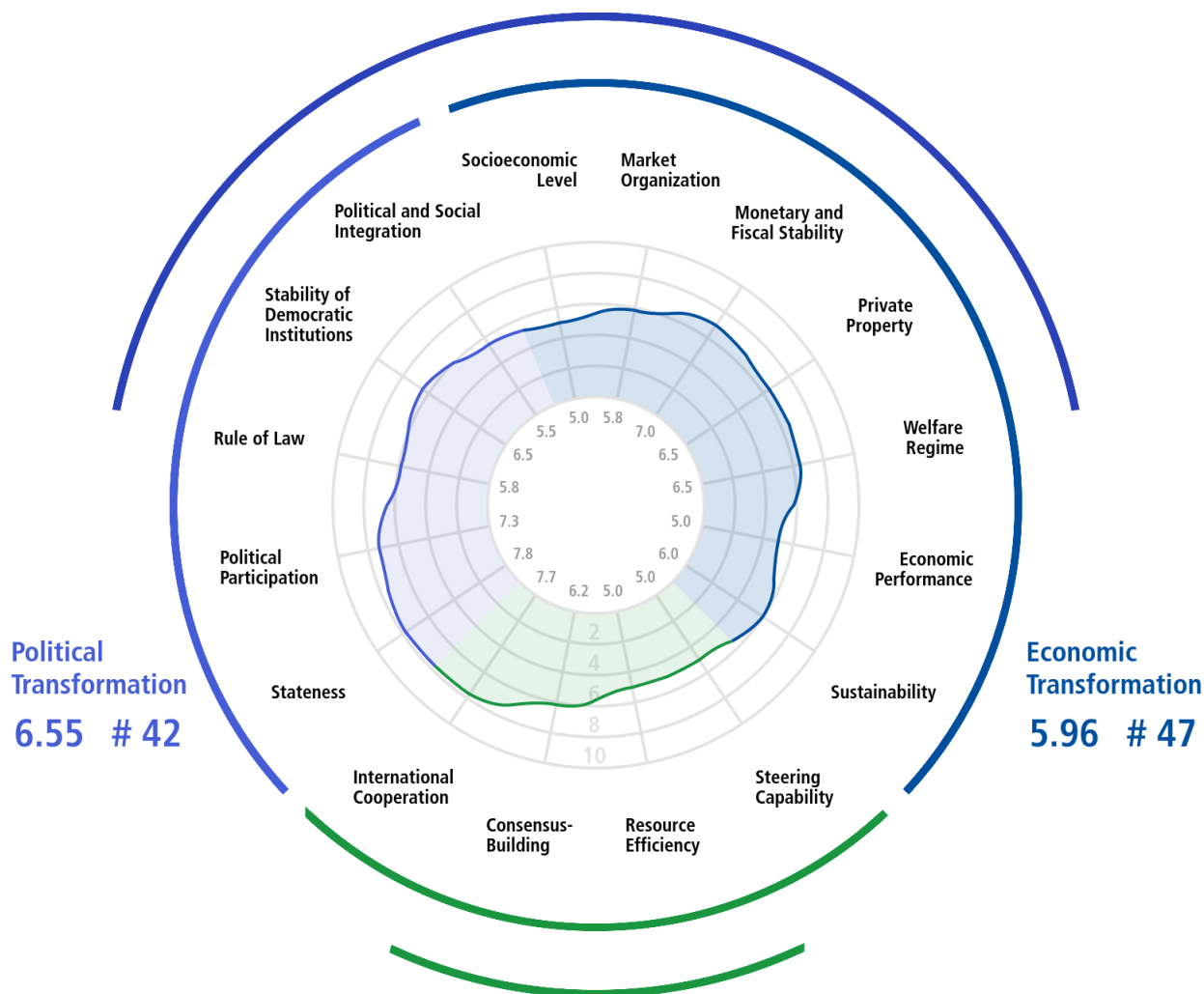


Tunisia

Status Index

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on 1-10 scale out of 137



Political Transformation
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on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	11.8	HDI	0.740	GDP p.c., PPP \$	10262
Pop. growth ¹	% p.a.	1.1	HDI rank of 189	95	Gini Index	32.8
Life expectancy	years	76.7	UN Education Index	0.661	Poverty ³	% 3.0
Urban population	%	69.6	Gender inequality ²	0.296	Aid per capita \$	84.1

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

In early 2021, almost 10 years after Tunisia's 2011 revolution, intense protests and a slogan from the uprising a decade ago reappeared ("The people demand the fall of the regime"). Despite the profound changes the country has undergone, Tunisian citizens have also experienced significant continuity. The country's economic model has barely changed and does not deliver for many Tunisians, particularly for young people. The country is in urgent need of reforms that can ensure prosperity for more people, especially in the long-neglected interior regions. But even in the face of pressure from international financial institutions, entrenched interests are unwilling to yield – particularly well-connected businesses that benefit from a tight web of regulation and trade unions that represent workers in the bloated public sector. After a decade of effective economic stagnation, the COVID-19-induced recession risks undoing the small gains that have been made by individuals and in public finances. The COVID-19 recession is estimated to be the deepest economic contraction in the country's post-independence history. Tackling rampant corruption, regional inequalities, poverty and improving public services will require public investment. Yet, public investment was already declining before the pandemic and the funds necessary to finance further investment are now even harder to come by.

Three rounds of free and fair national elections, and a smooth unscheduled presidential transition have proved the resilience of Tunisian constitutionalism. Elections were scheduled for 2019, as both presidential and legislative terms came to an end that year. Yet the unexpected death while in office of President Beji Caid Essebsi required delicate inter-institutional cooperation as the Constitutional Court – responsible for declaring the office of the presidency vacant – is yet to be established. Pragmatically, Tunisia's elites agreed that the transitional constitutional authority was competent. The electoral results reflected a deep dissatisfaction among voters, as newcomers and independents outperformed many established politicians. Constitutional law professor Kais Saied was elected president in a run-off against populist media mogul Nabil Karoui, who spent much of the campaign in pre-trial detention on money-laundering charges. In the parliament, the moderate Islamist party Ennahda secured a slim plurality, despite a

continuous decline in its vote share since 2011. The fragmentation of the political scene has made coalition-building challenging. The resulting instability is reflected in the fact that the last two years alone have seen three different prime ministers: Youssef Chahed (August 27, 2016 – February 27, 2020), Elyes Fakhfakh (February 27, 2020 – September 2, 2020) and Hichem Mechichi (since September 2, 2020). Amid increasing polarization, tensions are high both within the parliament, and between the legislative and executive institutions of the state. All this makes long-term planning extremely difficult.

In a landmark event, the publication of the final report of the Truth and Dignity Commission (l'Instance Vérité et Dignité, IVD) ended the work of this element of transitional justice in June 2020. The commission's mandate was to ensure that perpetrators of past human rights violations and economic crimes were held to account. However, in the course of its work, the commission encountered considerable resistance and received limited political support. This indicates that it is unlikely that the commission's structural reform recommendations will be heeded any time soon.

Outperforming many European countries, the Tunisian authorities were comparatively successful in containing the spread of the novel coronavirus in early 2020. A professional civil service and competent medical establishment recognized the threat early on and reacted swiftly. However, the ongoing second wave of the pandemic has been less well contained as the authorities try to balance controlling infection numbers with the socioeconomic fallout from the crisis, which has decimated the country's important tourism industry, and has also affected exports to Tunisia's main market in Europe, and domestic supply and demand.

History and Characteristics of Transformation

The end of the authoritarian Ben Ali regime in 2011 kicked off a contentious transition that resulted in the current liberal democratic system. In the aftermath of Ben Ali's departure in January 2011, street protests kept up pressure for comprehensive political change. This resulted in the election of the National Constituent Assembly (NCA), tasked with elaborating a new constitution, and debating and approving legislation. Tensions between the government dominated by the moderate Islamist party Ennahda ("Renaissance") and a mostly secular opposition increased when the NCA failed to meet its ambitious one-year deadline to complete the constitution. Political crises escalated after a series of security failures and two political assassinations in 2013, bringing the transition close to collapse, as distrust between the government and opposition ran high, and instability hit the economy. The national dialogue between Tunisia's various political forces, initiated by civil society, produced a road map that cleared the way for the installation of a technocratic government. The technocratic government oversaw the adoption of a constitution in January 2014, and free and fair elections in the fall of that year.

This transition ended more than five decades of modernizing bureaucratic authoritarian presidential regimes under the initial leadership of President Habib Bourguiba (1959–1987) and Ben Ali (1987–2011). Throughout this era, Tunisia was effectively a one-party state. Both presidents dominated political and economic life during their respective tenures, building up extensive internal security structures and a devoted bureaucracy. Ben Ali's governing party, the Constitutional Democratic Rally (Rassemblement Constitutionnel Démocratique, RCD), was officially dissolved on February 7, 2011. While a façade of democratic institutions and practices existed and were expanded over time, these were skewed in the regime's favor. Meanwhile, key opposition movements, such as Ennahda and the Tunisian Workers' Party (Hamma Hammami's Parti communiste des Ouvriers de Tunisie, PCOT, renamed in 2012 to Parti des Travailleurs Tunisiens, PTT), continued to be repressed, and the few legal opposition movements and civil society associations were closely controlled by the government. Important interest groups, such as the Tunisian General Labor Union (Union Générale Tunisienne du Travail, 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 or co-opted 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, as well as extralegal arrests and assaults that targeted critical journalists and independently 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) as well as 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-led

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 comparative political and social stability. Beginning with subcontracting in the textile sector, and subsequently expanding to the mechanical and electrical sectors, Tunisia slowly increased the share of value added domestically, as well as adding activities with a high knowledge content. Alongside this growing export potential, a tourism-driven influx of foreign currency and programs supported by international organizations undergirded the country's economic development.

Economic reforms found new impetus with the IMF 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 January 1, 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 and customs procedures). Amid respectable rates of economic growth, the years leading up to the revolution were marked by a combination of high unemployment (especially among the comparatively well-educated young), persistent regional disparities, the erosion of the welfare state and blatant corruption up to the highest levels of the state.

Despite ongoing reforms, Tunisia's authoritarian legacy is still evident. The state-heavy economic system has barely changed since the revolution, parts of Tunisia's body of law lag behind the progressive constitution, and the country's security forces are yet to be held fully accountable for ongoing human rights abuses. Corruption continues to be widespread across public and private institutions, and the judiciary does not operate according to democratic standards. Finally, members of Tunisia's parliament have failed to comply with constitutionally mandated deadlines – even though many of the current parliamentarians were involved in drafting the constitution.

