

BTI 2014 | Tunisia Country Report

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| | scale | score | rank | trend |

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2014 – Tunisia Country Report. Gütersloh: Bertelsmann Stiftung, 2014.

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Key Indicators

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|--------------------------|--------|------|--------------------------------|-------|----------------------|----|--------|
| Population | M | 10.8 | HDI | 0.712 | GDP p.c. | \$ | 9794.6 |
| Pop. growth ¹ | % p.a. | 1.0 | HDI rank of 187 | 94 | Gini Index | | 36.1 |
| Life expectancy | years | 74.8 | UN Education Index | 0.646 | Poverty ³ | % | 4.3 |
| Urban population | % | 66.5 | Gender inequality ² | 0.261 | Aid per capita | \$ | 87.4 |

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

After President Zine El-Abidine Ben Ali left the country on 14 January 2011, transitional governments under Mohamed Ghannouchi (17 January – 27 February 2011), Beji Caïd Essebsi (27 February – 24 December 2011) and Hamadi Jebali (24 December 2011 – 19 February 2013) embarked on a transition process toward the establishment of a constitutionally based and democratically legitimized system of power relationships. This appeared promising in its early days, but the process quickly lost momentum. Nevertheless, Tunisia witnessed a drastic expansion of political freedoms and civil liberties, with the legalization of more than 100 political parties (most prominently the Islamist Ennahda movement), the foundation of an independent civil society and the freeing of the media. In free and fair elections to the National Constituent Assembly on 23 October 2011, Ennahda won the largest share of the votes, and with two smaller centrist parties formed a “troika” coalition government under Prime Minister Hamadi Jebali.

By the end of the evaluation period, the goal of establishing semi-presidential system continued to be accepted by most political forces in principle. However, adoption of a new constitution remained contingent on reaching a consensus on a number of still-contentious details, including the future balance of institutional powers, the judiciary’s independence, and the appropriate relationship between the religious and political spheres. Moreover, the tense political and social environment has rendered this consensus increasingly difficult to attain. The authority of the state has been undermined by an uncontrolled proliferation of weapons (often of Libyan origin) throughout the country. The Jebali cabinet forfeited the trust of key political forces and much of civil society as a result of its inability to promote the political transition effectively, its delay in passing urgent political reforms (e.g., judiciary, media), its incapacity to enforce the state’s authority, and its collusion with Salafist groups and the self-proclaimed Committees for the Protection of the Revolution. Government representatives contributed to the widening societal rift between supporters of a more prominent role for religion in society and advocates for a strict separation between state and religion. While most political movements are still dealing with

internal tensions, the elections announced for late 2013 or early 2014 are likely to be dominated by Ennahda and a loose coalition of secularist parties.

Despite the fact that Tunisia has achieved a relatively high level of development, political instability and the deterioration of economic and social conditions during the period under review made carrying out developmental reforms an increasingly difficult task. From an economic perspective, the years after the revolutions were difficult ones. Domestic and external investors were unwilling to risk capital within the uncertain environment, tourism dropped dramatically, and the economic crisis in Europe contributed to lower external demand. The result was a recession in 2011, and low levels of economic growth in 2012. Rising unemployment, along with a lack of improvement in the underdeveloped regions that had been a key source of support for the 2010 – 2011 revolution led to growing frustration over the lack of short-term gains – perhaps felt all the more keenly following a revolution inspired by calls for “social justice” and “dignity.” These difficult conditions were aggravated by the government’s lack of coordination and effective communication. In order to ease social hardship, the government embarked on a demand-oriented anti-crisis policy, accepting soaring budget and current account deficits. Throughout, the country has made little progress in terms of effective economic and social reforms.

History and Characteristics of Transformation

The 2010 – 2011 revolution ended more than five decades of modernizing bureaucratic authoritarian presidential regimes under the initial leadership of President Habib Bourguiba (1959 – 1987), and then Ben Ali (1987 – 2011). Throughout this era, Tunisia was effectively a one-party state, with the Constitutional Democratic Rally (RCD) holding strong majorities in both houses of parliament. Both presidents dominated political and economic life during their respective tenure, with the help of the security forces, a devoted bureaucracy and the RCD, which was officially dismantled on 7 February 2011. Key opposition movements such as the Islamist Ennahda (“Renaissance”), remained severely repressed until that point, and the few legal opposition movements and civic associations were closely controlled by the government. Important interest groups such as the Tunisian General Labor Union (Union Générale des Travailleurs Tunisiens, UGTT) and the employers’ Tunisian Union for Industry, Commerce and Handicraft (Union Tunisienne de l’Industrie, du Commerce et de l’Artisanat, UTICA) were incorporated into the regime in an authoritarian corporatist arrangement. The human rights situation was characterized by unfair trials, restrictions on human rights groups, harassment of opposition politicians, and extralegal arrests and assaults that targeted critical journalists and independent-minded judges.

In the 1970s, and again in the 1990s, the regime drew much of its domestic legitimacy from its modernizing policies (e.g., with regard to women’s rights and education) and Tunisia’s undeniable progress in human development. After achieving independence in 1956, Tunisia, like many other developing countries, first pursued a development strategy of state-induced industrialization and import substitution, which produced a highly protected market. The economic opening of the

country started in 1972, when the government implemented a new regulatory regime aimed at attracting foreign investors. In so doing, Tunisia sought to draw on its comparative advantages for international subcontracting, which included the country's proximity to Europe, its low-cost but skilled labor force, a serviceable infrastructure, and a comparative political and social stability. Beginning with subcontracting in the textile sector and subsequently expanding its activities to the mechanical and electrical sectors, Tunisia slowly increased the share of value added domestically, and graduated to activities with a high knowledge content. In addition to this growing export potential, a tourism-driven influx of foreign currency and successful cooperative programs with international organizations help to drive the country's further development.

Economic reforms obtained a new boost with a structural adjustment program in 1986, which included the progressive liberalization of foreign trade and the privatization of state-owned enterprises. A state-induced upgrade program increased the competitiveness of export-oriented firms throughout the 1990s. As of 1 January 2008, the process of dismantling reciprocal trade barriers for industrial goods with the European Union was completed, at least on paper. However, foreign trade still suffers from a number of logistical flaws (e.g., bureaucracy, custom procedures).

In recent years, despite respectable growth rates, a combination of high unemployment rates (especially among the comparatively well-educated young), persistent regional disparities, the erosion of the welfare state and blatant corruption at top state levels diminished the regime's legitimacy. Simultaneously, the efficacy of Tunisia's once-successful authoritarian development model began to fail. The country's authoritarian legacy is still evident in socioeconomic terms in its heavily regulated foreign trade regime, slow bureaucracy, the public sector's continued dominance over the private sector, and domestic investors' reluctance to invest in productive manufacturing industries. Tunisia needs more political and economic freedom in order to further boost economic growth, 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 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

Virtually uncontested before the revolution, the state's monopoly on the use of force remained established nationwide in principle after 14 January 2011 as well. However, this authority has been challenged by a number of groups and events.

Monopoly on the
use of force

7

The so-called Kasbah I and II movements in January and February 2011 brought down two consecutive transitional governments under Mohamed Ghannouchi, and eventually led to the establishment of the third transitional government under Beji Caid Essebsi.

Socially motivated clashes have erupted in greater Tunis, as well as in the southern and central areas around Kasserine, El Kef, Sidi Bouzid and Gafsa. These have been encouraged by weakened local administrations, social frustration and growing dissatisfaction with the stagnating state of political transformation.

In the urban centers of Tunis, Sfax and the Bizerte area, various autonomous Salafist groups have defied state authority. In spring 2012, Salafist groups temporarily occupied university facilities in Tunis and Sousse, seeking to impose a separation of genders during classes and the "right" of female students to wear the niqab (face veil) during exams. In addition, Salafist groups illegally deposed imams in about 10% of Tunisia's 5,000 mosques. The lack of state interference and (near) impunity for Salafist groups until autumn 2012 prompted rumors that the ruling Ennahda party was sympathetic to or even colluding with the Salafists. The government took a slightly harder position toward Salafist groups only after the storming of the American embassy in Tunis on 14 September 2012. Clashes between security forces and Salafist extremists on 30 October 2012 in the Tunis suburb of Douar Hicher led to the death of several Salafists.

So-called Committees for the Defense of the Revolution made their appearance on Tunisian streets beginning in spring 2012. These groups, which were legalized in

June 2012 under the general rubric of the League for the Protection of the Revolution, on several occasions targeted Ennahda's political opponents or supposed "caciques of the old regime." For example, the UGTT headquarters were attacked on 4 December 2012. During one protest march organized by the League on 18 October 2012, the local representative of the Call for Tunisia (Nida Tounes) party in the southern Tunisian town of Tataouine was lynched. Opposition party calls to dissolve the League by legal means had gone unheeded by the end of the review period.

Geographically, the state's authority has been weakened in the areas bordering Libya and Algeria, facilitating smugglers' activities. Al-Qaeda in the Islamic Maghreb (AQIM) is said to be involved in these activities. Light arms (from Libyan depots) have proliferated, and the incidence of terrorist attacks and hijackings (e.g., of tourists) in the border areas has risen.

The existence and legitimacy of the Tunisian nation-state is widely accepted. Citizenship is not contested on gender, race, linguistic, ethnic, religious, political, national or social grounds.

State identity
9

All political forces, including moderate Islamists, accept the fact that the Tunisian nation incorporates diverse ethnic (Berber, Arabic, Phoenician and Mediterranean) cultural and religious influences. The presence of the Jewish and Christian minorities (around 0.1% of the population) remains uncontroversial among the general Tunisian public.

Nevertheless, growing intolerance on the part of Salafist groups and some Ennahda leaders indicates that this traditional consensus may in the future be jeopardized by political actors that emphasize religion as a primary component of national identity.

While religious slogans were comparatively rare during the revolution, Ennahda's appeal to the Islam vs. secularism cleavage proved a powerful motivation for many voters in the 2011 elections. For many such voters, a vote for Ennahda quite simply equaled a vote for Islam. This can be seen as a break with the hitherto strictly secular orientation of the Tunisian republic.

No interference of
religious dogmas
6

After the election, Ennahda representatives' communicated a mixed message as to the appropriate future relationship between religion and politics. While addressing their followers, Ennahda representatives often alluded to an intended Islamization and moralization of public life in Tunisia. At the same time, in public declarations directed toward the broader Tunisian public and the Western community, the party underscored its commitment to democracy. Confronted both with criticism from the secular opposition and increasing Salafist violence in the spring of 2012, Ennahda formally agreed to adopt the abstractly formulated Article 1 of the 1959 constitution unchanged in the new text: "Tunisia is a free, independent and sovereign state. Its religion is Islam." In August 2012, Ennahda drafted a law according to which offenses against "sacred values" – as, for example, in the media – could be penalized

by up to two years in prison. This initiative was blocked after strong civil society opposition, but indicates that the traditional separation between religion and state could erode in the medium term. Ennahda's tolerance – if not outright encouragement – of extremist Salafist groups points in the same direction.

