Kacem, who was widely associated with the police's brutal clampdown on protests since December 2010.

In the economic realm, the official policy of establishing a socially responsive market economy has had more substance since Ben Ali's accession to power in 1987. Technocratic experts in government seemed genuinely committed to modernizing infrastructure and economic structures in order to enable the country to compete on the global scale, to invest in Tunisia's human resources, and to embark on social measures and establish incentives in order to attract more FDI. However, over the evaluation period, given the context of economic crisis in the years 2008 – 2009, priority was given to a demand-oriented anti-crisis policy in order to keep economic growth around levels of 3% and to avoid massive layoffs.

This notwithstanding, in official speeches, the often-touted establishment of a socially responsive market economy (e.g., the presidential speeches announcing his campaign before the elections of 25 October 2009), de facto clashed with the increasing involvement of clans associated with the president in the economy and the kleptocratic character of the regime.

Despite the uneasy co-existence of representatives of the former regime with opposition members in the first transitional government under Prime Minister Mohamed Ghannouchi (17 – 27 January 2011), the cabinet agreed, in principle, on setting clear priorities in the direction of thorough democratization. Announced steps included the holding of free and fair elections, the implementation of press freedom, freeing political prisoners and the legalization of political parties and NGOs. A number of these announced measures were actually implemented by the end of January 2011. Hence, a number of political prisoners were released, about ten political parties were newly legalized by the end of the evaluation period (40 by the end of April 2011), human rights were mostly respected thanks to (ongoing) demonstrations and sit-ins, and the press benefited from an unprecedented freedom of speech.

Transitional governments at the end of the review period signaled a desire for continued economic performance by keeping in their ranks technocrats associated with the former regime's economy-friendly stance. However, the readiness with which transitional governments after 17 January 2011 have tried to buy off social discontent in deprived regions suggest a greater inclination to give in to social demands more easily (and perhaps too easily). This clearly bears the risk that future governments, possibly unstable governing coalitions, might resort to populist measures in search of short-term political benefits.

In contrast to President Ben Ali, the transitional governments under Prime Minister Mohamed Ghannouchi (after 17 January 2011) committed themselves to pursuing genuine democratic transition by including free and fair elections, the overhaul of the political system, and bettering Tunisia's record with reference to press freedom and the respect of human rights. In fact, approximately ten parties have been newly legalized by the end of the evaluation period (about 40 by the end of April 2011), the leeway for the media had fundamentally improved, and the right to demonstrate was widely respected.

Implementation
4

Faced with the ramifications of the economic crisis in 2008 and 2009, the government was less effective than in past evaluation periods with reference to implementing social and economic modernization efforts. But the government was fairly effective in implementing its demand-oriented anti-crisis policy in order to cushion the social ramifications of the crisis through, for example, infrastructure measures and subsidies to companies in order to avoid massive layoffs. Moderate growth rates in 2009 and 2010 lagged clearly behind forecasts made by the 11th development plan (2007 – 2011), which foresaw growth rates at around 6% in order to substantially quell unemployment. Inflation, budget deficits and indebtedness remained manageable despite increasing somewhat in comparison to previous survey periods. Again, continued FDI in the hydrocarbon and automotive industries throughout 2009 and 2010 highlighted the country's attractiveness for investors.

As in earlier evaluation periods, this overall impressive picture is, in reality, not as rosy as it might first seem. In many cases, government measures seem primarily motivated by the inner logic and inefficiencies of an authoritarian state apparatus rather than by considerations of how to meet development goals most effectively. This is particularly true when it comes to the multiplication in recent years of ministry-affiliated institutions that are supposed to "guide" social and economic development. In the economic realm, faced with government domination of many decision-making procedures, a number of economic actors have tended to invest capital in real estate rather than in industrial activities.

Central decision makers of the Ben Ali regime demonstrated little willingness in policy learning over the evaluation period. Structurally, this concerned the authoritarian character of the regime. In the economic and social realm, Tunisian leaders gave off the appearance of attempting to make improvements in everyday economic and social issues. Nevertheless, what seemed to be flexibility could hardly obscure the prevalence of a strictly state-centered notion of development linked mainly to the authoritarian character of the polity. This was so despite the fact that the authoritarian development path which has been followed by Tunisian governments with considerable success for some decades, has displayed increasing limitations in recent years. Faced with the global economic crises of 2008 and 2009, the government resorted to short-term oriented measures (i.e., pursuing an active demand-oriented anti-crisis-policy) rather than tackling hurdles to development

Policy learning
3

sustainably. The government's initial response of repression to the uprisings beginning in December 2010 is indicative of its short-sightedness.