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

The Tunisian state controls its territory, but violent groups affiliated to al-Qaeda and the Islamic State (IS) group are able to launch attacks, focusing on the state's security apparatus. In June 2019, a double suicide bombing in the center of the capital Tunis targeted a police patrol, killing one officer and injuring several more people, including civilians. Another double suicide attack, targeting the U.S. embassy in Tunis, killed one police officer in March 2020. In September and October 2019, Tunisian security forces announced that they had killed several high-profile individuals of the North African al-Qaeda affiliate Katiba Okba Ibn Nafaa in operations near the border with Algeria. A year later, authorities reported that over 1,000 suspected members of terrorist organizations had been arrested, setting back terrorist operations. Nonetheless, extremist groups have managed to maintain a foothold and threatened security in the region around Chaambi Mountain, near the city of Kasserine. Some incidents have involved landmines presumably planted by the extremists. Occasionally, socioeconomic dissatisfaction erupts into violent protests in different parts of the country. Increasing social contestation gave rise to violent confrontations with the police, such as during the January 2021 protests.

Tunisians overwhelmingly accept their nation-state as the legitimate political unit. The state is largely defined in secular terms by the constitution, though the constitution emphasizes society's Arab-Islamic identity: 99% of Tunisians are Muslims, most of whom are Sunni Muslims. Tunisia's small Jewish and Christian populations are accepted as equal citizens, although no Jew or Christian can qualify for the office of state president. Representatives of all three faiths were present at President Kais Saied's swearing-in ceremony. On several occasions, President Saied has defended himself against accusations of antisemitism, stating that his critical view of Israel's role in the Middle East conflict is political in nature and that all Tunisian citizens are equal irrespective of religion.

Question
Score

Monopoly on the
use of force

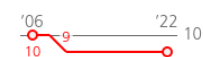
8



1

State identity

9



1

The Tunisian state is effectively secular, but religion continues to exert some influence on public life. Parts of ordinary law are derived from Islamic law and the constitution contains several ambiguities about the state's relationship to religion. While guaranteeing liberal rights, the constitution's first article defines Islam as the state religion. Article 6 protects the free exercise of religion but also describes the state as "the guardian of religion" and protector of "the sacred." The office of president is only open to Muslims (Article 74) and the presidential oath, as well as the oath for legislators, contains a religious reference. On National Women's Day in 2020, President Saied reiterated his opposition to a cabinet-approved bill, which would establish equal inheritance between male and female successors as the default, arguing that the bill would contradict the precepts of Islam.

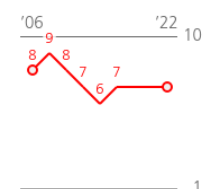
The Tunisian state's administrative infrastructure is both differentiated and present throughout the country and provides all basic public services. This includes courts, tax authorities, law enforcement and social services. Interruptions caused by the COVID-19 pandemic included closing schools country-wide for six months. Moreover, the health crisis has once again highlighted the fact that service quality differs considerably between regions. Affluent coastal regions are better served than the long-neglected peripheral regions. Bureaucratic inefficiencies, nepotism and outright corruption persistently undermine the quality of service delivery across the country. The latest available World Bank data (2015) indicates that 98% of Tunisians have access to improved water sources, while 92% have access to improved sanitation facilities.

2 | Political Participation

Since the 2011 toppling of the authoritarian regime, Tunisia has held multiple free and fair elections, though the first round of municipal polls was delayed for a long time. Significantly, the 2019 parliamentary and presidential elections (in two rounds) marked the first peaceful transfer of power between democratically elected institutions within the framework of the 2014 constitution. The peaceful and orderly elections were professionally and efficiently managed by the Independent High Authority for Elections (known by the French acronym ISIE, Instance Supérieure Indépendante pour les Élections), an independent constitutional body. However, international observers such as the Carter Center have lamented a lack of transparency when it comes to denying candidate applications and presidential candidate endorsements. More concerning still was the last-minute approval of legislation by the parliament that changed the electoral framework for the presidential poll. Though judged constitutional by the courts, the measures were not signed into law by President Beji Caid Essebsi and were not applied to the poll. The measures would have retroactively prevented the heads of charities and media owners from running as presidential candidates, a move that was presumably intended to target populist media mogul Nabil Karoui.

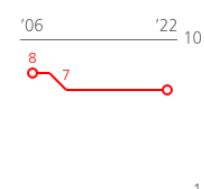
No interference of religious dogmas

7



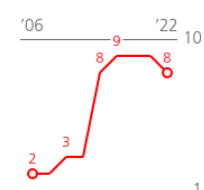
Basic administration

7



Free and fair elections

8



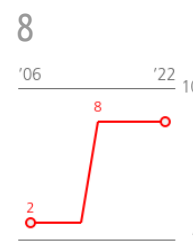
Early presidential elections were called in the fall after the unexpected death while in office of President Essebsi. Speaker of Parliament Mohamed Ennaceur filled the role of interim president, as prescribed by the constitution. President Kais Saied won a landslide victory (73%) in a run-off vote against Nabil Karoui, who was in jail on money-laundering charges for most of the campaign period. Voter turnout for the election was higher than for the previous presidential election. A critic of the post-authoritarian political system, Saied, a constitutional law professor, was a newcomer to electoral politics prior to the election, and ran as an independent candidate on an anti-corruption and anti-establishment platform. Abdelfattah Mourou, the presidential candidate of the moderate Islamist party Ennahda – arguably Tunisia’s most influential political grouping – only achieved third place in the first round of the poll.

Similarly, established parties and figures lost out in the parliamentary election to independent candidates and small parties. While Ennahda held on to a small plurality in parliament (52 out of 217 seats), Nabil Karoui’s Qalb Tounes (Heart of Tunisia) won the second largest number of seats (38 seats) only months after its founding. Other political parties that won parliamentary representation include the social democratic al-Tayar Dimuqrati (Democratic Current) with 22 seats, the religiously conservative and nationalist Karama (Dignity) Coalition with 21 seats, and the arch-secularist Free Destourian (Constitutional) Party (PDL after its French acronym) with 17 seats. The PDL’s name alludes to the political current of the previous authoritarian regime, and its leader, Abir Moussi, is a former RCD figure who openly questions the legitimacy of the political system and her political opponents. The remainder of the seats are split between the leftist People’s Party (15 seats), liberal Tahya Tounes (Long Live Tunisia, 14 seats), and smaller groups and independent lists (38 seats).

With national elections completed in 2019, the novel coronavirus pandemic affected municipal elections in two constituencies scheduled for late March 2020. Mass resignations of local council members had necessitated fresh elections in these municipalities. The authorities postponed the elections to July 2020 when they were held under pandemic health protocols.

Democratic procedures are established and widely accepted as the most important source of legitimacy for political decision-making. While the Tunisian military maintains its traditional role of political impartiality, other groups and individuals do hold outsized influence over the country’s politics. Ennahda leader Rached Ghannouchi holds significant influence, having been speaker of parliament since 2019, and thus more public accountability than in the past. A cadre of businesspeople and other figures associated with the authoritarian Ben Ali regime continue to influence public institutions. The labor union UGTT also has an influential role. In the past, UGTT has proposed policy solutions to political problems and threatened a general strike in order to influence policymaking.

Effective power to govern



Finally, Tunisia's dependence on international credit has meant that international actors, such as the IMF and the European Union, are able to influence the government's economic policy.

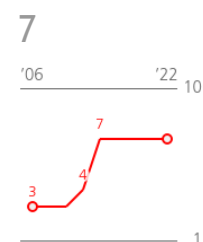
Association and assembly rights are protected by the constitution in articles 35 to 37, and ordinary law creates a framework in which these rights can be exercised. However, the state of emergency, which has been continuously extended since it was first declared in the wake of the 2015 terror attacks, has restricted these rights. In several instances, Tunisian authorities used excessive and sometimes unnecessary force against peaceful protesters, restricting the freedom of assembly. There are also reports that protesters, including minors, have been arbitrarily detained. Lockdown measures have inevitably had an impact on the right of assembly but have remained proportional. A weekend lockdown, which coincided with the revolution's anniversary in January 2021, was both violated by protesters and accused of being politically motivated.

With some limitations, the right of association is respected. Organizations face bureaucratic hurdles, occasionally for political reasons, but only the judiciary can suspend or dissolve associations. A 2018 law aimed at combating the financing of terrorism and money-laundering requires non-profit organizations to register and submit financial data to the authorities. U.N. Special Rapporteur on Rights to Freedom of Association and Peaceful Assembly Clément Nyaletsossi Voulé noted his concern in June 2019 that these requirements created an unfavorable environment for civil society.

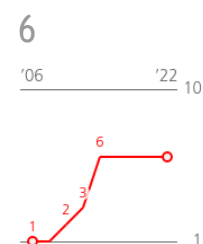
Freedom of expression, including for the press, is protected by the constitution and the law. The government has largely respected this right, although constraints have been placed on it. Legally, public speech that violates undefined "public morals" or "public decency," or endangers national defense can be limited in line with the constitution. The penal and telecommunications codes, for instance, contain clauses that criminalize speech that harms "public order or public morals." The military justice code further criminalizes attacks on the "dignity, reputation, or morale of the army." These provisions have been used by the authorities during the review period to prosecute individuals for public statements. According to several NGOs, these provisions have also been used to target members of the media, lawyers and civil society activists.

In the World Press Freedom Index 2020 by Reporters Without Borders, Tunisia retained its position of 72 out of 180 countries. The organization expressed concern that the climate for media outlets and journalists has deteriorated since the election of President Saïed in 2019. The organization points to the government's "amateurish approach to press relations" and presidential aides' distrust of journalists. Foreign media outlets were denied access to a press conference involving the Tunisian and Turkish presidents. On a trip to Sidi Bouzid – the Arab Spring's birthplace – presidential guards physically attacked journalists, apparently

Association /
assembly rights



Freedom of
expression



condoned by the president and his staff. The Tunisian Union of Journalists counted 139 incidents of verbal and physical assaults as well as intimidation against journalists between February 2018 and April 2019 and warned of increased incitement and threats against journalists. There has been occasional government interference in the media and the concentration of media ownership in the hands of political parties or families has raised concerns among some, according to the U.S. State Department.

The constitution and the law protect the right of access to information, though the realization of this right has been gradual. The Access to Information Authority (Instance d'accès à l'information) was established in 2017. The authority has ruled on numerous appeals submitted to it regarding access to information.