Indeed, there already seems to be an increased risk of being brought to court and even convicted for offenses against “sacred values.” For instance, in spring 2012, two bloggers were convicted by the Court of Justice in Monastir for having published cartoons of the Prophet Muhammad. Nabil Karoui, chief editor of the privately owned Nessma TV organization, was fined \$1,700 on 3 April 2012 for broadcasting the French film *Persepolis*, which is deemed blasphemous by many Muslims. Legally, Karoui could have faced up to six months of prison on the basis of his conviction.

Increasing levels of corruption and governmental favoritism have undermined the efficacy of the public administration. These shortcomings, though still moderate in regional comparison, have had a negative impact on the professionalism of basic administrative structures. However, this assessment must be made with the caveat that national observers and the Tunisian media are today much more outspoken in their criticism of the administration and other issues than under the former regime.

Basic
administration
7

Thanks to concentrated efforts in the past, 85% of Tunisians have access to improved sanitation facilities, and 94% have reasonable access to an adequate amount of fresh water.

2 | Political Participation

On the basis of National Constituent Assembly elections held on 23 October 2011, a three-party coalition, including Ennahda (89 out of 217 seats), the Congress Party for the Republic (CPR, 29 seats) and Democratic Forum for Labor and Liberties (Ettakatol, 20 seats) formed a government on 24 December 2011. Elections were organized by an independent election management body (ISIE). National and international observers assessed the elections as free and fair. Minor irregularities had no serious impact on the outcome of the vote. Only 52% of the 8.4 million potential voters registered in the electoral rolls. In an effort to ensure universal suffrage, even voters that did not actively register were allowed to vote on election day, since they were registered automatically on the basis of an official database established under the former regime. Registration procedures for candidates and parties, as well as electoral campaign conditions, were transparent and fair. Alleged cases of vote buying could neither be proven systematically nor attributed to particular parties, and in any case did not infringe on voters' freedom to choose. Access to polling stations and vote secrecy was overall guaranteed. While some logistical flaws tarnished the

Free and fair
elections
8

vote count, the overall results were accepted by the overwhelming majority of candidates.

The Progressive Democratic Party (PDP) received 16 seats, and the Democratic Modernist Pole, a secularist coalition (including, among others, the long-standing Et-Tajdid or “Renewal” opposition party) won five seats. The long-persecuted Tunisian Workers’ Communist Party (PCOT), led by Hama Hammami, obtained three seats.

Democratically elected political representatives have considerable – and in the current social and political context, maybe an excessive – power to govern. In line with the parliamentarization of the political system by the provisional constitution of 11 December 2011, the power to govern is vested mainly with the prime minister and his cabinet, which following the elections were produced by a three-party coalition in the National Constituent Assembly (NCA).

Effective power to govern

8

There are no institutional veto powers or political enclaves; however, Ennahda President Rachid Ghannouchi holds considerable power to influence his party’s ministers despite his lack of an official government position.

The army, despite its considerable role in toppling former President Ben Ali, did not openly seek to influence the transitional government decisions during the period under review. However, future such action cannot be excluded.

The revolution allowed for the emergence of a civic and political pluralism unprecedented in recent Tunisian history. By September 2011, more than 100 parties had been legalized under the 1988 party law, in a much less discriminatory way than before. Among these were Ennahda (“Renaissance,” founded in 1981), the Congress Party for the Republic (CPR) of state President Moncef Marzouki, and Hama Hammami’s Tunisian Workers’ Communist Party (PCOT). Other important parties legalized under the former regime (albeit facing discrimination) included the Progressive Democratic Party (PDP) and Ettakatol, the party of parliamentary President Mustapha Ben Jaafar. By the end of the evaluation period, around 140 parties had been legalized.

Association / assembly rights

7

More than 1,300 civil society organizations with political, cultural or community-oriented objectives have either been registered (under the 1988 associations law) or have declared their existence under the new law on associations (issued on 24 September 2011). Under the new legislation, associations no longer need accreditation by the Ministry of the Interior, but can instead constitute themselves through a simple formal declaration.

Political parties and civil society organizations were not subject to formal or informal government repression during the review period. Rather, during the second half of the evaluation period, it was the increased presence of radical groups and the government’s reluctance to enforce state authority that proved most harmful to the

emergence of a free and pluralistic civil society. For instance, the government refrained from dismantling radical Salafist groups or the so-called Committees for the Defense of the Revolution. Both groups acted as a constraining influence on the civic activities of ordinary citizens, associations and parties, especially those opposing government policies (e.g., the Nida Tounes movement) or specific pressure groups (e.g., women's associations).

The unprecedented extent of free expression is among the most tangible achievements of the Tunisian revolution.

Freedom of
expression

6

Tunisia's media system today provides for a plurality of opinions. Under the new press law and the law on audiovisual communications enacted by the Essebsi government on 22 October 2011, publishing newspapers has become much easier. Direct state censorship has ended. While the law continues to hold penalties for defamation, this offense is no longer punished by imprisonment with the exception of two cases: "calling for racial hatred" and "calling for physical attacks." In addition, the end of systematic filtering has now allowed the Internet to become a major and effective communication and information tool.

This new freedom has become more vulnerable since the second half of 2011, however. For instance, journalists advocating a secular state have become increasingly exposed to intimidation or physical aggression by radical Salafist groups. In September 2011, Islamist groups called for a "cleansing" of public media, and occupied the area in front of the state TV in Tunis for several weeks without being disturbed.

Journalists' freedom of expression has come under threat at the individual level as well. On 24 August 2012, TV producer Sami Fehri was arrested, officially for having misused the state TV resources. Government representatives legitimated this step by citing "undue criticism" in Fehri's popular political satire program.

The Ennahda government delayed implementation of several laws regulating the media sector that had been adopted by the previous transitional government. For instance, in the absence of an independent regulatory body, the troika government appointed new directors to the state-owned media organizations without consulting other parties. In late summer 2012, the staff of Dar Assabah, an important state-owned publishing company, successfully resisted the nomination of its new director with the support of the National Union of Tunisian Journalists (SNJT).

In reaction to this opposition, the government eventually implemented a number of decrees. These decrees emphasize the freedom of journalists and their sources, and foresee the creation of an independent regulation body. Once operational, this body will be responsible for issuing licenses for radio and TV stations and will nominate the directors of public media organizations.

3 | Rule of Law

After the abrogation of the 1959 constitution on 4 March 2011 and the dissolution of the bicameral prerevolutionary parliament, the transitional institutions did not manifest a system of checks and balances in a strict sense. Rather, transitional cabinets before the October 2011 elections ran the country on a day-to-day basis on the basis of decrees. However, this political transition was accompanied and monitored by the High Instance for the Realization of the Objectives of the Revolution, Political Reform and Democratic Transition (hereafter: High Instance). Evolving from an appointed experts' committee concerned with preparing political reforms, this body gradually evolved after March 2011 into a proto-parliament, eventually comprising 155 members including representatives of opposition parties, civil society, trade unions, youth, and the various regions. The High Instance had a mandate to approve any legislation adopted by the interim executive, and to demand clarifications.

Separation of
powers
6

After the elections of 23 October 2011, the National Constituent Assembly (NCA) adopted the so-called Small Constitution of 11 December 2011, which provided a basic and provisional framework for the functioning of the legislative, executive and judicial powers in the absence of a new constitution. This provisional constitution provides for a strong prime minister who runs the government based on his parliamentary majority. The NCA adopts the budget and current legislation. The prime minister and president of the republic together define the country's foreign policy, while the president is formally the commander-in-chief of the armed forces. However, the president cannot replace high-ranking officers without the consent of the prime minister. The governor of the central bank is jointly nominated by the state president, the government and the NCA. The NCA has the right to unseat the president of the republic and the president of the NCA by a two-thirds majority. Votes of no confidence against the prime minister or individual cabinet ministers require only a simple majority.

While the Small Constitution stipulates that the future constitution is to be adopted by a two-thirds majority, it does not formally limit the NCA's term of office. There is a basic consensus among political parties that a semi-presidential system should be established, though details regarding checks and balances between the government institutions remain a matter of dispute.

Despite a differentiated organization with an overall high degree of professionalism and developed professional ethos, the postrevolutionary judiciary is still seeking to ensure its independence. The Small Constitution provides formal guarantees for the independence of the judiciary, while also calling for the strengthening of the court system and law enforcement agencies, and for reform of the Conseil Supérieur de la Magistrature (CSM), the judiciary's central ruling body. In the legal vacuum created

Independent
judiciary
5

by the suspension of the CSM after the 2011 elections, the two successive Ennahda ministers of human rights and transitional justice, Samir Dilou and Noureddine Bhiri, nominated and dismissed dozens of judges in a wholly non-transparent manner. The government's failure to engage in reforms renders the judiciary particularly prone to interference on the part of the executive, as well as to corruption. Especially at this crucial stage of the transition, the judiciary runs the risk of being instrumentalized (and eventually losing credibility altogether) for political reasons. While the judiciary was particularly severe in trying a number of prominent figures of the old regime, a significant number of cases related to human rights violations by members of the former regime and security forces have been handed over to military courts. As a result, this difficult chapter of Tunisia's recent history is being handled in a non-transparent way by courts with reduced independence.

In some cases, increasingly since 2012, judicial procedures have been instrumentalized in order to tame critical voices in society. The in-absentia conviction of Nizar Bahloul, editor of Internet magazine Businessnews, on 8 January 2013, gained particular attention.

Some indications have emerged of an Islamization of the judiciary, another sign of the growing cultural rift between supporters of an accelerated Islamization of society and adherents of a secularized state concept. On several occasions during the period under review, judges invoked categories such as "offense against the sacred" in sentencing citizens even for minor crimes. However, the judiciary often failed to investigate and prosecute physical assaults attributed to fundamentalist groups.

Despite being lauded in recent years for its level of corruption that is by regional standards quite moderate, the public administration is in fact plagued by corruption. Officeholders who break the law and engage in corruption can profit from inconsistent enforcement of the law. International corruption assessments (e.g., by the World Economic Forum) have recently drawn a slightly pessimistic picture regarding postrevolutionary corruption. While it is reasonable to assume that the revolution may have closed some channels of illicit enrichment, new promotions within the public administration and the advent of a new ruling coalition opened new opportunities for corruption and nepotism. Ennahda and the other parties of the ruling coalition have been widely criticized in this regard. However, it seems fair to assume that the perceived increase in corruption may to some extent reflect the higher public awareness and the expanded freedom to address such grievances.

Civil rights are in principle guaranteed by a variety of laws and decrees governing personal liberties, detention, protection from torture, cruel and inhumane treatment, the protection of privacy, equality before the law, equal access to justice, due process under the rule of law and family law. For the most part, these laws date from past

Prosecution of
office abuse
4

Civil rights
5

decades and have a number of shortcomings typical of the authoritarian character of the former regimes.