Political elites in the weeks after 14 January 2011 made a number of decisions showing a general willingness and ability to learn, especially when compared with the sclerotic political structures of the Ben Ali regime. The first and second transitional governments under Premier Ghannouchi mostly respected human rights in the context of ongoing protests on the streets of Tunis. In addition, the minister of communication, a post central to propaganda and media control under the Ben Ali regime, had to leave office after 17 January 2011. The transitional government, in recognition of the fact that the revolution had originated in the impoverished regions of central Tunisia, also acknowledged the need to address regional inequalities by establishing a ministry for regional and local government.

With regard to their economic and social policy, new Tunisian elites will, though, have to prove that they will not advance development in the same way as the Ben Ali regime. However, the transitional governments' tendency to give in very easily to social demands in the aftermath of the revolution does not bode well in this respect.

15 | Resource Efficiency

Though it is difficult to accurately appraise how efficiently the government has recently made use of available human, financial and organizational resources, considering a number of key data structures and bearing in mind the structural context Tunisia can be viewed as a relatively successful example of how leaders can trigger social and economic – and also political – developments by authoritarian means.

For many years, the Tunisian government has made rather efficient use of the country's human and (limited) economic and natural resources. This success is also owed to a well-trained and internationally experienced technocratic elite that has succeeded in maintaining the reform pace agreed upon within the state apparatus. Conversely, shortcomings in efficiency have been due to the inefficiencies inherent to authoritarian rule rather than to a lack of clear goals.

In recent years, the government has made mainly efficient use of Tunisia's state resources. State indebtedness has been stable and budget deficits remained manageable with the deficit hovering around 3% in 2007 and 2008. Faced with the economic crisis in 2008 – 2009, though, budgetary discipline suffered as a result of decisions to preserve social stability rather than impose austerity measures.

Efficient use of
assets

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However, according to World Bank standards, Tunisia remains a moderately indebted country. Although total public debt increased over the crisis, it remains manageable.

Regarding the use of human resources, the government's efficiency has been suffering from an oversized state apparatus, competition between ministries over overlapping responsibilities, politically motivated out-rotation of ministers and an ongoing multiplication of state institutions concerned with the implementation of different policies (e.g., in the environment sector). While considerable efforts have been made in recent years, public services are neither very reliable nor of good quality. Despite some legal efforts to endow municipal and regional administrative entities with more competences, administration remains largely centralized.

On a political level, Tunisia is still suffering from an insufficient amount of will to use human resources and social capital (e.g., the country's history of moderation and moderate level of social tension) to trigger a democratic transition. On the whole, the combined legacies of past French domination and Tunisia's authoritarian tradition have created a climate of acceptance for more rather than less state action. Within this context, even optimal state action may not be able to handle the challenges associated with Tunisia's integration into world markets.

Despite the authoritarian nature of the political system up to January 2011, on the whole, Tunisian decision makers had a respectable record of integrating and balancing conflicting objectives and interests so as to form coherent policies. National policy guidelines have long been laid down in five-year plans (with the 11th development plan covering the period between 2007 and 2011) and fine-tuned regularly in presidential speeches that usually set the tone for the nation's political life. The coordination and coherence of policies was then put into practice by mostly well- (and often internationally) trained technocrats in the ministries. Open intragovernmental friction was not likely given the sustained power of President Ben Ali. Nevertheless, in recent years, the continued reshuffling of government and the prevalence of competition between ministries tasked with similar responsibilities (e.g., there were three ministries concerned with different aspects of education and training) have resulted in overlaps and gaps in the administrative structure.

In the absence of political pluralism and other channels of free communication within civil society, the governing party and its affiliated associations traditionally offered a densely woven network of state-controlled interest groups that informed decision makers about the needs and grievances of the population. Since the late 1980s, the RCD became increasingly diversified organizationally, which ensured the relatively broad integration of young and well-educated people into the party.