3 | Rule of Law

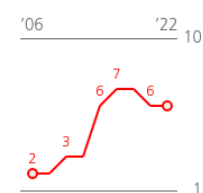
Under the 2014 constitution, Tunisia's political institutions operate in a semi-presidential system. The president of the republic and the president of the government (prime minister) share executive power. The prime minister's portfolio focuses on domestic policy whereas the directly elected president deals with foreign policy, defense, and national security. In the complex power-sharing setup, the president is required to consult the government in his policy areas. Legislative power rests with the parliament, the Assembly of People's Representatives (Assemblée des Représentants du Peuple, ARP). However, it can also be exercised directly by the people via referendums in instances where the president of the republic decides to submit the four issues stipulated in the constitution (articles 82 and 144). However, the assembly's ability to serve as a check on the executive is hampered by the limited resources available to its members relative to the scale of its constitutional tasks. At the beginning of the pandemic, the parliament reluctantly ceded power to the government to legislate and to take measures in order to manage the pandemic and economic crisis. During the review period, the relative influence of the presidency is widely considered to have increased.

Once established, the Constitutional Court will have broad review powers and will arbitrate between institutions. As consensus over the appointment of judges is lacking, the constitutional deadline to establish the court by 2015 has been missed. It is the only institution authorized by the constitution to determine the provisional or definitive vacancy for the post of president of the republic. When President Beji Caid Essebsi passed away unexpectedly while in office, there was broad consensus that the constitutionally defined provisional executive authority could assume power, which it did.

Technical bodies of constitutional rank, such as the Electoral Commission, Audiovisual Communication Commission and Human Rights Commission, can serve as additional checks on the elected institutions. However, not all of these bodies have yet been established, while others have been criticized for the partisan appointment of their members.

Separation of powers

6



The constitution and the law provide for an independent judiciary, and the government generally respects the judiciary's independence and autonomy. There are legal and institutional safeguards of constitutional rank to protect the judiciary from undue interference: Judges enjoy criminal immunity; and only the Supreme Judicial Council, the body that manages the profession of judges, can transfer, remove or discipline judges. Together with the president of the republic, this council also appoints judges. The theoretically powerful Constitutional Court is yet to be set up at the time of writing, although its transitional predecessor has enjoyed some review powers over draft legislation and has on exception exercised some of the powers proposed for the Constitutional Court.

The judiciary is institutionally differentiated, but continues to be undermined by persistent corruption, insufficient resources, and a lack of respect for human rights and proper procedure. In some instances, civilians are tried in military courts.

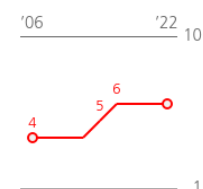
Corrupt practices remain a part of public institutions in Tunisia and bribery is common. In a 2020 Afrobarometer poll, 63% of respondents said the level of corruption had increased over the past year. The figure was also around two-thirds in the 2018 and 2015 polls. The permanent anti-corruption body foreseen by the constitution has not yet been fully established. Consequently, responsibility for the issue temporarily lies with the transitional and under-resourced anti-corruption authority, the National Authority for the Fight Against Corruption (Instance Nationale de Lutte Contre la Corruption, INLUCC). INLUCC's mandate is to prevent and investigate corruption. On the latter issue, INLUCC regularly forwards files to the judiciary, where prosecutions often take a very long time. By opening branch offices in several cities across the country during the review period, INLUCC made it easier for citizens to report corruption.

Tunisia's constitution and the 2018 Assets Declaration Law require public officials and some professionals to declare their assets to INLUCC, which publishes a specified part of these online. However, many associations, political parties and officials appear to ignore these reporting requirements or supply their documentation late.

In a high-profile case, Prime Minister Elyes Fakhfakh resigned in July 2020 after allegations that he owned shares in companies that won deals from the state. Fakhfakh has denied improper or corrupt conduct and said he had sold his shares in the companies. A month after his resignation, the then-caretaker Prime Minister Fakhfakh dismissed INLUCC President Chawki Tabib. The move was criticized by many as an act of revenge on the part of Fakhfakh. Tabib and his authority had contributed to the investigation into Fakhfakh's alleged conflict of interest and forwarded evidence to prosecutors.

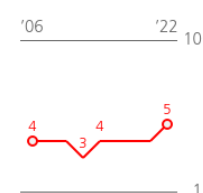
Independent judiciary

6



Prosecution of office abuse

5



The institution for transitional justice (IVD), which is also tasked with investigating instances of corruption during the country's authoritarian era, has itself faced accusations of corruption. IVD President Sihem Ben Sedrine denounced the accusations in January 2021 and called upon those with evidence of wrongdoing to come forward and take legal action.

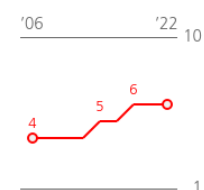
Civil rights are well-protected in the Tunisian constitution, but the authorities do not consistently respect them. The articles of the constitution's Title Two protect equality before the law, the right to life, human dignity and physical integrity, the right to privacy, citizenship, political asylum, the presumption of innocence, due process and humane treatment, and political and social rights. A limitations clause states that any restriction of these rights and freedoms must be established by law, must not compromise their essence, and must be necessary and proportional to its aim. Yet, neither the body of law nor state institutional practices fully reflect these constitutional provisions.

According to human rights organizations, dozens of detainees have reported torture and other ill-treatment by law enforcement. Often, the authorities have also denied detainees their right to call a lawyer or relative. Using Article 230 of the penal code, authorities prosecuted and imprisoned presumed-gay men for "sodomy." In this context, the discredited procedure of anal testing to "prove" homosexual conduct has continued, even though the government accepted a U.N. Human Rights Council recommendation in May 2017 to end the practice.

Epidemiologically, Tunisia did well in the first wave of the novel coronavirus pandemic in spring 2020. The measures taken by the authorities during the first wave were in general proportional to their purpose and non-discriminatory. These measures included the full or partial closure of places of worship, time and place-restricted curfews, school and border closures, the mandatory wearing of face masks, restrictions on gatherings, and limitations on the number of people allowed into shops, hotels and restaurants. Reported incidents of gender-based violence increased fivefold during the first lockdown. While over 3,000 prisoners were released in March 2020 due to infection concerns, Amnesty International raised concerns over the prosecution of bloggers, journalists and activists who criticized individuals and state institutions in relation to the pandemic.

Civil rights

6



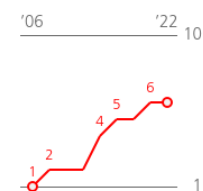
4 | Stability of Democratic Institutions

Tunisia's democratic institutions perform their functions largely effectively but there are growing frictions between and within democratic institutions. Changing political alliances has meant that turnover in governments, which rely on parliamentary confidence, has been relatively high. Moreover, the presidency is increasingly imposing itself on the government appointment process. The appointment of Hichem Mechichi – President Saied's former legal adviser – is a case in point. The country had three different prime ministers during the review period. This complicates medium to long-term policymaking and undermines public confidence in the institutions. The parliament's work is regularly paralyzed by sit-ins and protests staged by the Free Destourian Party (PDL). The movement and its leader Abir Moussi – who is closely associated with the former authoritarian regime party RCD and has appeared to express a nostalgia for the pre-revolution era – do not accept the legitimacy of their political opponents. Instead, they accuse the moderate Islamist party Ennahda of entertaining ties with terrorists. The absence of a consensus over appointments to the Constitutional Court and independent constitutional bodies means that these bodies have yet to be properly established, years after deadlines codified in the constitution have passed.

There is broad consensus on the democratic order among most politically relevant forces. The open debate on the political system's shape has gained renewed dynamism from two main sources. President Saied favors a radically different structure of people's councils. Meanwhile, the key opposition party PDL has called for a return to a powerful presidency, freedoms to be curbed and the moderate Islamist party Ennahda to be banned, and has argued that the parliament is broken. Given the PDL and its leadership's close association to and nostalgia for the former regime, these positions call the group's commitment to democracy and the country's democratic institutions into question. The PDL currently holds only 17 out of 217 parliamentary seats but polls suggest it may be very successful in the coming elections. The military has maintained its traditional non-political role and domestic security forces respect the authority of elected officials with some exceptions. Key non-governmental groups promote democratic norms and contribute to national political dialogue.

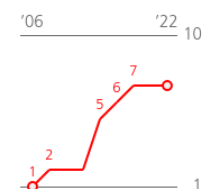
Performance of democratic institutions

6



Commitment to democratic institutions

7

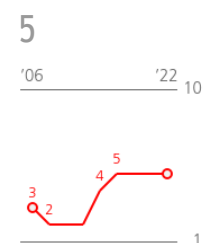


5 | Political and Social Integration

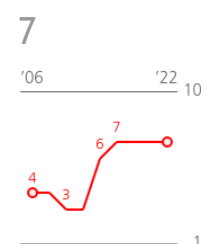
The Tunisian party system remains fragmented, with few deeply rooted parties and low levels of institutionalization. In the latest available Afrobarometer polls (2018), more than four out of five Tunisians said they did not “feel close to any political party.” In the 2019 presidential and parliamentary elections, the trend of voter support moving toward independent candidates and new political groupings continued, which complicates the process of coalition-building. In Tunisia’s volatile political space, the moderate Islamist party Ennahda remains a constant. Ennahda has developed an extensive presence across the country and a well-structured system of internal party management. Yet, despite its rebranding as a Muslim democratic party, it has so far failed to grow its voter base beyond its well-rooted constituency and has continuously lost parliamentary seats since 2011. Nonetheless, Ennahda secured a plurality in the legislature in the 2019 elections, winning 52 out of 217 seats. The political representation of other constituencies is considerably more fleeting. For example, Qalb Tounes (“Heart of Tunisia”), the party of media mogul and presidential run-off candidate Nabil Karoui secured the second largest number of seats (38), even though the party was founded only months before the poll. The party presumably gained votes from supporters of the previous party of government, Nidaa Tounes, which has all but disappeared into irrelevance. Other political currents often reorganize their representation in parties, coalitions and parliamentary groups made up of several parties. Polarization has considerably deepened following the rise of the anti-Islamist PDL, whose narrative is based on an alternative history of Tunisia that downplays the human rights violations perpetrated under authoritarianism and delegitimizes its political opponents. While its parliamentary representation is still small, it is popular in opinion polls and its public outreach is proving effective.