After the revolution, Tunisia reinforced its commitment to civil rights by signing a number of conventions, such as the International Convention against Enforced Disappearance. On 22 October 2011, the Essebsi government issued a decree-based law bringing various aspects of national legislation closer to the U.N. Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). However, discrimination continues both in law and practice, as women increasingly suffer from various forms of verbal and physical harassment and assaults that in the medium term may substantially constrict their civil rights.

The definition of torture in the penal code has been brought into closer conformity with the definition under international law, and intimidation, repression, unfair trials and various shades of legal harassment on the part of state authorities have clearly become less common after the revolution. Security forces have resorted less systematically to violence, extralegal arrests and ill-treatment of those in custody. Following an amnesty law in March 2011, some 800 political prisoners and prisoners of conscience, many of them Islamists and Salafists, were released. Ben Ali's notorious Department of State Security, which had been involved in torturing detainees, was formally dissolved. However, many opposition activists argue that this department is de facto still active, and international observers such as Amnesty International have pointed to the persistent use of excessive force by security forces against protesters in the streets as well as in custody. While the death penalty remains in force, no executions have been carried out since 1987.

Despite available mechanisms and institutions, the authorities failed in many cases to investigate and prosecute physical assaults against individuals committed by Islamist/Salafist groups.

In several cases during the period under review, courts made broad use of repressive legal provisions inherited from the Ben Ali era. The pending state of emergency has also been invoked to justify excessively harsh convictions. As an illustration, two graffiti artists who had sprayed slogans in support of the poor on a university wall in the southeastern city of Gabes were sued for "spreading false information with the aim of disrupting the public order."

4 | Stability of Democratic Institutions

With the NCA elections on 23 October 2011, democratically elected institutions came into being for the first time in Tunisian history. Based on the three-party parliamentary majority held by Ennahda, CPR and Ettakatol, the troika government led by Hamadi Jebali was established on 24 December 2011. Starting with a

comfortable majority of 138 out of the 217 parliamentary seats (i.e., 64%), the troika was technically stable. However, the lack of party discipline, reflected in the high share of parliamentarians who changed their party affiliation, reduced the coalition majority to around 110 members (slightly more than 50%) by early 2013. CPR and Ettakatol in particular were weakened. However, the oppositional Progressive Democratic Party lost 10 of its initial 19 deputies after its merger with other groups into the Republican Party in April 2012.

NCA members have been criticized by the media, the Tunisian public and civil society organizations for ineffective work, most prominently for failing to adopt a constitution within the initially intended time (i.e., by October 2012). However, this judgment may be simplistic, and in large part attributable to the pervasive distrust today characterizing Tunisian political culture.

Regional and local government representatives (governors) do exist, but clearly lacked stability and authority during the period under review, and were hence often ineffective.

Though most relevant actors demonstrate at least a rhetorical commitment to democratic institutions, the depth of Ennahda's commitment has come under serious question. As the strongest political force in the NCA, Ennahda has often sought to underscore the legitimacy of this institution. But this discourse conceals the fact that during the 1980s and early 1990s, the party adopted a two-pronged strategy; even as it sought legalization, it prepared armed militias for a potential takeover of political power. For example, Ennahda did not disassociate itself convincingly from the so-called Committees for the Protection of the Revolution, which on several occasions threatened political opponents. The widely held thesis of active collusion between Ennahda and anti-democratic Salafist groups is corroborated by the fact that a significant share of Ennahda's activists can be described as close to Salafists.

Commitment to
democratic
institutions
5

However, most other parties and associations have also exhibited occasional authoritarian tendencies, especially with respect to internal organization.

Only one political party, the Liberation (Al-Tahrir) Party, openly rejects representative democracy, preferring a vaguely described "caliphate system" based on what the party perceives as Shari'ah. This party's registration was initially rejected by the Essebsi government on 12 March 2011, but it was subsequently legalized by the troika government on 17 July 2012. Two other parties close to the Salafist spectrum, the Reform Front (legalized on 29 March 2012) and the Clemency (Rahma) Party, legalized on 31 July 2012, have committed themselves theoretically to the democratic and republican principles.

The army, which is accorded more respect than are the police and secret service forces thanks to its supportive role during the revolution, has to date remained apolitical, and has respected the democratic institutions. It is only in the event of a dramatic,

prolonged political crisis that the army might consider playing a more prominent role on the political stage.

5 | Political and Social Integration

The new, postrevolutionary party system remains somewhat unstable. While the party spectrum offers an enormous range of orientations – Islamist, democratic, social-democratic, communist, economically liberal, and even Ba’thist – most parties extant today were legalized after the revolution. At their inception, apart from Ennahda and the Congress Party for the Republic (CPR), none of these parties could convincingly claim to be significantly rooted in society, nor did they exhibit strong organizational apparatuses. On the other hand, a number of long-standing opposition parties such as the Progressive Democratic Party (PDP), and Ettakatol, which were legalized under the old regime but faced significant discrimination, could legitimately claim to be serious vehicles for people’s aspirations after the revolution.

Ennahda’s electoral victory, in which it won than 1.5 million out of the 4 million votes cast, demonstrated the party’s ability to mobilize a significant share of voters, partly by revitalizing a grassroots network dating from the early 1990s. Most importantly, however, Ennahda managed to attract voters’ support by politicizing the question of religious and cultural identity, an issue that previously had not placed a strong political role. In addition, financial support from Persian Gulf states, notably Qatar, offered Ennahda advantages.

In total, some 1.9 million Tunisians voted for parties and independent lists that emphasized the Arab-Islamic identity of the country. In comparison, the chief secularist, centrist and leftist parties, including the CPR, the PDP, Ettakatol, the Democratic Modernist Pole, Afek Tounes and the Tunisian Workers’ Communist Party (PCOT) together received slightly more than 1 million votes. This underscores the relative shallowness of these parties’ social roots. The high degree of fragmentation in the Tunisian party system is illustrated by the fact that the remaining 1.5 million votes were won by some 80 other parties and more than 100 independent, mostly locally based lists.

Despite the current skewed patterns of support, a number of factors indicate that Ennahda’s hegemony may be more fragile than it initially appears. First, only one in two Tunisians eligible to vote registered for the 2011 elections. Conversely, only around 17% of the potential electorate cast their vote for Ennahda. Secondly, Ennahda, like the other parties, does not have a stable electorate. For many voters, voting for Ennahda was viewed as the equivalent of voting for Islam, and was thus a natural choice. In 2011, Ennahda undoubtedly profited from being viewed as having particularly suffered under the old regime. Since that time, discontent over the stagnant political and social situation has increased, and it is doubtful whether

Party system
4

Ennahda will profit again from these two initial advantages in upcoming elections. Thirdly, the mounting social polarization between Islamists and those who advocate a secular state may discourage many voters from again casting their votes for Ennahda.

At the same time, the current opposition leaders may be overcoming their previous lack of unity. Since 2012, several new parties and alliances have been formed with the aim of better unifying the centrist, leftist and secular electorates. A pronounced anti-Ennahda force, the Call of Tunisia (Nida Tounes) Rally was first launched as a supra-partisan initiative on 20 April 2012, led by former transitional Prime Minister Beji Caid Essebsi. With its commitment to a centrist liberal, modern and secular state, Nida Tounes appeals to many of the country's administrative and economic elites, as well as to parts of the secularized middle classes. Moreover, the party recently formed an anti-Ennahda alliance with the Republican Party and the Democratic and Social Way (Al-Massar). The Republican Party was formed on 9 April 2012 through the fusion of the PDP with smaller groups. Al-Massar was formed on 1 April 2012, by the Renewal (Ettajdid) party and other social democratic parties. A coalition of far-left parties, the Popular Front, was created by Chokri Belaid (who was killed on 6 February 2013), and includes Belaid's Unified Democratic Nationalist Party as well as the Tunisian workers' party led by Hamma Hammami (who abandoned his former Communist label 10 July 2012). Six other parties close to the now-dissolved Constitutional Democratic Rally (RCD) formed the so-called Destour Coalition around the liberal-centrist Al-Moubadara Party of former Foreign Minister Kamel Morjane.

All opposition forces lack both a serious programmatic substance and solid rooting in the population. Recently formed coalitions could well be dissolved by internal strife before the next elections. Moreover, the emergence of new parties is also possible, particularly given the strong 2011 electoral showing of the independent lists that ran under the Popular Petition label. This heterogeneous group unexpectedly won 26 seats. Launched only months before the elections, these independent lists attracted votes largely on the basis of populist promises by London-based millionaire Hachemi Hamdi, as well as through their strong roots in the poor regions of central Tunisia.

The political opening led to a mushrooming of new associations, from social movements and community organizations to unions and professional associations. These new groups have been able to operate generally free from unwarranted state intrusion, and can voice their interests without interference. Among them are an ever-growing number in the fields of democracy promotion, women's rights, election observation, and other such activities. NGOs such as the nationwide Union of Unemployed University students (created in 2006, legalized in 2011), with around 10,000 members, have managed to organize big protest marches, such as the one in Tunis on 29 September 2012. However, interest groups differ considerably with regard to their ability to operate with programmatic and strategic consistency,

Interest groups

6

mobilize grassroots support, access funds abroad, organize themselves logistically, and take cooperative and joint action.

Professional unions that existed under the former regime, such as the lawyers' union, the university teachers' organizations, the employers' Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA), and the workers' Union Générale des Travailleurs Tunisiens (UGTT) have been able to take more independent stances than was possible before the revolution. For example, UGTT supported popular calls for a complete reshuffle of the political system as of February/March 2011. Under the leadership of Secretary-General Hocine Abassi, who took office in December 2011, the UGTT has become a major force both in proposing and opposing policy. In October 2012, it launched an initiative calling for a national dialogue in order to lead the country out of political deadlock. This initiative was supported by the opposition, but boycotted by the government parties Ennahda and CPR. UGTT tested its power by threatening to call for a general strike after the Committees for the Defense of the Revolution attacked the UGTT headquarters on 4 December 2012, and again after the assassination of opposition leader Chokri Belaid.

UGTT's power rests on its historic legitimacy as one of the founding forces of Tunisian nationalism, boosted by the fees paid by an estimated 750,000 members (16% of active Tunisians; it is particularly strong in the public sector). Breakaway groups formed out of the UGTT as a result of internal splits after the revolutions, including the 50,000-member Union of Tunisian Labor (UTT) and the 30,000-member Tunisian General Labor Confederation (CGTT), have less bargaining power. Wage negotiations between UGTT and UTICA, meanwhile, were concluded on 23 September 2012 with a considerable 9% wage increase for an estimated 2 million people in the private sector.

This agreement also came as a signal that the UTICA itself, which had been co-opted by the Ben Ali regime, intended to play a more autonomous role. In September 2011, UTICA saw a competing employers' association emerge with the formation of the Confederation of Tunisian Citizen Enterprises (Confédération des Entreprises Citoyennes de Tunisie, CONECT), which is said to be closer to the government.