Moreover, the close connections between the regime, the employers' organization UTICA and the UGTT workers' union helped balance potentially conflicting interests by preserving the pace of economic reforms, jobs and macroeconomic stability.

In a democratic Tunisia, which has become conceivable since the ousting of President Ben Ali, government coordination may suffer from potentially unstable future governing coalitions. Also, political realities in a democratic Tunisia may lead to a stronger politicization of ministries, hence doing away with the presence of highly trained technocrats in the government, which have had a beneficial effect on the coherence of government action.

In line with the character of Ben Ali's authoritarian regime, there was neither effective access to information for citizens and the media about corruption nor were there officially published data. Judging by the considerable number of formerly high ranking representatives of the Ben Ali regime being sued for malversation since January 2011, it seems that only to a very limited and hardly effective degree did the government implement effective measures to audit state spending. With regard to resources, such as those allocated to the president, the security services or the defense forces, no such regulations were implemented. Legislation regarding party financing does exist, but has so far been employed mostly occasionally and selectively against opposition parties – while the ruling party was de facto exempt from such rules.

Anti-corruption
policy
4

Up until mid-January 2011, again, the previous regime did not try very hard to implement integrity mechanisms for officeholders, such as rules concerning declaring assets, conflicts of interest and codes of conduct. Formally transparent rules regarding procedures for calls for tender did exist, but they do not seem to have provided enough barriers against corruption in the context of public procurement.

16 | Consensus-Building

Until mid-January 2011, relevant political players did not pursue the aims of democratic transformation. Most political actors, though, in their political discourse, continuously claimed to subscribe to the normative aim of deepening democratization. At the same time, political leaders regularly emphasized the need to proceed cautiously with further liberalization given the risk of the potential emergence of extremist groups.

Consensus on goals
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While there was a consensus, at least in political discourse, among relevant political actors and technocratic elites under the Ben Ali regime about opening the economy further, the level of reform commitment among many relevant players under the

previous regime reached its limit when individual economic interests were at stake. On the whole, practices of crony capitalism gained ground in the last years under Ben Ali, and reforms were sometimes hampered by gaps in the administrative apparatus. The consensus for establishing a market economy was openly supported by interest groups, including the UTICA employers' association and the UGTT workers' union, which were connected to the regime in a kind of authoritarian-corporatist arrangement. Although they were not easy to discern in the absence of pluralism and free media, the limits of this consensus presumably concerned policy priorities, such as how much cushioning should be provided in order to alleviate social hardship.

The transitional governments under Prime Minister Mohamed Ghannouchi, by means of garnering in their ranks representatives of the former regime along with opposition members, represented the basic consensus among relevant political actors about the desired political transition. As a result, despite internal strife, the first transitional government very quickly agreed on promising free and fair elections, implementation of press freedom, liberalization of political prisoners and the legalization of political parties and NGOs. The resignation of the first transitional government on 27 January 2011, though, underscored the fact that this initial consensus had reached its limits.

Economic and social questions clearly took a back seat in the turbulent days between 14 January 2011, and the end of the evaluation period. This notwithstanding, transitional governments since 17 January 2011 have signaled a certain consensus that the country was to continue the development path pursued by the previous regime in economic and social areas. This consensus materialized itself in the political discourse that was intended to calm Tunisia's European partners concerned about the country's economic orientation after Ben Ali, but also reflected the presence, in the cabinet, of economic experts that had earlier served as ministers under Ben Ali (first of all Prime Minister Mohamed Ghannouchi). This notwithstanding, the fact that representatives of the workers' union left the transitional government on 27 January 2011, may be viewed as an indicator that in a new democratic Tunisia, succeeding governments may find it harder to uphold this formerly "imposed" consensus on economic liberalism. The readiness by which transitional governments have tried to buy off social discontent in deprived, rural regions, points to a stronger obligation on the part of future Tunisian governments to consider social demands. This clearly bears the risk that future governments (i.e., possibly unstable governing coalitions), might be less consistent with regard to reform policies and more prone to populist measures in search of short-term political benefits.