Tunisia’s civil society organizations are diverse and incorporate a range of social interests. There is a broad spectrum of groups from social movements and community organizations to trade unions and professional associations. Periodically, a set of established CSOs join the government in the national dialogue setting to discuss and at times decide on strategic issues facing the country. While some older associations tend to be hierarchical, countless associations founded after the 2011 revolution are nimble operations that attract young Tunisians who are more likely to engage in civil society groups rather than political parties. Numerous highly professional international NGOs also work in Tunisia, occasionally fueling fears of the “NGO-ization” of a sector seen by many as an industry in its own right. Coalitions of interest among groups sometimes emerge and exert pressure on the state. With a long-established presence across the country, the Tunisian General Labor Union’s (UGTT) influence is unmatched. Its considerable power rests on its large fee-paying membership of around half a million people and its historic role as one of the founding forces of Tunisian nationalism.

Party system



Interest groups



While most key organizations broadly share a normative commitment to liberal democracy, some militate against it. Some observers have expressed concern that the influence of police unions prevents security forces personnel from being held to account for human rights violations.

When asked whether democracy is the best possible form of government for Tunisia, 41% of respondents in a poll for the International Republican Institute (IRI) in late 2020 said it was the best type. Over a quarter said other forms of government could be equally good for Tunisia, while 22% said there are better forms of government. In a poll for the Konrad Adenauer Stiftung (KAS) published in January 2021, over three-quarters of respondents agreed Tunisia needed a leader that bends the rules if that is necessary to get things done and 61% agreed that the parliament should be abolished in favor of a strong leader. In Arab Barometer polls conducted in late 2018, four out of five respondents agreed that “democracies have problems, but are better than other systems,” a value that is higher than in 2011 (70%), but lower than the 2016 round (85%).

However, Tunisians have become more likely to associate potential problems with democracy and are skeptical about institutional performance and the ability of institutions to influence the problems. In the Arab Barometer polls, a significant proportion of respondents linked democracy to indecisiveness (51%), instability (42%) and a weak economy (39%). However, the proportion of people linking democracy to these three issues has decreased since 2016, which could indicate that Tunisians now blame their country’s problems more on political leaders than on the system of government. However, in 2011, less than one in five associated these problems with democracy and younger Tunisians have a higher tendency to link these problems to democracy than those who are older. In the 2020 IRI poll, 45% said that Tunisia was not a democracy at all, 29% described it as a “flawed democracy,” 6% as a “full democracy” and 13% as “nearly a full democracy.” In contrast, in December 2019, half of all respondents said that Tunisia was a full or nearly a full democracy, while 26% said it was not a democracy at all. In 2020, just over half of Tunisians believed ordinary people could influence decisions in their country: While 26% thought this was very likely and 27% somewhat likely, the largest group (40%) thought it was very unlikely (5% said it was somewhat unlikely).

Trust in democratic institutions has decreased in Tunisia since the 2011 revolution. However, trust in the national government has recovered to 42% in the KAS poll. In the 2018 Arab Barometer survey conducted prior to the 2019 elections, one in five respondents expressed trust in the government. This had stood at 62% in 2011. At 19%, trust in parliament is only slightly higher in the 2020 KAS poll than in the 2018 Arab Barometer (14%), while political parties have regained trust, polling 18% in 2020 compared to 9% in 2018. The latter survey also showed that younger Tunisians are less likely to trust the government than older Tunisians and higher

Approval of
democracy

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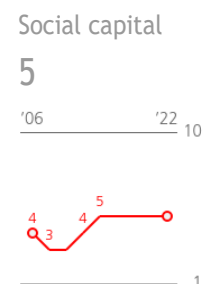


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educational attainment correlates with lower levels of trust. In contrast to political institutions, trust in the security sector is considerably higher: 90% trust the military and a majority (62%) express confidence in the police. Just under half trust the judiciary (48%).

Social capital in Tunisia remains comparatively weak, reflected in low levels of interpersonal trust and civil society engagement. Interpersonal trust is low and has been declining since the 2011 revolution. Ten years ago, in Arab Barometer surveys, over a third of Tunisians agreed that “most people can be trusted.” This has steadily dropped to 8% in the late 2018 poll. While there is an active sector of civil society organizations, secular and religious, Tunisia is among the 10 worst performing countries for civil society engagement, according to the Gallup Civic Engagement Index 2017 (the most recent index), with Tunisian citizens unlikely to donate to a charitable cause, volunteer or help a stranger in need. According to 2018 Afrobarometer data, 24% of Tunisians believe that most or all non-governmental organizations are engaged in corruption. Meanwhile, 41% believe that some NGOs engage in corruption, 7% believe that no NGOs are corrupt and 28% said they have not heard enough about NGOs or did not know.



II. Economic Transformation

6 | Level of Socioeconomic Development

Tunisia boasts generally high human development and continues to be a regional leader on gender equality. However, it is estimated that the socioeconomic fallout of the novel coronavirus pandemic likely erased any progress in poverty alleviation made in the last few years and existing, profound inequalities are to some extent structural. In the 2020 Human Development Report, the country retains its ranking of 95th in the Human Development Index with a score of 0.740. After Lebanon and ahead of Jordan, Tunisia’s score is the highest among the non-oil Arab countries, reflecting improved outcomes in health, education and income, though the rate of improvement has slowed over the past few decades. When adjusted for inequality, Tunisia’s HDI score is 19.5% lower. According to World Bank figures, Tunisia’s GDP per capita (in PPP) was \$11,201 in 2019. Income inequality reflected in the latest available Gini coefficient data stood at 32.8 in 2015 (35.8 in 2010 and 40.8 in 2000). Official figures put the poverty rate at 15.2% in 2015, down from 20.5% in 2010 and 23.1% in 2005. When poverty is measured as living on less than \$3.20 a day at 2011 international PPP-adjusted prices, 3% of Tunisians lived in poverty in 2015 (latest available figures).



National averages mask significant gender, age and regional differences. In the third quarter of 2020, Tunisia's overall unemployment rate was 16.2%. Yet, it was 13.5% for men and 22.8% for women. Unemployment was higher among graduates of higher education, where the gender gap was also higher. Among higher education graduates, the unemployment rate was 17.6% for men and 40.7% for women in the first quarter of 2020. Meanwhile, in 2016 (latest available figures), the unemployment rate was 32% in the southern governorate of Tataouine but 6.6% in coastal Monastir.

The UNDP's Gender Development Index reveals considerable discrepancies. According to 2019 data, life expectancy at birth is higher for women (78.7 years) than men (74.7 years). Yet, mean years of schooling is lower for women than men (6.5 years compared to eight years). Meanwhile, estimated gross national income per capita in 2017 (PPP) differed drastically between women (\$4,587) and men (\$16,341). These deviations from gender parity in HDI values puts Tunisia in group four out of five, despite the country's reputation as a regional leader for women's rights.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	39802.6	39770.5	39195.7	39235.7
GDP growth	%	1.9	2.7	1.0	-8.6
Inflation (CPI)	%	5.3	7.3	6.7	5.6
Unemployment	%	15.4	15.5	15.1	16.7
Foreign direct investment	% of GDP	2.0	2.5	2.1	-
Export growth	%	4.6	4.4	-4.5	-
Import growth	%	3.5	1.7	-7.8	-
Current account balance	\$ M	-4079.7	-4443.3	-3284.1	-
Public debt	% of GDP	73.6	80.1	74.2	89.7
External debt	\$ M	33500.8	35032.6	39380.5	41038.1
Total debt service	\$ M	3074.7	3028.2	3209.7	3252.5

Economic indicators		2017	2018	2019	2020
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	20.9	20.0	20.6	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	4.1	4.2	-	-
R&D expenditure	% of GDP	-	0.6	-	-
Military expenditure	% of GDP	2.1	2.1	2.6	2.9

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

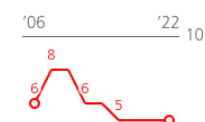
The Tunisian authorities are in principle committed to a market-based economy, but there are limitations to the extent to which prices result from market competition. State intervention in the form of subsidies, regulation and public ownership in strategic sectors (e.g., infrastructure and energy) remain in place, despite decades of liberalization and privatization. However, cartels, owners of fruit and vegetable cold storage, and informal networks are responsible for the rise in prices, which the public authorities have failed to effectively address.

This policy stance results in high entry barriers for domestic and foreign firms. Most prices are the result of competition, but the state subsidizes several socially important commodities like staple foods and energy. However, on the back of the collapse in global oil prices in spring 2020, Tunisia introduced an “automatic monthly price adjustment mechanism” for petrol and diesel. The economic legacies of authoritarianism (e.g., entry restrictions, state capture and crony capitalism) continue to affect the Tunisian economy. Corruption, nepotism and widespread tax evasion are hard to quantify but affect market competition. Similarly, the size of the informal sector can only be estimated. Among the under-40s, the African Development Bank estimated in 2016 that 60% of employed men and 83% of employed women work in the informal sector. Both dysfunctional markets and rigid labor codes contribute to this phenomenon, as employers prefer short-term contracts or informal employment.

Starting a business has become quicker, cheaper and less onerous. According to the World Bank’s Doing Business Report, it took three procedures, nine days and 2.9% of GNI per capita in 2019, compared to 11 procedures, 13 days and 4.6% of GNI

Market organization

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per capita in 2017. However, the private sector is skewed toward small firms, with one-person companies (self-employment) accounting for three-quarters of all firms, according to a 2018 African Development Bank report.

The economy is effectively dichotomous with regulation shielding domestic/onshore companies, rendering them relatively uncompetitive. Conversely, the export-oriented, offshore sector is largely isolated from the domestic market and competitive. While it is illegal to take Tunisian dinars out of the country, the currency is in principle convertible for current account transactions. However, some foreign exchange operations require central bank authorization. As non-residents, foreign investors may transfer currency without authorization. However, procedures for capital and dividend repatriation remain complex and businesses frequently complain about difficulties.

The Tunisian Competition Council is tasked with ensuring the competitiveness of markets in the country in accordance with the legal framework of the Competition Law. The law prohibits anti-competitive practices, such as restrictive agreements, abuse of dominant position, abuse of economic dependence and abusively low pricing. The Competition Council has both juridical and consultative functions and is a member of the International Competition Network. However, in some sectors, enforcement powers lie with sector regulators, leaving their attribution unclear at times. In addition, the Ministry of Trade did not implement the relevant measures relating to the decisions of the Competition Council.

In the 2017–2018 Global Competitiveness Index, the effectiveness of Tunisia’s anti-monopoly policy was rated 3.4 out of seven, following several years of declining performance. Previous good ratings have largely been accurate for international investors in the offshore sector, despite domestic markets remaining relatively uncompetitive due to extensive regulation, which also facilitates nepotistic practices. According to preliminary IMF data, subsidies represented a substantial 4.8% of GDP in 2019 – considerably higher than the 3.6% in 2017.