More broadly, activists for human rights, democracy and women's rights also effectively voiced their criticism of the troika coalition during the period under review. On the other side of the political spectrum, Salafist groups and the abovementioned Committees for the Defense of the Revolution (mainly through their grassroots and external financial support) are undoubtedly having an influence on the political landscape. Other groups, such as unemployed youth or women in the countryside, remain poorly organized.

Despite Tunisia's lack of earlier democratic experiences, the period under review saw genuine enthusiasm among large parts of the educated urban elites and middle classes for their newly gained freedom in 2011 and the successful conduct of elections on 23 October 2011. While not high in absolute terms, voter turnout, at near 50%, was fairly impressive compared to the rare examples of other competitive elections in the region (e.g., Algeria 1991, Libya 2012, Egypt 2011 – 2012). Tunisians widely accepted the election results.

Approval of
democracy
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However, there is also a deeply entrenched culture of distrust within society, which stems from autocratic times. This legacy, which makes a considerable share of Tunisians receptive to a radical, intolerant political discourse, has materialized in a variety of ways, including the success of the independent Popular Petition lists in the 2011 elections. This tradition of distrust has acted as a burden in the transition period, especially since frustration over stagnant political and social situation has gained ground among Tunisians. At a time when many Tunisians perceive two diametrically opposed views (Islamization vs. secularization) as inevitably clashing, many might well prefer a return to stability, even under authoritarian auspices or at the cost of a military intervention.

Opinion polls have shown that while the police are traditionally seen as corrupt and as a tool of the ruling party, Tunisians also lack confidence in political parties and the members of the constituent assembly. Individual legislators are seen as primarily driven by their own personal interests. The government is slightly more appreciated, although it too is generally distrusted. Interestingly enough, Tunisians also display distrust in religious leaders and the media.

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 structures in society and a general lack of interpersonal trust. In addition, the emergence of civic structures has to date been countered by the culturally engrained tendency to build relationships along family lines or through networks of cronyism.

Social capital
5

Tunisians exhibited a remarkable sense of solidarity during and after the 2011 revolution, for instance by forming vigilance committees at the neighborhoods level, and civil society organizations have emerged in remarkable number since 2011. However, the intensifying confrontation between Islamists and those who advocate a secular state has overall increased levels of distrust among Tunisians. During the period under review, this was exacerbated by a lack of transparency in the political realm.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Poverty and inequality remain pronounced and partly structurally ingrained, with their severity increasing over the course of the evaluation period. Most of the poorest regions are in the country's center, south and northwest. Socially motivated turmoil shattered the central and southern regions of the country on several occasions, as in September 2012 in Tataouine or in October 2012 in the Gafsa, Sidi Bouzid and Gabes regions.

Socioeconomic
barriers
5

Tunisia was ranked 94th of 187 countries in the 2011 Human Development Report, though its score has risen more quickly than that of most other non-oil Arab states since 1980. This overall successful development is mainly due to the country's good achievements with regard to health and income. Tunisia's GDP per capita (in PPP) increased to \$9,400 in 2011 (from \$6,200 in 2003), with about 80% of the population falling into the middle class. On the other hand, 8.1% of Tunisians earned less than \$2 per day according to the latest available World Bank data (2005).

Income inequalities have been inseparable from persistent un- or underemployment. The country's Gini coefficient in the year 2000, the latest available, was 40.8. With average growth rates of around 4%, the Tunisian economic dynamic has not reached the 6% rate deemed necessary to absorb unemployment given current population growth. Unemployment rates stagnated around 14% in the years before the revolution, and according to official data reached 18.9% in 2011 before slightly decreasing to 17.0% in 2012. Young, male and formally better-educated Tunisians (i.e., those with diplomas) have traditionally been disproportionately hard-hit by unemployment, with rates of more than 50%; this is because Tunisian industry lacks innovation, and primarily produces jobs in low-skilled areas such as textile production. An estimated 75% of the unemployed are younger than 30, and 30% of the unemployed have a degree. In the poorest governorates such as Jendouba, the overall unemployment rate has risen above 40%. While populations in areas such as Kasserine, Sidi Bouzid and Siliana are not primarily dependent on subsistence activities, seasonal work remains important in these areas and is not well captured by official data.

| Economic indicators | | 2009 | 2010 | 2011 | 2012 |
|---------------------------|----------|---------|---------|---------|----------------|
| GDP | \$ M | 43607.6 | 44377.7 | 46434.6 | 45662.0 |
| GDP growth | % | 3.0 | 3.0 | -2.0 | 3.6 |
| Inflation (CPI) | % | 3.5 | 4.4 | 3.6 | 5.5 |
| Unemployment | % | 13.3 | 13.0 | - | - |
| Foreign direct investment | % of GDP | 3.5 | 3.0 | 0.9 | - |
| Export growth | % | -7.6 | 4.8 | -3.9 | 11.0 |
| Import growth | % | -7.2 | 3.8 | -9.2 | 13.9 |
| Current account balance | \$ M | -1233.7 | -2104.4 | -3385.7 | -3773.4 |
| Public debt | % of GDP | 42.9 | 40.5 | 44.2 | 44.5 |
| External debt | \$ M | 22139.3 | 22047.7 | 22335.5 | - |
| Total debt service | \$ M | 2106.0 | 2358.6 | 2661.5 | - |
| Cash surplus or deficit | % of GDP | -1.5 | -1.4 | -3.7 | - |
| Tax revenue | % of GDP | 20.0 | 20.0 | 20.9 | - |
| Government consumption | % of GDP | 16.2 | 16.2 | 17.6 | 13.8 |
| Public expnd. on edu. | % of GDP | 6.5 | 6.2 | - | - |
| Public expnd. on health | % of GDP | 3.2 | 3.1 | 3.4 | - |
| R&D expenditure | % of GDP | 1.10 | - | - | - |
| Military expenditure | % of GDP | 1.3 | 1.3 | 1.3 | 1.6 |

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

In recent years, international observers such as the World Economic Forum (in its Global Competitiveness Report) have repeatedly hailed Tunisia as being one of the most competitive countries in Africa and the Middle East. After the revolution, governments have remained committed to preserving a free-market economy in principle. However, a number of features constrain market-based competition, such as the increasing instability of the business environment and worries about the future direction of economic policy. Public and private institutions as well as the judicial framework are seen as weaker than before the revolution. Deteriorating labor markets

Market-based
competition

6

and the worsening security situation have undermined the fundamentals of market-based competition.

Further obstacles to free competition relate to fiscal freedom, the inefficient regulatory framework, the prevalence of trade barriers and tariffs, and income and corporate tax rates. Non-salary labor costs are relatively high, and it is difficult to fire a worker under regulations governing formal employment.

From a structural perspective, market-based competition is limited by the fact that a number of sectors remain under government control, including utilities and hydrocarbons. Other sectors, including finance, are still dominated by state-owned institutions.

The Tunisian dinar is not convertible, and foreign exchange accounts and capital transactions are subject to restrictions and prior approval by the Central Bank of Tunisia (BCT). Non-residents, especially foreign investors, may hold foreign exchange (with some restrictions) and foreign currency accounts, and are accorded various other preferential benefits (such as tax exemptions). Nevertheless, foreign companies have repeatedly complained about cumbersome procedures with regard to capital flows.

While most prices result from free competition, the state intervenes with regard to prices for socially important commodities (e.g., sugar, flour, gasoline, propane liquid, milk, certain crops, etc.) either directly (through regulations) or indirectly (via subsidies or guaranteed minimum prices). Although subsidies for some products (e.g., gasoline) have been lowered in recent years, the total share of subsidies including energy subsidies has continued to rise after the revolutions, and now amounts to some 4.5% of GDP. Energy subsidies alone accounted for more than half of the subsidy budget during the evaluation period, and subsidies on cereals alone account for 75% of all subsidies excluding energy.

Finally, despite its formally modern appearance, the Tunisian economy features parallel systems: one in which international standards are followed, and another in which economic actors often feel the need to collaborate with the “right partner” in order to overcome administrative obstacles “delaying” or “blocking” investment or procurement decisions. Before the revolution, a number of influential families, especially the Ben Ali and Trabelsi clans, had a major influence on market economy mechanisms in this way. Though some of these informal structures might have disappeared, the rise of new figures to power and the advent of a new ruling coalition have most probably opened new opportunities for corruption and nepotism, which are hard to assess at this stage.

The 2011 – 2012 Global Competitiveness Report hailed the effectiveness of the Tunisian government's anti-monopoly policy as one of the country's market strengths.

Anti-monopoly
policy
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However, this assessment is relevant mostly with reference to investments by foreign companies in Tunisia. In terms of domestic companies, theoretically good legislation and state institutions in prerevolutionary Tunisia did not prevent the ruling family and its allied clans from taking control of whatever businesses seemed likely to be profitable (e.g., telecommunications, consumer goods, banking). Even beyond the influence of these clans, conglomerates typically owned by a number of closely interwoven families have dominated various sectors of the national economy for decades, a situation that has changed little as a result of the revolution. The Competition Council, created by the 1991 competition law, lacks sufficient resources and the requisite independence to prevent competition distortions effectively. Despite having imposed fines of TND 1.2 million in 2010 (at that time about \$832,000 or €625,000), observers see this body primarily as an adviser to the trade ministry, without its own supervisory competences.

Tunisia is not only a founding member of the WTO, and accords at least most favored nation (MFN) treatment to all its trading partners, it was also the first country in the region to establish free trade in the industrial sector with the European Union, as of 1 January 2008. In 2004, Tunisia signed the Agadir Agreement, progressively lifting commercial barriers with Morocco, Egypt and Jordan, and was co-founder of the Greater Arab Free Trade Area on 1 January 2005. On a bilateral basis, trade barriers with Libya, Morocco and Turkey have been lowered in recent years. However, the Heritage Foundation notes prohibitively high tariffs with regard to certain products (the weighted average tariff rate is 16%), in addition to a number of non-tariff barriers.

Liberalization of
foreign trade
7

Despite this overall positive picture, a dualism exists between an export sector that is dominated by offshore companies, operating under a specific legal regime, and a domestic sector that is still heavily protected by the state. Under Ben Ali, companies providing import goods destined for Tunisian markets were well-advised to find influential partners in the country. Import quotas for high-value-added sectors such as cars persist today. After the revolution, a number of car importers owned by various members of the Ben Ali clan were nationalized and their shares were subsequently sold to private holdings.

The Tunisian financial sector is in dire need of structural reforms in order to facilitate the country's economic modernization. Three public-sector banks (the Tunisian Banking Company (STB), National Agricultural Bank (BNA) and Housing Bank (BH)) dominate in terms of total assets. There are also a number of private institutions controlled by national or mixed Tunisian and foreign capital. The banking sector suffers from a high degree of fragmentation and undercapitalization. This has

Banking system
5

produced stiff competition between the banks and small profit margins, and has made it difficult for banks to develop long-term strategic orientations or international activities. Due to their deficient risk-management capacities, many banks are little able to provide small and medium-sized enterprises (SMEs) with easy access to financing.