The ongoing protests in Tunis and throughout the country led to the resignation of former Premier Ghannouchi on 27 February 2011. The third government of transition, under Prime Minister Caid Essebsi, is no longer linked to the former

governments of Ben Ali. All ministers and secretary of state come from backgrounds other than the former ruling party RCD. Also, the fact that former RCD members will not be able to run for government office in the next ten years shows how seriously the new transitional government takes the wish of protesters to pursue democracy as the guiding principle of development.

Under the Ben Ali regime, since no relevant political actors were genuinely advancing democratic reforms, one could hardly identify actors (e.g., religious or military leaders) who could hinder processes of democratization. Since the ousting of President Ben Ali on 14 January 2011, transitional governments under Prime Minister Mohamed Ghannouchi were comprised of both representatives of the former regime and opposition members, thereby representing a broad spectrum of all relevant political actors about the desired political transition.

Anti-democratic
actors

2

The army, which had played a key role in toppling President Ben Ali, clearly declared their support for this policy. The same applied for the national workers' union UGTT, most NGOs and journalists, and, as it seems, for most of the demonstrators who participated in demonstrations and sit-ins until the end of the evaluation period. The popular pressure that swept away the first transitional government on 27 January 2011 was targeted more explicitly at the presence of ministers that had held posts under Ben Ali, which suggested a lack of commitment to democratization, than the announced democratic transition itself.

For many years, under the Ben Ali regime, political leadership fairly successfully prevented cleavage-based conflicts from escalating, such as those between rich and poor, different regions and religious/conservative strata and those advocating a more "Westernized" life-style. In fact, virulent political cleavages were not simply quelled by political repression, but they were also alleviated by relative economic prosperity and a consensus among the growing middle class about a state-induced social, economic and political development path that included, for example, gender equality.

Cleavage /
conflict
management

6

During the period under evaluation, this ability of the government to bridge cleavages, which had long been a characteristic of the Tunisian development path, was seemingly more at stake than before. In retrospect, the uprisings of December 2010 and January 2011 seem to have been foreshadowed since well before 2010. The social upheaval in the southwestern region of Gafsa in the spring of 2008 clearly indicated a mounting level of discontent, particularly among younger Tunisians facing difficult social conditions. Interestingly enough, the solidarity of lower UGTT trade union ranks toward this social movement in 2008, forebode already at that time the limits of the authoritarian-corporatist way of interest accommodation.

Another growing cleavage, already palpable during the last years of Ben Ali, is situated between those Tunisians representing a (presumed) “Westernized” lifestyle and those advocating a more prominent place for Islam in everyday life. When, after the deposal of Ben Ali, the transitional government announced that banned political parties would be legalized, it was obvious that this would include the banned Islamist Ennahda movement. Its historic leader, Rachid Ghannouchi, returned to Tunisia on 30 January 2011, acclaimed by thousands of his supporters. The Islamist/secularist cleavage will grow in relevance in upcoming evaluation periods and possibly pose the second big challenge to future governments besides the growing social demands.

Another potential political cleavage is that between those political and economic actors who – allegedly or in reality – had arranged themselves too “easily” with the former regime and those who suffered under the regime. And finally, regional disparities, which finally sparked the fire that led to the ousting of President Ben Ali, may well feed political cleavages in the future.

For most of the period under review, the political leadership excluded autonomous civic associations from the political process. Voluntary associations and non-legalized opposition parties alike were widely suppressed. Nonetheless, there was a semblance of “civil society” organizations closely connected to the ruling RCD party that, at times, served as “rubber stamps” to endorse government policies. Also, to a certain degree, legalized organizations affiliated with the ruling RCD party acted as the functional equivalent of a free civil society by allowing certain societal interests and strata of the population (e.g., youths and women) to integrate into the political realm.

The social uprising in December 2010 and January 2011 underscored in a way the nearly extinction of a valid civil society in Tunisia before the ousting of Ben Ali. Justly termed a “Facebook revolution,” demonstrators gathered rather spontaneously and did not follow a strict organizational scheme. It was only in early January 2011, with the Association of Tunisian Judges (Association des Magistrats Tunisiens) and the lower ranks of the workers’ union UGTT joining in the ranks of the protestors did the civil society take a more active stance in the revolution. A number of civil society organizations and opposition parties were represented in the transitional governments after 17 January 2011. Civil society organizations are also well represented in the three commissions dedicated to reform and the battle against corruption.