Competition policy

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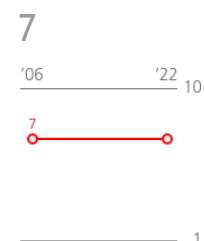
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Tunisia has been a member of the WTO since its founding in 1995. The gap between the total bound tariff rate (57.9) and applied “most favored nation” rate (11.6) is substantial, according to 2016 WTO data (latest available). Since 2008, Tunisia enjoys free trade in industrial goods with the European Union, its primary trade partner, following an Association Agreement with the bloc in 1995 (which came into force in 1998). Negotiations on the Deep and Comprehensive Free Trade Agreement (DCFTA or ALECA in French) began in 2016 but have yet to bear fruit. After having been suspended, negotiations have resumed but little progress has since been recorded. One stumbling block has been access to European markets for Tunisian suppliers. Whereas European suppliers do not require a visa to enter Tunisia, Tunisian suppliers require a visa from an EU member state to enter the European Union. Tunisian authorities have asked for a reciprocal arrangement. While almost negligible in its potential impact for the European Union, the negotiations could be significant for Tunisia, which sends almost 80% of its exports to the European Union.

Regionally, Tunisia participates in the 2004 Agadir Agreement, which progressively lifts trade barriers with Morocco, Egypt and Jordan. It also co-founded the Greater Arab Free Trade Area in 2005. Commercial barriers with Algeria, Libya, Morocco and Turkey have been lowered following bilateral deals over recent years. Increasingly, Tunisia is looking to expand trade with sub-Saharan Africa. Tunisia joined the Common Market for Eastern and Southern Africa (COMESA) in 2018 and began trading under COMESA rules in January 2020. The country gained observer status at the West African bloc ECOWAS in 2017. After voting against ratifying the African Continental Free Trade Area (AfCFTA) in March 2020, the Tunisian parliament adopted the agreement six months later and trading under AfCFTA terms began on January 1, 2021.

Tunisia is ranked 90th for trading across borders in the 2020 Doing Business Index. The 2020 Heritage Foundation Index of Economic Freedom gave Tunisia a score of 66.4% for trade freedom, noting that the average applied tariff rate was 9.3% and that non-tariff barriers raise trade costs further. Import restrictions such as quotas apply to some sectors. In the 2019 Global Competitiveness Report, Tunisia scored 34.4 out of 100 for the efficiency of border clearance, reflecting complex customs procedures that are not uniformly invoked.

Liberalization of
foreign trade



The economic fallout from the COVID-19 pandemic has hit Tunisia's vulnerable state-dominated banking sector, which was already struggling with a high proportion of non-performing loans (NPLs), weak supervision, poor asset quality, and deteriorating solvency and profitability. In late 2019, NPLs stood at 13.9% of all loans, according to IMF data, and the share of NPLs is higher in public banks. After decreasing from a high of 16.6% in 2015, NPLs are expected to rise to as much as 15.4% in 2020 and 19% in 2021, according to a 2020 World Bank report. NPLs have been a persistent problem for the last two decades – a result of hasty lending to certain industries (e.g., tourism) and a legacy of authoritarianism. Under the Ben Ali regime, access to credit was a function of proximity to the regime rather than a measure of a viable business proposal. Crucially, key sectors in the stock of NPLs – tourism and industry – have been particularly affected by the current economic crisis.

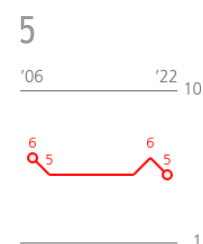
Tunisia's central bank undertook numerous measures to mitigate the economic fallout from the pandemic. The loan-to-deposit ratio requirements were relaxed, the list of assets that could be used as collateral for refinancing operations was extended, and a secondary market government bond purchase program was initiated to improve liquidity and yield conditions for domestic budget financing. With the implementation of the new Basel III standards on bank capital and reporting deferred by a year due to the pandemic, the central bank is now aiming to introduce these in 2021.

8 | Monetary and fiscal stability

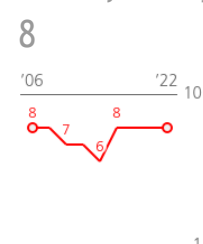
Tunisia's central bank was committed to ensuring price stability during the review period. The 2016 Central Bank Law defines the central bank as an independent institution and sets price stability as the central bank's primary mandate. Declining inflation after a cycle of monetary policy tightening prior to and at the beginning of the review period allowed the central bank to cut policy rates and support the economy during the pandemic. Inflation spiked to 7.7% in mid-2018, before declining to 6.7% in 2019 and 5.8% in 2020 (IMF World Economic Outlook, October 2020). Previously, inflation in Tunisia had been relatively stable (5.3% in 2017, 3.6% in 2016, 4.5% in 2015, 4.6% in 2014, 5.3% in 2013 and 4.6% in 2012), averaging 3.5% between 2002 and 2011 (IMF World Economic Outlook, October 2018). The initial shock of the pandemic triggered price rises of 6.3% in the spring of 2020, but when supply chains normalized, and oil prices and domestic demand decreased, this had dropped to 5.4% by October. Following a disappointing harvest, rising domestic food prices have prevented a sharper drop in inflation. Consequently, the central bank reduced the policy rate by 100 basis points in March 2020 and by 50 basis points to 6.25% in late September 2020.

Amid increased exchange rate flexibility and central bank intervention, the Tunisian dinar – which had been depreciating against the euro and U.S. dollar over the last few years – modestly appreciated against the euro and U.S. dollar in 2020.

Banking system



Monetary stability



Fiscal stability remains an important part of Tunisia's agreements with the IMF. However, in 2020, the global coronavirus pandemic necessitated short-term emergency responses that contradicted the government's aim of fiscal consolidation. The country's spring lockdown was accompanied by measures to support households and firms during the pandemic. These measures had a considerable impact on the public deficit in 2020, which is estimated to have spiked to between 11.5% and 13.1% of GDP, having increased from 3.1% in 2019. This will leave a mark on the level of public debt. Debt is estimated to have increased from 72.3% of GDP in 2019 to 86.9% in 2020, as the economy contracted, and public spending on health care and socioeconomic mitigation measures increased. Both the suppression of domestic economic activity, which was a consequence of the government's measures to suppress the virus, and the reduced demand for Tunisian exports have contributed to the current economic contraction. The economy is estimated to have contracted between 8.2% and 9.2% of GDP, which marks the deepest recession since the country's independence in 1956. The government largely resorted to domestic borrowing to finance the increase in spending in 2020, but also sought an IMF emergency loan of \$745 million to cover fiscal and balance of payments needs.

The government's package of economic and social mitigation measures included an increase in cash transfers for poor and vulnerable households in April and May 2020, a mid-April pension top-up of TND 100 for 140,000 retirees whose usual monthly pension payment was below TND 180, temporary unemployment benefits, and a one-off temporary cash transfer in May to self-employed individuals who had lost income. In order to support businesses, over TND 1 billion was made available via an SME support fund, a partial guarantee scheme and a facility to restructure companies experiencing difficulties. In addition, the deadline for submitting business tax returns was extended, while other administrative requirements were relaxed.

In January 2021, Finance Minister Ali Kooli announced an economic reform plan against the background of the high deficit and mounting debt. The plan includes cutting the public wage bill (one of the highest in the world at over 16% of GDP), targeting subsidies more effectively at low-income citizens, and restructuring and reforming the governance of poorly performing state-owned companies. Under the plan, which is expected to be finalized after Ramadan, the government would sell its shares in some enterprises.

Fiscal stability



9 | Private Property

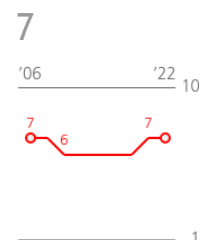
The Tunisian constitution protects both physical and intellectual property. In practice, there are some restrictions on the right to own property for non-Tunisians, as non-Tunisians need the authorities' approval to purchase real estate and are not permitted to buy agricultural land. However, property registration has become faster as the internal process for transferring property has been streamlined. Moreover, the publication of property transaction statistics by the Land Registry has increased the transparency of land administration.

Various international assessments of property rights in Tunisia have reached contrasting conclusions. The country's rank declined in the 2019 Global Competitiveness Report, as Tunisia scored 48 out of 100 for the protection of property rights and ranked 86 out of 141 countries, compared to 56 out of 140 countries in 2018. Intellectual property is less well protected. In the Heritage Foundation's 2020 rating, Tunisia's performance improved, with the country scoring 56.4 out of 100 for the protection of property rights compared to 49.4 in 2018. High levels of corruption and a large backlog of disputes over property are seen as hampering the protection of private property rights.

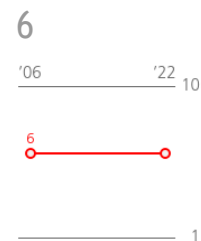
The state remains a prominent actor in the Tunisian economy, both as a regulator and owner of numerous enterprises. Some state-owned enterprises (SOEs) compete with private companies (e.g., in the telecommunications, banking and insurance sectors), whereas others enjoy a monopoly in sectors considered strategic or sensitive by the government (e.g., the railway system, water and electricity utilities, port logistics, tobacco, and the distribution of alcohol). SOEs also control the import of staples and basic items (e.g., cereals, rice, sugar and edible oil). Banks and credit agencies tend to consider SOEs to have the same risk profile as the government for lending purposes. Despite years of trade union resistance, Finance Minister Ali Kooli indicated in January 2021 that the government planned to sell its shares in some SOEs.

Tunisia ranks 78 out of 190 countries in the World Bank's Ease of Doing Business Report 2020, having regained several places. The report notes that Tunisia simplified tax payments by implementing a risk-based tax audit system and made starting a business easier by integrating more services into the one-stop shop and reducing fees. It now takes three procedures, nine days and 2.9% of per capita income to start a business. Two of the procedures can be done at the one-stop shop, where registration with several authorities can be submitted or transferred (e.g., tax, commercial registry and social insurance).

Property rights



Private enterprise



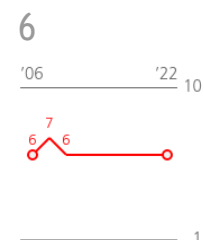
10 | Welfare Regime

The Tunisian constitution enshrines several social rights, such as the right to health care and work. Yet, while formally comprehensive, the social safety net has gaps. For instance, there is no unemployment insurance. Thus, the role of the informal sector and private solidarity networks remains important.