These structural weaknesses are exacerbated by political influence. Apart from the state's role as major shareholder in public-sector banks, the government has direct control over financial flows with foreign countries. Top-level executives are mostly appointed by the government. Public banks have often been pushed to lend to companies that have personal ties with the government. As a result, Tunisian banks have long suffered from relatively high levels of non-performing loans (NPLs).

Apart from two direct government interventions in the operations of the private Banque de Tunisie and Zitouna Bank in the first half of 2011, the political changes have not radically affected Tunisia's banking policy. However, many banks have faced an increased liquidity risk due to the review period's economic slowdown. Nonetheless, Standard & Poor's appraisal of the banking industry in September 2012 upheld its prior risk rating of eight (10 being the highest level of risk possible), which showed continuing concern over the sector's stability.

In an effort to solidify Tunisian banks' financial foundation (while also limiting private-household indebtedness, import bills and inflation), the central bank introduced restrictions on short- and medium-term consumer credits in October 2012, by increasing the amount of required reserves that banks must hold relative to new consumer credits. However, the new restrictions do not apply to loans for investment projects. The central bank's oversight powers have been improved, and the banking sector's collective provisions for latent risk and bank capital ratios are to be increased to 9% by the end of 2013 and 10% by 2014.

The Tunis Stock Exchange (TSE), with a total market capitalization of around \$9 billion and only 56 countries listed as of May 2012, is comparatively small. Nevertheless, the TSE has recently been the focus of renewed interest by Tunisian companies as a possible alternative means of acquiring funds in light of the banking sector's weaknesses.

8 | Currency and Price Stability

During the evaluation period, Tunisian authorities remained theoretically committed to price stability. Given the overall economic slowdown, moderate salaries and a good 2011 agricultural season, the inflation rate was a moderate 3.6% in 2011. But in 2012, cuts in subsidies on fuel and gasoline; increasing prices for food (fruits and vegetables), tobacco, and clothing; and rising manufacturing costs due to more

Anti-inflation /
forex policy

6

expensive energy and increased salaries pushed inflation to above 5% (with peaks between 8% and 10% for certain groceries). The continuous depreciation of the dinar also contributed to the rising inflation, as did attempts by the government to boost the stagnating economy and combat the liquidity crisis in the banking sector. In the second half of 2011, the central bank (BCT) adopted an expansionary monetary policy by temporarily reducing interest rates and banks' minimum reserve assets. Hence, the central interest rate was at 3.16% from January 2012 onward compared to levels around 4.3% in 2010 and 2011. It was only toward the end of the evaluation period that the government again tightened its monetary policy by increasing bank's minimum reserve assets.

On 17 January 2011, interim President Fouad Mbazza replaced long-serving BCT governor Taoufik Baccar (since 2004) with Mustapha Kamil Nabli, an internationally experienced financial expert with links to the former regime. Nabli's priority was to assert the BCT's independence in order to preserve investors' trust in Tunisia's capacity to service its debts. Nabli's subsequent dismissal on 27 June 2012, and his replacement by Chadly Ayari on 24 July 2012, proved that the BCT governor's post remained as dependent on political decision-makers as it had been under the former regime. As in the case of his predecessor, scrutiny of Ayari's nomination focused on his ties with the former regime rather than his technical competences, leading to criticism even within the government coalition.

The Tunisian dinar's exchange rate is fixed by the BCT on a daily basis, but reflects the de facto market price against the euro and the U.S. dollar. Traditionally, the BCT has accepted an undervaluation of the national currency of around 4% to 5% against the euro in order to preserve the competitiveness of Tunisian exports. According to World Bank data, the actual effective exchange rate showed a total average dinar undervaluation of approximately 8% between 2005 and 2011. Over the evaluation period, the dinar lost 6% of its value against the euro (compared to a loss of 2% over the 2009 – 2011 evaluation period). At the end of the evaluation period, one dinar was worth €0.48.

The coalition government under Hamadi Jebali exhibited less financial discipline than did preceding governments. The government's budget deficit rose from about 1.0% of GDP in 2010 to 3.2% in 2011, and an (estimated) 6.3% in 2012. This rising financial gap resulted from the combined effect of decreasing state income (due to Tunisia's declining economic performance) and an expansionary government spending program aimed at stimulating the economy, increasing public salaries and financing social support programs. As a result, government consumption, which had decreased from 17.2% to 13.4% of GDP between 2002 and 2011, rose again to 15.3% in May 2011 and 17.8% by autumn 2012.

What had been a nearly balanced current account fell more clearly into the red in the years before the revolution (2010: -2.1%), with goods imports increasing more

rapidly than exports. Slowly recovering exports and a stagnating tourism sector brought the external deficit to -7.3% in 2011 and to an (estimated) -7.9% in 2012. The North Africa Monitor has issued even higher estimates of Tunisia's current account deficit, of -10.0% and -9.4% respectively for 2011 and 2012. In late 2012, foreign exchange reserves were down levels covering just 94 days of imports, as compared to 186 and 147 days in 2009 and 2010 respectively, one of the lowest points in decades.

Total public debt, which decreased from 67.4% to 40.5% of GDP between 2002 and 2010, increased again to 45.1% of GDP at the end of 2011 and an estimated 52.5% in 2012. External debt, which rose from \$12.9 billion to \$22.0 billion between 2001 and 2010, increased to an estimated \$24.5 billion in 2012. However, according to World Bank standards, Tunisia is still a moderately indebted country with a manageable public debt and fiscal deficit.

9 | Private Property

In legal terms, property rights and the acquisition of property are well defined in Tunisia. However, the acquisition of land by foreign investors is subject to prior permission, and the process can be cumbersome in practice. Permission is generally readily provided in the case of offshore companies investing in industrial areas designated as such. Foreigners may not own agricultural land.

Tunisia's falling ratings in recent property rights analyses (for instance in the World Bank's 2013 Doing Business Report) are attributable an increasing realism in the assessment (compared to the prerevolutionary situation) of conditions on the ground rather than a dramatically worsening business environment. For instance, problems with regard to property rights persist due to shortcomings in the rule of law. Commercial cases take a long time to resolve, and legal procedures are complex. Practices of crony capitalism and a lack of respect for private property (e.g., cases of forced property sales) seemed to be as common after the revolution as they were before 2011.

While public companies dominate strategic sectors such as banking and raw materials, and tend to provide more attractive jobs (with salaries up to 40% higher for university graduates), private enterprises – often conglomerates owned by influential families – form the backbone of the Tunisian economy. More than 200 public companies in a number of sectors (transport, tourism, construction, etc.) have formally been privatized since the 1990s. In international rankings, Tunisia is described as having straightforward procedures with regard to incorporating and registering a new business. According to the World Bank's Doing Business Report 2013, it still takes no more than 11 days (2010: 10 days) to open a business.

Property rights

6

Private enterprise

6

These assessments, however, seem somewhat overly positive, as the formally significant position held by the private sector does not always translate into the existence and implementation of uniform and fair rules for all market participants. Under the Ben Ali regime, companies with access to high-ranking political actors and the administration generally profited from a privileged position that yielded, among other things, easier access to credit and de facto guaranteed domestic markets. By contrast, those entrepreneurs who lacked the necessary connections often faced structural economic barriers, associated particularly with the weaknesses of the banking sector and the cumbersome bureaucracy. These habits have not changed two years after the revolution, as influential family clans still wield significant control over various sectors of the economy. They possess not only vital contacts within the state apparatus enabling them to access and secure markets, but also have the requisite investment power and access to foreign partners to dominate the market.

10 | Welfare Regime

The Tunisian public health care system, which provides around 50% of the country's health-related services, ensures free or grant-maintained basic health care for approximately 90% of the population. Public expenditure on health amounted to 3.4% of GDP in 2010. With the exception of 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 low. Therefore, public health services have increasingly been complemented by a vibrant private-clinic sector. 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. Transitional governments since 2011 declared the construction of new hospitals in the country's inner regions a priority.

Government employees have a right to a pension. Employees with official contracts pay social insurance contributions; in 2007, this system included approximately 50% of the population and provided coverage including maternity leave and some other services beyond basic medical care.

In order to cushion social hardship, the state – before and after the revolution – has offered both financial and direct aid to needy families. However, this system has been stressed by unemployment rates that have risen over the course of the evaluation period. In the absence of unemployment insurance, the role of the informal sector and of private solidarity networks remains important.

Social safety nets
6

Guaranteed by law, equality of opportunity is constrained in reality by the persistence of patron-client relations and widespread corruption, as well as social and gender-related discrimination. Discrimination based on religious or ethnic grounds is not relevant due to the homogeneity of the Tunisian population.

Equal opportunity
6

The 2011 UNDP Gender Inequality Index places Tunisia at a respectable 45th place among 146 ranked countries. Women's rights, traditionally strong in regional comparison, were further enhanced under Ben Ali. Women enjoy equal rights in divorce, and divorced women are typically granted primary custody of children.

Children born to Tunisian mothers and foreign fathers are automatically granted citizenship. Thanks to a legal obligation for political parties to have an alternation between female and male candidates on candidate lists, there are currently 49 women (mostly Ennahda) in the constituent assembly, which gives this body the largest proportion of female representatives in the Arab world.

Nevertheless, women remain disadvantaged in terms of overall equality of social and economic opportunity, particularly with respect to income levels and access to public offices. In everyday life, women are subject to widespread discrimination, as well as – increasingly since the 2011 revolution – intimidation by Islamist extremists who are able to act with impunity. Following the adoption of a draft article by the NCA emphasizing the “complementariness of genders” in 2012, some analysts have warned of the risk of retreat from the legal equality between men and women.

With a 96.5% female-to-male enrollment ratio at the primary level, nearly as many Tunisian girls as boys attend basic schooling. At the university level, the ratio is 150.5% in favor of women. Differences between men's and women's literacy rates (71.0% and 86.4% respectively) underscore women's relative education successes.

11 | Economic Performance

A decline in output by 1.8% of GDP in 2011 was followed by a tentative recovery in 2012, with an estimated growth rate of 2.7%. In parallel, the official unemployment rose to 18.9% in 2011, and declined only slightly to 17.0% in 2012. GDP at current U.S. dollars stagnated between 2008 and 2010, reached \$45.9 billion in 2011 and fell again to an estimated \$44.7 billion in 2012. Conversely, GDP per capita (PPP) stagnated between 2009 (\$9,200) and 2011 (\$9,400), and is estimated to have grown only slightly in 2012. After a slight decrease in 2011 (-0.5%), gross capital formation rose by 3% in 2012, mainly thanks to infrastructure projects in the poorer regions of central and south Tunisia.

Output strength
6

Economic output suffered as a result of the revolution and the ensuing social upheaval and political uncertainty. The ensuing recession reflected Tunisians' constrained purchase power, the reduction in remittances from Tunisian foreign workers, lower

levels of tourism income and the lack of confidence among Tunisian investors. Tourism directly contributes 5% to national GDP and directly employs around 100,000 Tunisians.