Given the absence of major ethnic or religious cleavages, Tunisia long experienced only minor historical injustices. Therefore, no major reconciliation projects are underway. This notwithstanding, the ousting of President Ben Ali on 14 January 2011, may well open up a new cleavage between those in the administration and the economy who – allegedly or really – had arranged themselves too “easily” with the

Civil society
participation
3

Reconciliation
n/a

Ben Ali regime and those who suffered under it. Also, the announced investigations into cases of corruption under the former regime and the fact that increasingly more high-ranking RCD officials and managers were either arrested or forced to step down from their posts by the end of the evaluation period seems to point in that direction.

17 | International Cooperation

Despite the absence of a democratic reform agenda, Tunisia's political leadership has consistently worked with bilateral or multilateral international donors that continuously sought to support the implementation of its economic and social reforms. In these fields, international financial as well as technical assistance has usually dovetailed with clear road maps regarding different economic and social development goals. These maps have mostly focused on issues such as economic reforms, strengthening the private sector, infrastructure, the environment (e.g., wastewater treatment or measures against desertification), vocational training and regional development.

By regional standards, Tunisia has a highly diversified institutional framework for implementing such reforms – which is one of the reasons why Tunisia numbers among the region's most important receivers of bilateral and multilateral international aid – and Tunisian leaders have managed to advertise the country as an example of regional stability and a relatively successful model of social development and gender equality.

Tunisian technocrats in ministries and institutions have made considerable use of international assistance in order to acquire know-how related to economic reforms, to adapt external advice to domestic realities, and to integrate international assistance into the domestic agenda of reforms. Nevertheless, the implementation of internationally supported reform programs continues to be hampered by political inconsistencies, the large number of state institutions involved, and by cumbersome bureaucratic procedures.

Under the Ben Ali regime, cooperation with outside actors was nearly nonexistent as relates to democratic transformation or closely connected issues, such as improving the rule of law or implementing decentralization measures. Foreign political foundations had to act cautiously by stripping their programs of issues that might elicit government suspicions of “intrusion from outside.”

In 2008, Tunisia explicitly supported French President Nicolas Sarkozy's initiative for the creation of the Union for the Mediterranean.

After the political change in January 2011, given the EU's vital interests in the country, we can expect financial and technical aid to increase. Contrary to the

Effective use of
support

6

situation before, cooperation could be substantial aid for democratic forces and for job-creation programs (particularly in the impoverished hinterland), initiatives to integrate Tunisia more into the EU's single market, and a looser visa regime for qualified Tunisians. Also, the EU commission might use its existing food facility to provide immediate food aid, since rising food prices were among the factors fuelling the uprising in December 2010.

Tunisia has long been seen in a highly critical light by international NGOs (e.g., Amnesty International), journalist associations, political foundations and the international media when it comes to its democratic reform agenda (or lack thereof).

On the other hand, during the period under review, the country has again been viewed by international organizations, partner countries, donors, foreign investors and risk-rating agencies as a credible and reliable partner owing to its commitment to – and effectiveness with – economic and social reforms.

In its 2010 – 2011 Global Competitiveness Report, the World Economic Forum ranked Tunisia the most competitive economy in the Maghreb as well as in all of Africa. Several risk-rating agencies confirmed this evaluation. These ratings reflect the considerable degree of confidence the country enjoys among the international financial community and foreign investors.

Following a first cooperation signed in 1980, the Tunisian European cooperation is developing in the framework of the Association Agreement signed in 1995 (in force since 1998), the first to be signed by Europe with a country from the southern shores of the Mediterranean. The Agreement covers political, economic, social, scientific and cultural cooperation and provides for the gradual establishment of a free trade zone. Thus, the country was the first in the region to reach – theoretically – free trade in the industrial sector with the European Union as of 1 January 2008. In its 8th session on 11 May 2010, the joint Association Council between Tunisia and the EU agreed to set up an ad hoc group to work on a roadmap to achieve an advanced status between the EU and Tunisia. On this occasion, the European side again lauded the quality of EU- Tunisia relations, describing Tunisia as “a reliable, serious and essential partner in the Mediterranean.” A timetable was not set as to when exactly the EU would grant Tunisia the “advanced status.”