In principle, public health care covers the whole population and includes free or subsidized care for low-income households. Government health care spending represented 4.18% of GDP in 2018, while overall health care expenditure was 7.29% of GDP in the same year, according to WHO statistics. Almost two-fifths of all health care spending is out-of-pocket. Apart from oil-rich Libya, Tunisia had the highest number of hospital beds per 1,000 inhabitants (2.2 in 2017) among its Maghreb peers (1.9 in Algeria in 2015 and 1.0 in Morocco in 2017). Thus, the public health care system was in a comparatively strong position to respond to the COVID-19 crisis. However, compared to OECD economies, Tunisia has very few intensive care unit (ICU) beds, around 500, which are split between public and private providers. This is equivalent to roughly 4.3 beds per 100,000 inhabitants. In contrast, Germany has 621, France has 428 and the United Kingdom has 228 beds per 100,000 inhabitants. Between 2008 and 2018, life expectancy increased by 1.8 years to 76.6 years, according to the World Bank. However, life expectancy varies by up to seven years between affluent and disadvantaged regions, according to 2009 African Development Bank figures – a degree of regional variation that is also reflected in the availability of health care services. Specialized services in particular are concentrated in the wealthier coastal regions. Technically recognized refugees have a right to accommodation, health care at the non-insured Tunisian rate and education. However, legislative and bureaucratic gaps mean that these rights are not systematically granted. Moreover, many refugees and migrants see xenophobia as a barrier to accessing health care, followed by a lack of funds.

While the government in principle aims to move from blanket energy and food subsidies to more targeted measures in line with Tunisia's agreements with the IMF, the coronavirus pandemic has necessitated short-term social measures. These measures included a cash transfer of TND 50 to 260,000 poor households and TND 200 cash transfer to another 770,000 underprivileged households in April and May 2020. In addition, 140,000 retirees whose usual monthly pension payment is less than TND 180 received a one-off TND 100 top up in April. Meanwhile, the government provided temporary unemployment benefits (TND 200) to workers affected by partial unemployment and cash transfers (TND 200) to self-employed individuals who had suffered a loss in income.

Social safety nets



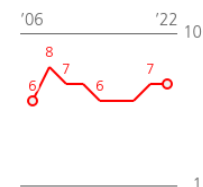
Tunisia is regarded as a regional leader on women's rights, and its constitution and body of law contains anti-discrimination provisions. While criminalized, discrimination against minorities as well as women persists. In the 2020 Gender Inequality Index, which is based on reproductive health care, empowerment and economic activity indicators, Tunisia scored 0.296 and ranked 65th (compared to 95th in the Human Development Index), reflecting the country's comparatively good performance on gender equality. Tunisia's regional neighbors Algeria and Morocco ranked 103rd and 111th, respectively. According to 2014 UNESCO figures, there is a considerable literacy gap among the elderly (65 years and older) between men (55.8%) and women (24.4%). However, among 15-to-24-year-olds, this gap is only 1.2 percentage points, with an overall literacy of 96.2%.

Many of the reforms recommended in a 2018 Presidential Commission on Individual Freedoms and Equality report, which examined the implementation of constitutional rights and international human rights standards, are yet to be implemented. For instance, legislation that would change the current practice of male successors receiving twice the inheritance share of female successors by default has not yet been approved by the parliament. Two drafts on the issue remain pending before ARP commissions. The reform remains controversial as many see the current practice as a requirement of Islamic law. In August 2020, Kais Saied reiterated that the current dispositions related to inheritance are untouchable, as they reflect Quranic rules.

In the 2019 parliamentary elections, women won a number of seats under an electoral framework in which lists must follow gender parity and alternate between male and female candidates. Women make up 26.27% of the members of the Assembly of People's Representatives. In a 2020 poll for the International Republican Institute, respondents were asked to state the most likely reasons for why women are not more politically engaged in Tunisia. Two-thirds of respondents thought female candidates are not elected when they run, 64% said women lacked the support network, 60% thought women lacked support from their political parties, 50% named fear of violence on the part of women, while over half referred to child-rearing duties, cultural norms, and a lack of campaign resources, familial support or political experience. In contrast, 37% said women lack the confidence to run. A number of attacks on female members of parliament were recorded by the parliamentary watchdog NGO al-Bawsala, including misogynistic remarks and death threats. While educational participation is generally well-balanced between the genders, women are under-represented in the workplace, particularly in senior positions. The female labor force participation rate stands at 26.2%, while roughly two-thirds of men participate in the labor force. The absence of women in a January 2021 reshuffle of the Mechichi government sparked criticism, with several observers pointing to the constitutional status of gender parity.

Equal opportunity

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11 | Economic Performance

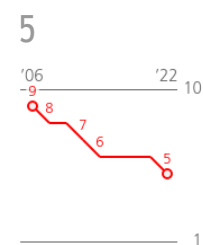
In the fallout from the global pandemic, the Tunisian economy contracted sharply in 2020. Following several years of sluggish economic growth, Tunisia experienced its deepest recession since independence, with economic output reducing by 8.8%. Real GDP had previously grown by 1% in 2019, 2.7% in 2018 and 1.9% in 2017. The strict lockdown between late March and June was successful in keeping infections in check but stifled domestic supply and demand, while a global reduction in demand hit exports. The high share of services in the Tunisian economy contributed to the contraction, as the tourism and transport sectors were badly hit by the coronavirus crisis. Similarly, manufactured output dropped by 10% in the first three quarters of 2020 compared to the previous year as demand from Europe fell. An important non-COVID-19 impact on growth was worker disruption in the mining sector. Phosphate production, for instance, was down by 21% in October 2020 compared to the same time a year before. Political uncertainty also weighed down on growth. Prior to the coronavirus pandemic, GDP per capita (PPP current prices) had reached \$11,201 in 2019, up from \$10,605 in 2017.

The significant jump in unemployment due to the pandemic proved to be temporary. In the second quarter of 2020, unemployment jumped to 18%, but dropped to 16% in the third quarter – roughly the level that it had hovered around between 2014 (15.1%) and 2019 (16%). A phone survey by the national statistics institute reported that only 5% of respondents had permanently lost their jobs. After spiking to 7.7% in mid-2018, inflation declined to 6.7% in 2019 and 5.8% in 2020 (IMF World Economic Outlook, October 2020). Previously, inflation in Tunisia had been relatively low (5.3% in 2017, 3.6% in 2016, 4.5% in 2015, 4.6% in 2014, 5.3% in 2013 and 4.6% in 2012) after averaging 3.5% between 2002 and 2011 (IMF World Economic Outlook October 2018).

While Tunisia's budget deficit gradually decreased from 5.4% of GDP in 2016 to 3.1% in 2019, it increased sharply to a projected 13.1% in 2020 because of the pandemic. Consequently, public debt has increased during the review period. In 2018, it stood at 78.2% of GDP, dropped to 72.3% in 2019 and is projected to have jumped to 86.9% in 2020. Debt had previously declined from 67.4% in 2002 to 40.5% of GDP in 2010.

In the external sector, Tunisia's current account deficit is expected to have narrowed to 7% of GDP in 2020 (8.8% in 2019), as the reduction in exports was outweighed by a larger drop in imports. Industrial exports and tourism decreased considerably, and overall exports dropped by 15% in the first three quarters of 2020. However, imports dropped even more dramatically amid weak consumer demand, despite an increase in remittances. Meanwhile, foreign direct investment continued to decline, dropping by 25% in the first nine months of 2020. FDI had already been weak prior to the pandemic, with Tunisia's struggling economy failing to attract investors.

Output strength



12 | Sustainability

For the Tunisian government, the environment is not an immediate priority, while the public mostly associates environmental concerns with waste management, with plastic waste threatening ecosystems in parts of the country. Supported by the U.N. Environment Program, a ban on single-use plastic bags entered into force on March 1, 2020, for supermarkets. The ban prohibits the manufacturing, import and use of conventional single-use plastic bags. Compostable and reusable plastic bags are still permitted as an alternative. A comprehensive ban has been extended to all producers and suppliers of plastic bags since January 1, 2021.

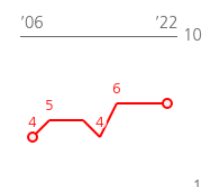
Tunisia did comparatively well in the 2019 Arab Future Energy Index, ranking fifth behind Egypt, Jordan, Morocco and the UAE. Tunisia's score of 70% in the index reflects comparatively good governance, financial and project support, investment growth, and grid access for renewable energy. The index highlights improvements in Tunisia's private investment engagement policies and the country's well-designed net-metering scheme, which has led to the development of small-scale photovoltaic projects in the residential and industrial sectors. However, analysts often point out that the state-owned energy and gas utility company STEG obstructs private sector participation in renewable energy projects.

Tunisia's education system produces comparatively high levels of formal education but there are qualitative weaknesses. According to the latest available figures from UNESCO, public expenditure on education represented 6.6% of GDP and 22.9% of total government expenditure in 2015, up from 6.2% in 2012. According to 2015 UNESCO figures, the overall literacy rate is 79% (86.1% for men and 72.2% for women). The gender gap has virtually closed among young people due to the almost 100% and gender-equal primary school enrollment, but statistics show a slight increase in the number of illiterate men since the early 2010s. The mean number of years of schooling is 7.2, according to the UNDP Human Development Report, and Tunisia scored 0.661 in the U.N. Education Index (2019). In the OECD's comparative education study in which Tunisia participated in 2015, the country's students fared below the OECD average. On a scale of one to seven (with seven being best), the Global Competitiveness Report 2019 rated Tunisia's quality of vocational training 3.7, the skillset of graduates 3.6, digital skills among the active population 4.2 and critical thinking in teaching 3.1. Both an approach to teaching that focuses on repetition over individual skills development and a lack of funding for the sector contribute to these outcomes.

In 2018, Tunisia invested 0.6% of GDP in research and development. Between 2009 and 2014, the figure stood at 0.7%. This is likely too modest an investment for Tunisia's long-term economic development. Public sector spending accounted for over three-quarters of R&D funding in 2015 (the most recent year for which data is

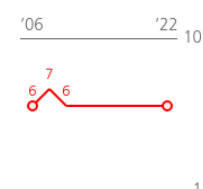
Environmental
policy

6



Education policy /
R&D

6



available), whereas 18.9% came from business and 3.9% were funds from abroad. Tunisia dropped several places to 92nd in the 2019 Global Competitiveness Report's ranking for innovation capability, which accounts for factors like workforce diversity, international co-inventions, cluster development, scientific publications and patent applications, among other factors.