Interestingly enough, industrial exports proved their robustness after the revolution. Tunisian exports actually rose in the midst of the economic crisis, increasing their share in Tunisian GDP from 33.1% (2009) to 38.7% (2011). It was only in 2012 that Tunisian exports began to suffer as a result of the European economic crisis, especially in the car industry.

Nevertheless, the economy slowly recovered in 2012. Tourism receipts, while not yet reaching prerevolutionary levels, increased by 35.3% between January and August 2012 compared to the same period in 2011 (though the average length of tourists' stays decreased). Moreover, the government fueled domestic consumption until well into 2012 by providing easy consumption-focused credit to private households. This expansionary policy was carried out at the expense of fiscal discipline. As a result, the inflation rate rose to more than 5% in 2012 after falling to 3.6% in 2011 in line with negative growth. However, budget deficits remained manageable.

Foreign direct investment (FDI) decreased in 2011 to 0.9% of GDP (2010: 3.0%). In 2012, FDI and portfolio investment recovered in absolute terms, totaling around \$1.5 billion compared to \$0.8 billion in 2011. However, this development was not due to investment in job-creating industries, but largely due to the acquisition of a 13% stake in Banque de Tunisie by French Crédit Mutuel and Qatar Telecom's acquisition of 15% of telecommunications operator Tunisiana.

12 | Sustainability

Environmental concerns were clearly not among the priorities of postrevolutionary governments. In the aftermath of the Tunisian January 2011 revolution, the former Ministry of Environment was merged with the former Ministry of Agriculture into one Ministry of Agriculture. In the Jebali cabinet, no minister or state secretary was exclusively responsible for environmental matters.

While environmental legislation in Tunisia does exist in many realms, it is often insufficient, contradictory, and fails to harmonize with urgent needs and other legislation in the relevant sectors (e.g., water, real estate, energy, construction). Environmental policy at times suffers from the stewardship of civil servants who lack the proper training, or from the conflicting jurisdictions of ministries and subordinate agencies. Given these shortcomings and pervasive corruption, existing legislation can easily be ignored or circumvented.

In urban planning, improving road and highway infrastructure has taken precedence over the promotion of public transport. In microeconomic terms, the government has

Environmental
policy
4

only hesitantly established incentives for environmentally sound consumption and investments on the part of households and companies, through actions such as establishing collection boxes for plastic water bottles or labeling environmentally preferable white goods.

According to the latest available data, Tunisia spent 6.5% of its GDP on education in 2008, more than any other country in the region. Investment in human capital has undeniably been a major feature driving Tunisia's overall positive human development in recent decades. Nearly 100% of children between six and 12 years of age are enrolled at the primary level. Education is mandatory and free of charge until the age of 15. Whereas 91.8% of secondary-school-aged children attend school, around 33.7% of students ultimately reach the tertiary level. While today's Tunisians aged 25 and above received an average of only 6.5 years of schooling, children beginning their education today are likely to complete an average of 14.5 years.

Between 1986 and 2006, the number of university students increased tenfold, and the current absolute enrollment figures are well beyond 300,000 students. This has also created problems, however, as educational standards seem to have deteriorated outside middle-class urban areas, at schools as well as at universities. Moreover, classes usually are based on mere repetition and do not provide students with job-relevant skills. This has strongly contributed to the fact that about 50% of youth looking for work are recent college graduates. As a result, a significant proportion of students take extra classes that are paid for out-of-pocket.

According to UNESCO data, Tunisia invested 1.1% of GDP on R&D in 2009. R&D currently contributes too modestly to the Tunisian economy, given the country's increasing dependence on high-tech goods and information technology. According to the World Bank, only five to six patents are registered ever year in Tunisia (compared to 6,500 in France), a fact partially due to cumbersome bureaucratic structures in universities and research institutes. The vocational training sector also remains underdeveloped.

Education policy /
R&D

6

Transformation Management

I. Level of Difficulty

Tunisia's structural constraints remain moderate thanks to the successful development of infrastructure and the country's economy in recent decades, as well as its geographic proximity to Europe. During the course of the evaluation period, Tunisia was spared pandemics or extreme drought, and compared to previous years benefited from abundant rainfall.

Structural
constraints

6

Politically, the country suffers from the former regime's legacy. Democratic rules have to be newly introduced and democratic institutions established. In addition, politicians' flexibility to engage in policy innovation has dramatically decreased due to rising levels of poverty, unemployment and social exclusion. While this increase in official poverty rates is in large part attributable to the worsening economic situation, it also reflects a more accurate appraisal of the problem, which was statistically concealed by the old regime. Faced with numerous and in some cases violent demonstrations, the transitional governments have tended to give in rather quickly to various social demands in order to ease political tensions.

The deteriorating quality of school and professional educations, which was also concealed by the old regime, is responsible for an increasingly noticeable lack of skills among the ostensibly educated labor force, a fact that does not bode well for the Tunisian economy's mid-term prospects.

As political life outside the old regime's governing party was subject to severe repression before the revolution, traditions of civil society are still fairly weak outside urban centers, and a deep culture of distrust prevails. The emergence of a free civil society has also tended to be hampered by the persistence of deeply entrenched patriarchal and anti-democratic structures. Indicators of this weak civil society include a certain nostalgia for the "order" and "discipline" that supposedly prevailed under the Ben Ali rule, voiced by many Tunisians in private conversation. In addition, the impact of religiously motivated violence on political life during the evaluation period can only be explained by the weakness of civil society. Were civil society stronger, political extremists would probably have had less impact.

Civil society
traditions

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Nevertheless, substantial gains have been made, manifesting first in the remarkable sense of solidarity in the course of the 2011 revolution, during which Tunisians formed vigilance committees at the neighborhood level. Moreover, Tunisian civil society exhibited a remarkable degree of independent public and civic engagement after the revolution, materializing in the impressively high number of civil society organizations that were founded. This increased activism extended beyond protesting and the issuing of demands, as civil society organizations were also actively involved in writing the electoral laws. For instance, the quota for the integration of women in the electoral system for the 2011 elections can be traced back to civil society intervention.

This recent upsurge in civic activism may on the one hand limit government action, for instance by combating the persistent drift toward authoritarianism shown by current (and perhaps future) leaders. In this sense, civil society might provide a kind of guarantee for democracy, which opposition parties failed to do under the former regime. On the other hand, the mushrooming of civil society may complicate the country's already complex political picture, and further blur the mission of elected institutions and political parties.

Conflict intensity has clearly increased since January 2011, adding considerably to the level of difficulty faced by Tunisian policymakers. Besides the generalized spread of violence in everyday life (discernible for instance in the increase in burglaries, petty crimes and assaults), there has also been an upsurge in explicitly socially and religiously motivated violence, along with a more pronounced polarization of Tunisian society and among political elites along these cleavages.

Conflict intensity
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While socially motivated riots forced Ben Ali out of office, the so-called Kasbah I and II protests also toppled the second transitional government of Mohamed Ghannouchi on 27 February 2011, and subsequently convinced the transitional government of Beji Caid Essebsi to initiate a complete revamping of the political system.

Along with the suburbs of Tunis, Sfax and Sousse, the regions of Kasserine, El Kef, Sidi Bouzid and Gafsa were particularly prone to social conflict. Socially motivated violence in these regions partly took the form of violence against symbols of the state and political parties' representatives, especially against the ruling Ennahda party. This growing discontent is bound to reduce the maneuvering room accorded to any future government over the medium term. Hence, social conflict added considerably to the confrontational nature of politics and became the source of an important cleavage in Tunisian politics.

A religious cleavage also widened during the period under review. Hardly evident before the revolution, religiously motivated violence began spreading in summer 2011, perpetrated by a large number of autonomous extremist Salafist groups

(numbering several hundred in total). These groups intimidated women in public, staged protest marches and sit-ins in symbolic places, and disturbed cultural events. In March and April 2012, Salafist groups temporarily occupied university faculties in Tunis and Sousse, seeking to impose a separation of genders during classes, as well as the “right” of female students to wear the niqab (the veil concealing the face) during exams. Salafist groups deposed imams in about 10% of Tunisia’s 5,000 mosques, profiting from this situation by openly propagating jihad.

Most damaging to the political climate in the country were not the extremist actions in themselves, but rather the impunity with which Salafists were able to act.

There is an ongoing debate in the country as to the extent to which the Ennahda-dominated government has engaged in collusion or tacit encouragement with the Salafists. Since spring 2012, opposition parties, civic organizations and journalists have urged Ennahda in vain to exert state’s authority to prevent extralegal Salafist actions. It was only after the attack on the U.S. embassy on 16 September 2012 that the government took a firmer – yet still selective – stance against Salafist groups by arresting some of their most visible leaders. But with the formation of Nida Tounes, the emergence of the anti-Ennahda Union for Tunisia alliance (Nida Tounes, Republican Party, Al-Massar) and the legalization of three Salafist parties in summer 2012, the religious cleavage is bound to dominate the next elections.

Another element of political violence adding to the mounting conflict and distrust in Tunisian politics was the emergence of the so-called Committees for the Defense of the Revolution, which made their appearance on Tunisian streets in spring 2012. Legalized in June 2012, these committees claim to defend the achievements of the revolution. De facto, these groups have acted as sometimes-brutal gangs associated with Ennahda or the CPR, targeting the governing parties’ political opponents or supposed “caciques of the old regime.” On 4 December 2012, they attacked the UGTT union headquarters. The opposition has so far called in vain for the dissolution of these committees.

II. Management Performance

14 | Steering Capability

The transitional governments of Mohamed Ghannouchi and Beji Caid Essebsi were absorbed by the immediate concerns of pluralizing political life and the organization of elections. Under popular pressure, the Essebsi government made the decision to completely revamp the political system by holding elections to a constituent assembly before establishing what would be the country’s final institutions. All

Question
Score

Prioritization
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postrevolutionary governments, including the Jebali cabinet, have seen themselves primarily in charge of organizing everyday politics until the adoption of a new constitution. Beyond these tasks, the Jebali cabinet declared reform of the media sector and the judiciary (“transitional justice”), prosecution of crimes committed under the former regime, and creation of the organizational basis for upcoming elections to be among its top priorities.

Economically, governments focused on short-term challenges during the period under review, focusing especially combating unemployment and improving infrastructure in the inner regions of the country. Specific long-term priorities such as promoting financial stability received less attention. Given the importance of foreign direct investment, regaining foreign investors’ confidence was another important priority, for example by launching new initiatives to reform the banking sector.

The transitional Essebsi government successfully embarked on a process that eventually led to the National Constituent Assembly elections on 23 October 2011. The High Instance for the Realization of the Objectives of the Revolution, Political Reform and Democratic Transition defined the legal context for free and transparent elections, and appointed the independent elections commission (ISIE). The High Instance was initially an appointed experts’ body, which gradually evolved into a proto-parliament containing representatives of the main political parties, workers’ unions and civil society organizations, with the mandate to oversee the drafting and implementation of the legal framework for elections.