Tunisia currently has no territorial and economic ambitions that could lead to conflicts with its neighbors. While the authoritarian nature of the Tunisian political system (just like those of its neighbors) places an implicit limitation on supranational arrangements, Tunisian decision makers are well aware that growing economic integration among Maghreb countries offers a considerable growth potential for the country's export-oriented economy. For this reason, the Tunisian government has long been advocating and acting to endow regional multilateral

Credibility

6

Regional
cooperation

7

agreements, such as the Arab Maghreb Union of 1989 (which has been in crisis since 1994), the Agadir Agreement (between Morocco, Tunisia, Egypt and Jordan) and the Greater Arab Free Trade Area (GAFTA), which were signed in 2004 and 2005, respectively. On a bilateral basis, trade barriers with Libya and Morocco have been lowered progressively in recent years. However, trade and currency exchange have so far been liberalized only with Libya. The bilateral trade agreement between Tunisia and Algeria concluded in December 2008 has recently opened up possibilities for the establishment of a complete free-trade arrangement between the two countries.

Tunisia is rather active on a bilateral basis because the economic gains are evident and necessary. Regional integration is however still very weak in North Africa. Institutions like the UMA (Union Maghrebine) have no real impact and the political cooperation is weak. A new generation of leaders might bring the change that is needed to make the Maghreb a region which can compete internationally.

Strategic Outlook

The ousting of former president Ben Ali has created an enormous political power vacuum at the end of our evaluation period. In line with the aspiration of the revolution of December 2010 and 2011, transitional governments (since 17 January 2011) have pledged to organize free and fair elections, embark on a complete overhaul of state institutions, legalize more political parties, to improve Tunisia's record with reference to press freedom and human rights, and investigate into past cases of corruption. This commitment entails an enormous legislative challenge that will be vital for the immediate credibility of political transition. In the short term, a fundamental upgrade needs to be brought to the legislation related to elections, political parties and associations. With reference to the overhaul of the constitutional framework, decision makers will necessarily be discussing issues related to the implementation of an effective separation of powers. In addition, the power balance within the executive between president and prime minister will be at stake. Whereas the activities of opposition groups were effectively repressed under the Ben Ali regime, more than 70 parties have been legalized by the end of the evaluation period, a number which will make orientation and choice difficult for voters. Current polls show that the Tunisian people know little about the parties. An exception is the Islamic party of Ennahda, which wider parts of the population know and associate with political aims. In this context, the government will be faced with the challenge of allowing on the one hand as much open political space as possible for a nascent and necessarily more pluralistic party pluralism and, on the other, taking a firm stance against potentially emerging political radicalism. Subsequently, hopefully credible election results will be a test for the ability of different political sides to cooperate and merge possibly conflicting political views into one coherent and effective government agenda. In

socioeconomic terms, the undeniable achievements of the Ben Ali regime included solid growth rates of around 5% in recent years, a relatively good education system, and a diversified industry attracting repeatedly high levels of FDI, along with an exemplary human development level by regional standards. Thanks to these assets, Tunisia managed to weather the economic crisis considerably well. Yet, growing income inequalities and regional disparities, the endemic reluctance of Tunisian businessmen to invest in productive industries, coupled with unabashed corruption at the top of the state has also highlighted, in recent years, the limits of the authoritarian development path pursued by the Ben Ali regime. While transitional governments after 17 January 2011 were well advised to signal considerable continuity with regard to future economic and social policies, decision makers should benefit from the current window of opportunity to address a number of structural weaknesses intrinsically linked to the authoritarian nature of the previous regime. In fact, strengthening the rule of law, combating corruption and crony capitalism, increasing investments into education and training, and enhancing administrative efficiency are measures that bear the potential to unleash new growth forces. These would enable the country over the medium term to reach a higher human development and growth rates beyond the 6%, which is badly needed to quell unemployment. Yet, the readiness by which transitional governments after 17 January 2011 have tried to buy off social discontent suggest a stronger inclination of future Tunisian governments to give in easily to social demands. Future governing coalitions, potentially unstable, might be tempted to resort to populist measures in search of short-term political benefits rather than dismantling hurdles to development sustainably.