Governance

I. Level of Difficulty

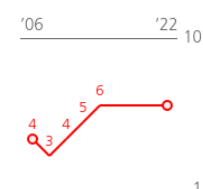
The coronavirus pandemic has had a profoundly disruptive effect on public health and triggered the worst recession in Tunisia's post-independence history. Not least, it massively reduced revenue from tourism, one of Tunisia's most important economic sectors. This has negatively affected not only hotels and travel agencies, but also independent guides, bus drivers, restaurant owners and souvenir sellers (i.e., workers whose social protection is inadequate and who have lost a significant proportion of their income). The impact on workers in the informal sector is hard to quantify but likely to be disproportionately worse than in the formal economy. After the authorities succeeded in keeping infection numbers very low in the initial months of the coronavirus pandemic through the use of strict containment measures that weighed heavily on economic growth, cases have surged since autumn 2020 and the pandemic continues to have detrimental socioeconomic effects.

Meanwhile, other structural constraints on governance in Tunisia remain moderate. Tunisia's proximity to and close links with the European Single Market remains a comparative advantage for economic development, and the country continues to benefit from investments made in human development, such as health care and educational investments. However, the state's infrastructure remains unevenly developed and private investment is concentrated in the country's affluent regions. Regional instability and security concerns over terrorism have weighed heavily on Tunisia's potential political and economic transformation.

With the end of the authoritarian regime in 2011, civil society's policymaking role gained in importance, with civil society's role in national and subnational politics mostly taken for granted now. CSOs acted as a counterweight to the government and the party-state since at least the 1970s, as marked by the founding of the Tunisian Human Rights League (Ligue Tunisienne des Droits de l'Homme, LTDH) in 1977, which was the Arab world's first human rights organization. Yet under authoritarianism, the space for civil society engagement was severely constrained. Tunisians remain unlikely to volunteer their time, donate to charity or help strangers, according to Gallup polling data, reflecting low social capital. Authoritarian and patriarchal social norms present another obstacle to an enhanced role for civil society.

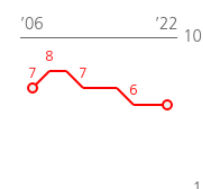
Structural
constraints

6



Civil society
traditions

6



Against a background of socioeconomic stagnation, politics in Tunisia has become more confrontational and polarized during the review period. In polls conducted in late 2020 for the International Republican Institute, 58% of respondents said Tunisia was moving toward greater polarization and four in five thought that was a bad development. In institutional politics, the development is signified by the conflict between the moderate Islamist party Ennahda, which emerged as the country's leading political party in 2011, and the Free Destourian Party (PDL), which attacks Ennahda's legitimacy as a political force by linking the party to terrorism and seeks to discredit other political opponents for not being truly Tunisian. While holding few seats in parliament, the PDL is doing well in opinion polls at the time of writing, and its attention-grabbing protests and sit-ins regularly paralyze parliamentary work.

Terrorist attacks that focus on security forces have failed to mobilize groups along cleavages, but the insecurity the attacks create endangers important industries such as tourism and thus socioeconomic development. Social unrest has intensified during the review period, reflecting both the lack of socioeconomic development and the disadvantage experienced in the regions in which these protests regularly begin.

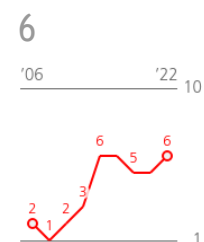
II. Governance Performance

14 | Steering Capability

The political instability following the 2019 elections has made it very hard for the executive to take a longer-term perspective, forge consensus within the governing parties and maintain strategic priorities. As politics often trumps policy, the government's attention is largely consumed by short-term issues. The authorities have rightly focused their work in 2020 on dealing with the coronavirus pandemic and its socioeconomic consequences. While the minister of health and his staff managed the outbreak on a day-to-day basis, the socioeconomic fallout from the COVID-19 crisis has highlighted both the need for a longer-term reform strategy and the lack of political will to implement one.

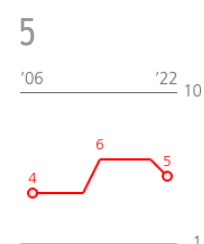
Entrenched business interests and trade unions act as effective veto powers to reforms of the tight web of regulation that spurns competition and innovation, and reforms of the inflated state bureaucracy and state-owned enterprises. In this environment, Tunisia's agreements with international financial institutions – above all the IMF – provide the most effective policy anchors for reform.

Conflict intensity



Question Score

Prioritization



The government very effectively contained the spread of the novel coronavirus during the spring of 2020, as it could rely on a professional and well-prepared civil service and medical establishment. It also moved rapidly to mitigate the socioeconomic fallout from the pandemic. In contrast, the formulation of a development strategy and plans for structural economic reforms, as well as further fiscal consolidation have been postponed or neglected during the review period. The political weight of vested business interests and the trade union UGTT have put the brakes on the government's reform plans, including reforms demanded by the IMF as part of its agreements with the government. In combination with political gridlock in the country's institutions, this has meant that elected officials' room for maneuver remains very limited. Public dissatisfaction with the dire economic situation is likely to continue to fuel social instability and militate against a steady political and economic transformation.

Tunisia's political institutions and leaders draw on past experiences in a framework of policy learning. Tunisia's political actors cooperate internationally in expert networks, drawing on good practices via mechanisms of knowledge exchange. Both the executive and parliament use the technical and practical expertise of external actors in the policy process, for instance, by inviting them to committee hearings. The very limited room for political maneuver left by well-connected entrenched economic and other interests presents an important obstacle to the authorities' ability to be innovative, flexible and draw on sources of policy learning.

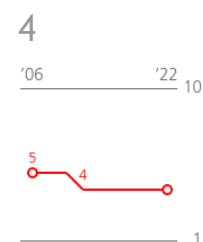
In tackling the COVID-19 pandemic, the authorities quickly adopted measures that had proved successful in limiting the spread of viruses in other countries, such as the lockdown first implemented in China.

15 | Resource Efficiency

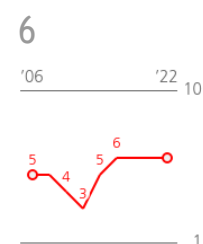
The medium-term goal of fiscal consolidation has been all but thwarted by the coronavirus pandemic, in addition to other factors. The government deficit had been brought down to 3.1% of GDP in 2019 but is projected to have spiked to 13.1% in 2020. Amid increased state expenditure and Tunisia's deepest recession since independence, public debt – down to 72.3% in 2019 from 78.2% in 2018 on the back of increased revenue – has increased. In 2020, debt is estimated to have reached 86.9% of GDP and is projected to grow further albeit slowly. The parliament debates and passes budgets, but its effectiveness is limited by shortcomings in its own institutional capacity. State expenditure is also subject to accountability by the authoritative Court of Auditors. In the Open Budget Survey 2019, Tunisia scored 35 out of 100 points and ranked 82 out of 117 countries (fourth among Arab countries).

Tunisia's growing public sector wage bill remains one of the highest in the world and is disproportionate to the services offered by the state. The state spends over 16% of GDP on its civil servants, which is considerably more than its regional

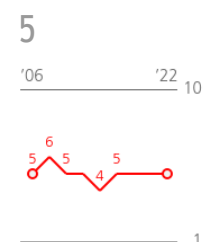
Implementation



Policy learning



Efficient use of assets



neighbors or the OECD average of about 10% of GDP. A key reason for this is the widespread view that the state is the “employer of last resort” in the absence of private sector job growth. The authorities’ effective handling of the pandemic is evidence of the well-established professionalism of the Tunisian civil service, though reports suggest that the administration’s effectiveness has declined over the past few years. Recruitment in the public sector, including for large state-owned companies, is not consistently protected against political influence.

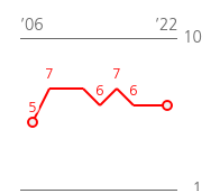
The complex power-sharing arrangements and decentralization foreseen in the constitution occasionally stand in the way of effective policy coordination. Different political forces have criticized this political system, which emerged as a compromise. The fact that fewer voters participated in the parliamentary elections than in the presidential election in 2019 suggests that many citizens overestimate the powers of the presidency, which are mostly limited to foreign and defense policy. Yet, possibly as a consequence of a highly presidentialist political culture, the influence of the presidency over cabinet appointments has increased under President Saïed. In national politics, interministerial and inter-institutional coordination remains inefficient. Personalized decision-making over important policies often takes precedence over the institutional framework.

Corruption has become a more prominent part of the Tunisian political debate over the last few years. However, this is not because anti-corruption policy has improved. Rather, in addition to an increase in everyday bribery, prominent cases of alleged misconduct involving parliamentarians and candidates for ministerial positions have emerged.

There has been little progress in reforming anti-corruption policy. In principle, Tunisia has a comprehensive institutional framework to ensure accountability, integrity and transparency. The country was removed from the European Union’s money-laundering and terrorism financing blacklist in 2020 as well as that of the Financial Action Task Force (FATF) in 2019. However, the constitutionally prescribed independent Good Governance and Anti-Corruption Agency is still not established. Instead, the transitional body INLUCC, which was established by decree in 2011, continues to fill the gap. Both the Court of Auditors and INLUCC publish regular reports listing incidents of corruption, embezzlement and other breaches of integrity rules. In practice, INLUCC has too few resources to fulfill its mandate effectively, while the cases that it forwards to the judiciary do not appear to be treated in a timely and uniform manner. After allegations of misconduct surfaced against Prime Minister Elyes Fakhfakh, Fakhfakh resigned in July 2020. Fakhfakh has denied improper or corrupt conduct but a month after his resignation the then-caretaker prime minister dismissed INLUCC President Chawki Tabib. The right of access to information is legally enshrined and in 2017 the Access to Information Authority (Instance d’accès à l’information) was established.

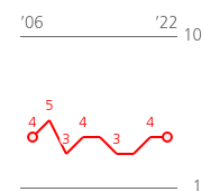
Policy coordination

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Anti-corruption policy

4



Financing for political parties is clearly regulated, including limits on individual donations to candidates and groups. In its reports on the 2019 presidential and parliamentary elections, the Court of Auditors highlighted numerous instances of misconduct. Many groups and candidates failed to report campaign finances properly. Qalb Tounes leader, media mogul and former presidential candidate Nabil Karoui is accused of having received considerable funds from abroad as well as having commissioned a lobbying firm, which was paid from an undeclared account in Dubai. Karoui's notoriety and influence failed to prevent him being arrested for a second time on corruption charges (money-laundering and fiscal evasion).