In the period following the elections, the Jebali government’s actions failed to convince many Tunisians (and to some extent the international community) that it was willing or capable of guaranteeing the best possible framework for Tunisia’s further political transition. The incorporation of an estimated 20,000 unemployed (with supposedly Islamist leanings) into the civil service, the selective clampdowns on protesting citizens, and the exaggerated tolerance for (if not outright collusion with) the illegal activities of Salafists cast the government’s management performance in a critical light. In addition, the government failed to regulate (or prohibit) the disputed activities of the so-called Committees for the Protection of the Revolution, which were linked with a number of assaults on opposition politicians, union members and regime-critical journalists.

Transitional governments before the 2011 elections showed a considerable degree of openness compared to the old regime by allowing for the pluralization of political life to an extent previously unknown in Tunisia. This political opening was critical for the domestic as well as the international credibility of the opening process. For instance, a major expression of the Essebsi cabinet’s ability to learn was when, faced with popular pressure in early March 2011, the government abandoned the idea of organizing presidential and parliamentary elections under the institutional framework

Implementation
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Policy learning
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of the 1959 constitution. Instead, the government took the bold – and eventually credible – decision to hold elections to a constituent assembly first. In this context, the establishment of the High Instance, a kind of proto-parliament endowed with the power to oversee the drafting and implementation of crucial legislation (e.g., the electoral law, the establishment of the independent election commission) was a good example of effective policy learning.

By contrast, the post-election cabinet of Hamadi Jebali showed little willingness or capacity to learn from its inability to inspire trust among a significant share of the population and key political actors, or to provide the best possible framework for a successful political transition. It was only after the storming of the U.S. embassy on 14 September 2012 that the government took a firmer stance against radical Salafists and revised its hitherto exaggerated policy of tolerance for the illegal activities of the League for the Protection of the Revolution. However, as one very late example of policy learning by Prime Minister Hamadi Jebali, one might cite his initiative for the formation of a technocratic government. Developed in late January 2013, this initiative was prompted by the assassination of leftist politician Chokri Belaid (on 6 February 2013), which had far-reaching effects within Tunisia's political landscape.

With respect to the government's economic and social policy, no policy-learning processes were perceivable over the evaluation period, although the government's effort to cushion social hardship by increasing subsidies for everyday commodities and enhancing infrastructure in the poorer regions of central and southern Tunisia did show a cognizance of the need to reduce tensions.

15 | Resource Efficiency

To counterbalance the economic decline and the rising unemployment rate, the transitional governments recruited an estimated 20,000 unemployed young Tunisians into the civil service. While this was politically understandable, it increased inefficiencies in the already oversized state apparatus and will add to already high personnel expenses. Though difficult to verify, the ruling Ennahda party is said to have profited from this recruitment by infiltrating the civil service with its supporters. In general, public services are neither very reliable nor of good quality. Although decentralization plans were announced after the revolution, the administration remains for the time being largely centralized.

State indebtedness and budget deficits increased during the period under review partly due to structural problems, most prominently among these the country's poor management of public finances (especially an inefficient tax collection system). However, an expansionary policy aimed at boosting the stagnant economy (e.g., spending on infrastructure in the poorer regions of central Tunisia), a wage increase

Efficient use of
assets

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in the public sector, and increased subsidies for basic commodities particularly in 2011, have added to this problem.

On the whole, the combined legacies of past French domination and Tunisia's authoritarian experiences have created a climate in which more rather than less state action is accepted. Within this context, even optimal state action may not be able to handle the challenges associated with Tunisia's integration into world markets.

While national policy guidelines in prerevolutionary Tunisia were laid down in five-year plans, no such plan has yet been elaborated since the revolution. There were no open intragovernmental frictions during the period under review, but coordinating policy and establishing coherence of action among different ministries was much more difficult than during earlier evaluation periods. This was due first to the absence of a clear and coherent development vision, which was attributable to the transitional character of successive postrevolutionary cabinets. Also, in comparison to the technocratic apolitical tradition of prerevolutionary government policy formulation, the more political character of ministries since December 2011 had a detrimental effect on the coherence of government action. As a result, the various ministries were primarily busy with running day-to-day services. Establishing horizontal forms of coordination between the various departments of the state administration was difficult under these conditions.

Policy
coordination
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While corruption and nepotism have long been a burden (albeit moderate by regional standards) for Tunisia's business climate, both seem to have increased after the revolution. The interim governments did not appear wholly willing or able to establish adequate institutional arrangements against corruption, and hence proved ineffective in curtailing its spread. Mechanisms to audit state spending and party finance exist but were not thoroughly implemented during the review period. Especially in the run-up to the 2011 elections, the state's incapacity to effectively monitor party finances prompted considerable criticism, most prominently with regard to the alleged support given by several Gulf states to the Ennahda party. Ennahda in particular has been criticized for placing its own supporters in the administration, hence establishing new networks of corruption as a substitution for the older ones. Citizens and media are only selectively granted access to government information, and sometimes in a manipulative way. High-ranking officeholders provide selective asset declarations. Conflict of interest rules, codes of conduct and transparent public procurement systems exist, but again are not implemented systematically or in a transparent way.

Anti-corruption
policy
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16 | Consensus-Building

Aside from an overall consensus that the negative social effects of the revolution should be cushioned as much as possible, one of the undoubted successes of the

Consensus on goals
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transitional governments was the establishment of consensus among key actors in political parties, unions, and civil society around a number of basic principles underlying the Tunisian transition. Most prominent among these were the establishment of political pluralism via the legalization of hitherto forbidden parties, and the organization of free and transparent elections. This ability to establish a consensus was reflected for instance in the government's constructive, if not always harmonious relationship with the High Instance. This institution, whose composition was defined by consensus among the most important political parties, unions, NGOs and legal experts, eventually reached agreement on the appropriate content for crucial legislation including the electoral law, the establishment of the independent election commission, and media legislation. As a result, the record of Essebsi's transitional cabinet can be seen as one of relative success, although with the caveat that it was focused on the immediate and perhaps least controversial problems, most prominently the proper organization of elections on 23 October 2011.

By comparison, the Jebali cabinet inspired less trust among the population, particularly among key opposition figures. In particular, the government failed to develop a consensual, cross-party vision of the future constitution in parallel with ongoing negotiations in the NCA. The troika coalition fostered disunity within the Tunisian population and political class, especially with regard to the guarantee of civic rights and the relation between state and religion; by not convincingly distancing themselves from Salafist extremists, the coalition exacerbated this distrust.

Ennahda and CPR failed to benefit from another opportunity to promote societal consensus when declining the invitation of the UGTT workers' union to a Congress on National Dialogue (16 – 18 October 2012), intended to promote a national consensus on the elaboration of a new constitution and the establishment of a new independent election commission.

The public discourse through much of 2011 was dominated by advocates of reform, in the areas of politics, administration, media, business, judiciary, military and civil society. However, this did not preclude the (probable) existence of actors wanting democratization to stall or even fail. Certain administrative and business elites, as well as representatives of the former security forces (though to a much lesser extent the military) had much to lose from a deeper investigation into their cooperation with the former regime or even their involvement in human rights violations.

Beginning in spring 2012, more openly anti-democratic actors emerged in the Tunisian public. These included most prominently radical Islamist parties such as the Liberation Party (Hizb al-Tahrir), the Reform Front and the Clemency (Rahma) party, all legalized in summer 2012, but also the so-called Committees for the Defense of the Revolution, organized under the rubric of the national League for the Protection of the Revolution. In addition, organizations such as the Groups of the Supporters of the Shari'ah (Jamaat Ansar al-Shari'ah) or the Centrist Group for

Anti-democratic
actors

4

Awareness Raising and Reform (al-Jamiaa al-wasatiya li al-ta'wiya wa al-islah) undermined popular confidence that the political transition would be successfully continued.

Despite Ennahda's self-definition as moderate, democratic Islamist force, significant ultra-conservative factions within the party show Salafist leanings. Observers see a stable cleavage within Ennahda between a moderate, democracy-oriented camp (around Hamadi Jebali) and an alleged Islamist hardliner fraction (including Nouredine Khademi, Habib Ellouze and other top politicians). This latter faction, which is close to party president Rachid Ghannouchi, fervently opposed a clear disassociation from the violent activities of Salafist groups in and after the summer of 2011.

It is encouraging that civil society organizations have thus far been successful in limiting the influence of anti-democratic actors, for instance by preventing the draft constitution from appealing to Shari'ah law as a main source of legislation, and – so far – by preserving women's rights.

While the legalized or illegal factions at times show openly non-democratic leanings, the secular parties too were socialized by the country's previously anti-democratic political culture. Hence, their internal workings often show a somewhat authoritarian character.

Transitional governments had variable success in depolarizing the country's political, economic and social cleavages. Prime Minister Mohamed Ghannouchi maintained ministers from the former regime in each of his two successive cabinets, and thus lost the public trust. By contrast, Essebsi's cabinet addressed popular discontent through the decision to hold elections to a new constituent assembly, and secured a broad consensus among relevant political forces prior to the 23 October 2011 elections. Constructing this consensus was a remarkable achievement given the absence of prior democratic experiences, the difficult socioeconomic conditions and the traditional mutual distrust among political forces.

In contrast, the government of Hamadi Jebali contributed an exacerbation of societal cleavages between those urging an (indistinctly defined) Islamization of Tunisia and supporters of a separation between state and religion. Indeed, while the revolution was first carried out under slogans calling for "social equity" and "justice," Ennahda managed to emphasize a different Islam vs. secularism (the latter term subtly associated with "atheism") cleavage as a powerful motivation for voters' decisions in the October 2011 election. A number of Ennahda representatives both inside and outside the government contributed to the irresponsible aggravation of this cleavage through ambiguous comments as to the necessity of strengthening the Islamic character of the state through the new constitution. Moreover, the government disassociated itself only hesitantly from extremist Salafist groups. Several violent

Cleavage /
conflict
management

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assaults on the (tiny) Jewish and Shi'a minorities that were attributed to Salafist groups raised fears that hitherto peaceful relations between the majority Sunni Muslims and religious minorities might decay in the short or medium term.

From an economic and social perspective, all transitional governments had difficulties in alleviating conflicts driven by deep social cleavages. As the mounting conflict between the UGTT workers' union and the Jebali cabinet shows, political and social cleavages in Tunisia became increasingly interwoven during the period under review. In addition, the cleavage between the wealthier regions along the coast and the poor regions of central and southern Tunisia manifested itself in numerous, occasionally violent clashes between security forces and local protesters.

Following the revolution, the number of civil society organizations (CSOs) expanded rapidly. These groups formulated clear demands, presented grievances on general social and economic issues (e.g., jobs, regional development, justice), and in some cases made specific requests (e.g., establishment of Shari'ah law). Some (e.g., CSOs involved in election monitoring, women's rights groups, judges associations, journalists' union) sought to influence the drafting of transitional legislation, often successfully.

Civil society
participation

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The transitional governments of Mohamed Ghannouchi and Beji Caid Essebsi both engaged in dialogue with civil society, and their activities were influenced by this process. A number of ministers in each of these cabinets had been part of the civil society movement before the revolution. In addition, a number of CSOs and interest groups were an integral part of the High Instance, and for this reason were directly involved elaborating the political transition's central legal texts (e.g., the electoral law, the new party law). However, NGOs outside the High Instance were also able to influence the formulation of these policies. For example, the electoral law provision obliging candidate lists to alternate between male and female candidates came largely due to the initiative of *Egalité et Parité*, an NGO. However, the governments did not involve civil society groups in the areas of policy implementation or performance monitoring.

Hamadi Jebali's cabinet, however, did not involve CSOs in the political process. This was all the more disappointing given the (somewhat understandable) comparative lack of expertise in Jebali's cabinet, as well as among parliamentarians in the constituent assembly. The government's reluctance to engage in dialogue was particularly visible with regard to the failure to involve the judges' union in the (stalled) discussions over judicial reform. Similarly, it engaged in little communication with the journalists' union while drafting and implementing new legislation governing the media sector. The hasty appointment of new state-owned media organization directors without prior consultation led to the first general strike by journalists in Tunisia on 17 October 2012.

The Jebali government also failed to engage in dialogue with the UGTT workers' union, another important civil society actor. Under the leadership of its new Secretary-General Hocine Abassi, who took office in December 2011, the UGTT launched an initiative calling for a national dialogue process in October 2012. While this initiative was supported by the opposition, the government parties Ennahda and CPR boycotted it.

The governments that took office in the wake of the 2010 – 2011 revolution faced considerable challenges in providing for reconciliation between victims of the former regime and those who had benefitted from the previous state of affairs (possibly perpetrators of human rights violations). In the immediate aftermath of the revolution, transitional governments symbolically and publicly highlighted the former regime's moral breaches of (e.g., through TV documentaries). However, this was no substitute for the development of a comprehensive, consensual societal vision combining the concept of reconciliation with the creation of clear rules for readmitting former regime representatives into the political sphere. On 18 February 2011, the transitional government of Mohamed Ghannouchi established a national commission to investigate cases of corruption and misappropriation under the old regime. The commission published a first report in November 2011, which accused dozens of persons (mainly the extended families of the president and his wife, along with high-ranking ministers and technocrats) of being responsible for the bulk of corruption and misappropriation under the old regime. So far, only a limited number of those accused have been convicted, as it turned out difficult to prove their involvement in specific crimes. However, these individuals were officially banned from running as candidates for the 2011 elections and were mostly banned from travelling outside the country. At the administrative level, most representatives of the former regime within ministries and the state administration have thus far retained their positions. The postrevolutionary development of the former regime's police spies has given rise to serious suspicion and has poisoned the political atmosphere to a certain degree. Former police spies that did not remain in the service of the Ministry of the Interior have been suspected of having infiltrated Salafist groups or groups close to Ennahda.

A draft amendment to the 2011 party law from 7 April 2012, initiated by the governing CPR, contained provisions prohibiting former ministers of the Ben Ali regime and high-ranking members of the RCD, the former ruling party, from engaging in political activities for a period of five years. Comparable to the rule applied before the 2011 elections, this provision could also apply to those persons who between 2009 and 2011 publicly called for the re-election of Ben Ali in 2014. If ultimately applied, these rules would ban several thousand persons from running as candidates. For this reason, the passage of any such legislation could pose a problem for the candidate lists of several parties, especially Nida Tounes and al-Moubadara. However, as of the time of writing, the prospect of consensus on excluding former

Reconciliation

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politicians from standing in future elections appeared unlikely, since parties such as Nida Tounes have become potential future coalition partners for other opposition parties (e.g., the Republican Party).

Regarding the treatment of victims of the former regime, the first transitional government in January 2011 promised substantial compensation for the families of the estimated 300 to 400 persons killed during the revolution. However, no compensation had been provided as of the time of writing. While in principle, there remains a political willingness to compensate the various groups of victims of the former regime, there is a serious risk that any such compensation may be given selectively and according to political criteria. A first draft law concerning so-called transitional justice, published by the government on 1 November 2012, did not pass in the constituent assembly. Important procedural questions for any future reconciliation remain unanswered, for instance whether those responsible for cases of torture will be legally prosecuted, whether citizens will be given access to their former police files, or whether former political prisoners will receive compensation. Following the elections, the Ennahda-led government was increasingly perceived to be blocking a general compensation payment to the martyrs and injured of the revolution. Instead of such a measure, Ennahda was said to be favoring Ennahda activists, for instance by providing them with jobs in the administration, because of their presumed prosecution under the former regime. Ennahda activists and other Islamists had already been among the main beneficiaries of the amnesty granted to an estimated 30,000 political prisoners in early March 2011.

17 | International Cooperation

A considerable volume of international support emerged after the revolution, as the country's traditional donors including the European Union, the World Bank and the IMF proved eager to support the political transition. In 2012, external financial aid amounted to around \$2.8 billion, and the granting of advanced status as an EU partner country on 19 November 2012 will allow for easier access to EU funds. Multilateral support was complemented by bilateral diplomatic support (here reflected in the numerous consultations with representatives of Tunisia's most important partner countries, including France, Italy, Germany, Qatar and Saudi Arabia), as well as substantial financial and development aid, and the conversion of debts into development projects.

Nevertheless, the implementation of internationally supported reform programs continues to be hampered by political inconsistencies, the large number of institutions involved and cumbersome bureaucratic procedures. Tunisian governments face the challenge of channeling this aid into meaningful projects. After a number of largely short-term oriented policies, the grant of a (still pending, as of the time of writing) World Bank credit of up to \$950 million in 2013 hinges on the Tunisian government's

Effective use of support

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commitment to good governance reforms, especially the reform of the tax collection system, a reinforcement of civil society's role in monitoring state expenses, the reinstatement of budgetary discipline, reforms in the bank sector, a reduction of subsidies on basic commodities, and the enactment and implementation of new legislation governing investments.

The successive postrevolutionary governments have consistently respected existing treaties, and have displayed a willingness to carry through democratic transition and economic reforms; this has in principle granted them a high level of credibility on the international scene. The credibility of the Jebali cabinet, however, was somewhat tarnished by slowdowns in the institutionalization of democracy, most prominently the delay in passing a new constitution. In addition, the government's incapacity (or lack of willingness) to distance itself plausibly from Salafist extremists undermined its credibility. Moreover, albeit clearly on a less alarming scale than under the old regime, Tunisia's human rights record and abuses against press freedom have given cause for concern, especially toward the end of the evaluation period. However, the emergence of doubts among Tunisia's governmental and non-governmental partners has not thus far affected international assistance policies, particularly Tunisia's attainment of EU privileged partner status on 19 November 2012. This in itself has to be understood as a credibility credit, offered with the understanding that further political and economic reforms will be carried out.

Credibility
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The country has received numerous downgrades in international rankings and comparative assessments of economic policies; in conjunction with weaker ratings by risk-ratings organizations, this reflects the fading confidence of the international financial community and investors. For instance, Standard & Poor's downgraded their risk rating for Tunisia from BBB with a stable outlook to BB- with a negative outlook between January 2011 and January 2013; other agencies put forward concurrent appraisals.

Lacking any territorial or economic ambitions that could lead to conflicts with its neighbors, Tunisia cooperates closely with many African and Arab states. This reflects Tunisia's commitment to regional multilateral agreements, such as the Arab Maghreb Union of 1989 (though this has been in crisis since 1994), the Agadir Agreement of 2004 (between Morocco, Tunisia, Egypt and Jordan) and the Greater Arab Free Trade Area of 2005. While Tunisia's decision makers are well aware that the developing economic integration among Maghreb countries holds considerable potential for growth, especially for the country's export-oriented economy, the postrevolutionary transitional governments did not have the authority to launch initiatives for closer cooperation. The fact that the president and prime minister each pursued their own foreign affairs agendas did serve to weaken Tunisia's external credibility unnecessarily.

Regional
cooperation
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On a bilateral basis, relations with Libya were strained in 2011 after Libyan ruler Qadhafi criticized the toppling of Ben Ali. Tunisia displayed remarkable solidarity with the Libyan population by taking in hundreds of thousands of Libyan and international refugees during the anti-Qadhafi uprising in 2011. Since the toppling of Qadhafi's regime, relations between the two countries have again been smooth, at least in principle, and mutual economic exchange is gradually reaching the former level. However, there is room for improvement in terms of bilateral border and security cooperation specifically in order to prevent the uncontrolled proliferation of Libyan weapons. Cooperation with Algeria, which remained strong throughout the review period, became closer in the light of the growing terrorist threat in the Saharan border regions between the two countries.

Strategic Outlook

The crisis of confidence faced by Tunisia's transitional governments during the second half of the evaluation period, culminating in the resignation of Prime Minister Hamadi Jebali on 19 February 2013, reflected several failures. A number of these can be ascribed at least in part to the government, including the delays in drafting a new constitution, the worsening economic conditions, the social crisis and the recent escalation of political violence. In this context, the new Ali Laarayedh government (in office since 13 March 2013) would be well advised to open dialogue with all relevant political parties, interest groups (e.g., the UGTT and UTICA), and civil society actors. This would deepen the Tunisian population's trust in the government's ability and willingness to promote the political transition effectively. It is up to the government to set out a clear roadmap leading to the enactment of a constitution and ensuing presidential and parliamentary elections. While enacting the new constitution, a major challenge will be to develop as large a consensus as possible with regard to future power relations between the executive and parliament, and within the executive between the president and the prime minister. Moreover, sufficiently flexible formulas regarding the relation between religion and state must be developed, while avoiding ambiguities in the protection of civil rights. A number of legal reforms also need to be tackled in a consensual manner, including reform of the media sector and the judiciary. Implementing the so-called transitional justice, including the investigation and prosecution of corruption under the former regime, as well as providing compensation to the martyrs and those injured during the revolution, remain critical for the credibility of the transition.

The credibility of the political transition and the upcoming elections will also depend on the government's ability and willingness to assert state authority more effectively. This implies taking more determined and impartial action than in the past against violent groups, be they Salafists, leftist or militias such as the Committees for the Protection of the Revolution. However, any such step will demand that factions within the ruling Ennahda party distance themselves from extremist groups more convincingly, and abide by democratic norms of behavior.

While it is understandable that transitional governments have sought to cushion the social hardship associated with the revolution, the government should not ignore the growing budget and current-account deficits. In the medium term, persistent deficits will erode Tunisia's credibility as an investment site. Moreover, they can engender inflation, which can turn become a major source of social discontent, and are bound to weaken Tunisia's position with respect to international donors. Despite its urgent short-term challenges (combating unemployment, regional disparities), Tunisia cannot afford to neglect a number of reforms addressing long-term development hindrances. Among these are reforms in the banking sector, a badly needed streamlining of the administrative bureaucracy, the institution of effective anti-corruption measures, and a reform of the tax collection system. Likewise, education and vocational training reforms are needed if Tunisia is to produce the skilled work force and innovative economy necessary to boost long-term growth rates to the rates needed to absorb the country's persistent unemployment.