16 | Consensus-Building

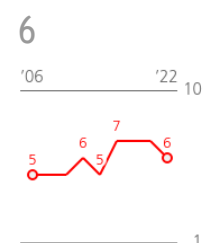
Tunisia's major political actors agree on procedural democracy, though some prominent forces pursue an illiberal agenda and authoritarian norms persist. A majority of political forces respect the constitutional order and agree with civil society organizations that legitimate political rule requires an electoral mandate. However, the growth in support for the PDL, which ranked first in a recent poll, represents a serious threat to democracy in Tunisia. In various statements and positions, PDL President Abir Moussi has claimed that democracy brought Islamists to power in Tunisia and has expressed regret at the collapse of the Ben Ali regime.

There is an agreement in principle among the country's key political forces that market-based economics should serve as the basis for Tunisia's development strategy. The extent of state intervention in the economy is, however, a key debate among political parties and civil society organizations. For example, state ownership in some industries is an economic policy "red line" for the powerful trade union UGTT, whereas some officials and parties openly favor the privatization of loss-making SOEs.

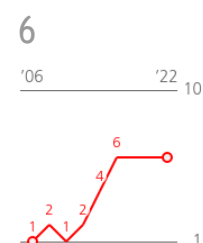
No anti-democratic actor in Tunisia is currently powerful enough to stall or reverse democratization in the country. The two main anti-democratic forces are members of the former Ben Ali regime who hark back to the illiberalism of the pre-revolution era and ultra-conservative Islamist groups who view liberal democracy as incompatible with religious teachings. The latter have failed to develop a large-scale following, whereas the former (the PDL) are increasingly gaining public support. Depending on the magnitude of the socioeconomic fallout from the coronavirus pandemic, the political narrative of the former, which implies authoritarian stability and prosperity, may attract further public support.

Gridlock within and tensions between political institutions and movements remain a substantial problem, which prevents the development of long-term transformational and institutional strategies. At present, a constitutional court and other independent constitutional bodies are yet to be established. The Constitutional Court once

Consensus on goals



Anti-democratic actors



established would have the power to declare many of the authoritarian elements in Tunisia's body of law unconstitutional and determine a clear constitutional relationship between the state and religion.

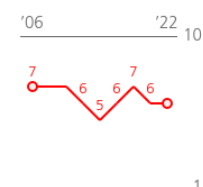
The main cleavages in Tunisian politics are along the left–right and secular–Islamist spectrum, but profound regional inequalities also represent a socioeconomic fault line. The fragmentation of the political party system has necessitated coalitions between parties from across ideological spectrums. Nonetheless, the revisionist PDL has had some success in further polarizing the secular–Islamist axis. Reviving a strategy of delegitimization, which was used by the authoritarian regime prior to 2011, PDL leader Abir Moussi has accused the moderate Islamist party Ennahda of having ties to terrorism. Presidents Bourguiba and Ben Ali often legitimized their rule by pointing to an ostensible Islamist threat to political stability in the country.

Regular social protests and unrest often originate in the disadvantaged interior of the country, before spreading to Tunisia's affluent coastal cities. This pattern resembles that of the 2011 revolution. During the review period, the authorities have failed to find a long-term development strategy to tackle the dissatisfaction that causes these protests nor an effective way to deal with the protests themselves. In 2021 in particular, confrontations between protesters and security forces personnel have escalated.

Civil society organizations are to varying degrees able to influence national and subnational politics in Tunisia, although the whole sector participates. At times, the authorities rely on the technical expertise of civil society organizations in certain sectors, which is provided through official procedures. CSOs regularly provide input into the legislative process and some organizations have specialized in scrutinizing the work of the parliament. Policymakers also use informal connections to NGOs to engage NGO expertise and interests in policymaking. The influence of well-established organizations often outweighs that of younger, nimbler civil society operations, though this also depends on the policy area. Of the four CSOs awarded the Nobel Peace Prize in 2015 for brokering a key part of the country's political transition, the trade union UGTT continues to enjoy considerable political power. The legislative framework governing the future Constitutional Court permits the appointment of individuals who are not legal experts for one quarter of the bench. This leaves open the possibility of recruiting members of secular and religious civil society organizations.

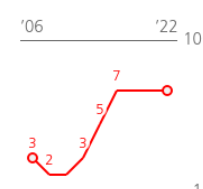
Cleavage /
conflict
management

6



Civil society
participation

7



The final report of the Truth and Dignity Commission (l'Instance Vérité et Dignité, IVD) was published in a special issue of the Official Journal of the Republic of Tunisia (JORT) in June 2020, after having been submitted to the relevant state institutions over a year prior. Despite resistance to the transitional justice process, the report represents a landmark. It summarizes and reflects on the work of the commission, which considered evidence from nearly 62,000 victims and transferred 204 cases to 13 transitional justice chambers. The IVD's mandate consisted of examining incidents of gross human rights violations by the state and its officials as well as the abuse of public funds between July 1955 and December 2013, when legislation on the transitional justice was passed. Moreover, the IVD drew up a list of victims and martyrs of the revolution who should be compensated, as well as recommendations for structural reforms.

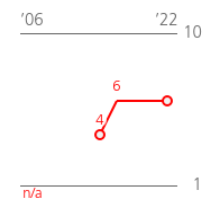
The commission and its president quickly became politically controversial. After beginning their work, commission members have been obstructed by the authorities, elected officials and trade unions representing the security forces, among others, as the final report outlines in detail. This ranged from seemingly trivial issues (e.g., difficulties booking venues for events) to more serious issues (e.g., several state institutions denying access to information). For instance, the Ministry of Interior denied access to the archives of the political police. A 2017 law, which provides amnesty for public officials implicated in corruption prior to 2011, caused controversy as it was seen to militate against the work of the IVD. In a vote that was contested in procedure and substance, the parliament tried to deny the IVD an extension to its mandate, which had been provided for by law. An extension until the end of 2018 was ultimately granted by the responsible ministry, although this extension was still inadequate for the IVD to complete all its tasks. In the current political environment, it appears unlikely that the commission's recommendations will be implemented.

17 | International Cooperation

For the period to 2020, the Tunisian authorities based their economic development plans on the "Tunisia 2020" vision. This vision was launched by the government in 2016 and continues the country's post-independence practice of codifying five-year development plans. The detailed plan, which defines inputs needed from international partners rests on five pillars: institutional effectiveness, economic diversification, human development and social inclusion, regional development, and green economic growth. However, the plan faced some obstacles in implementation. Members of the parliament's regional development committee complained in September 2020 that only half of the projects proposed had been realized. In August 2020, ministerial and regional committees began preparations for the next five-year plan (2021–2025). The authorities promised that the drafting of the next plan will be participatory and include a wide range of stakeholders. The plan is scheduled to be submitted to the parliament for adoption in August 2021.

Reconciliation

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Effective use of support

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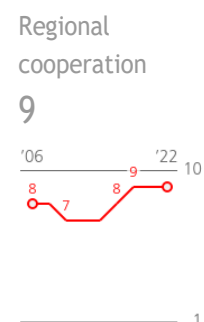
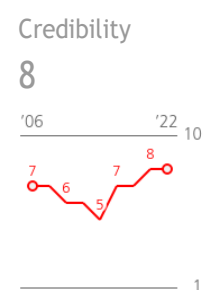
Tunisia's international partners have continued to provide funding for long-term development as well as short-term financing requirements related to the coronavirus pandemic. The most immediate of these have been the budget and current account deficits, which were partially addressed by IMF financial assistance under the institution's rapid financing instrument. Tunisia's extended IMF fund facility expired in May 2020. While the country's authorities strongly intend to seek a successor program, these efforts have been hampered by political instability. A variety of development and support projects are funded by the World Bank, the European Union, several individual EU member states, the United States and Gulf states.

Regarding COVID-19, the European Union committed itself to helping Tunisia purchase COVID-19 vaccines by financing 20% of the first arrivals.

Tunisia enjoys a high level of credibility among its international partners. Its engagement in international cooperation was reflected in its tenure as a non-permanent member of the U.N. Security Council in 2020–2021, the fourth time the country has served on the body since independence. In January 2021, Tunisia took over the Presidency of the U.N. Security Council. A key initiative was the Franco-Tunisian resolution demanding immediate ceasefires in major conflicts to tackle the novel coronavirus pandemic. The country is not in full compliance with all international agreements to which it is a signatory but does engage with the respective international institutions. In its relations with donors, Tunisia is viewed as a confident but cooperative partner with its own initiatives.

Amid its high dependence on the European market – around three-quarters of Tunisia's exports go to the trade bloc – the Tunisian government has continued its diversification strategy. In that vein, the country has focused much attention on the African continent. In 2018, Tunisia joined the Common Market for Eastern and Southern Africa (COMESA) and began trading under its rules in January 2020. A year earlier, Tunisia had gained observer status at the West African bloc ECOWAS. After voting against ratifying the African Continental Free Trade Area (AfCFTA) in March 2020, the Tunisian parliament adopted the agreement six months later and began trading under its terms on January 1, 2021. Meanwhile, negotiations with the European Union over the Deep and Comprehensive Free Trade Agreement (DCFTA or ALECA, Accord de Libre-échange Complet et Approfondi) have largely stalled amid domestic resistance in Tunisia.

The value of regional cooperation in the Maghreb is codified in the Tunisian constitution and Tunisia is a member of the Arab Maghreb Union. However, economic integration in the region continues to be undermined by the conflict between Morocco and Algeria over the Western Sahara. While Tunisia is a member of the African Union and League of Arab States, these organizations did not have a role in the affairs of Tunisia during the review period. Tunisia has not joined other Arab states' recent rapprochement with Israel.



Strategic Outlook

Over the past two years, Tunisia's democratic institutions have shown resilience in adversity. Yet, they have also shown an inability to find consensus on significant political and economic reforms. Tunisians have been waiting for an economic dividend from democracy for a decade and their patience is wearing thin. The re-emergence of the 2011 revolution slogan "the people demand the fall of the regime" among the many current protests is poignant, as is the growing support for authoritarian leadership.

The current crisis highlights the shortcomings in fulfilling Tunisia's revolutionary ambitions, but it also sheds light on the country's potential. Achieving the political and economic stability required to turn things around after the pandemic ravaged the nation's health and economy will require considerable political and institutional leadership from Tunisia's political parties and important national organizations. To escape stagnation, overcome the economic crisis and strengthen support for democracy, the state needs a level-headed economic strategy for the coming decade. Besides addressing the short-term deficit, the plan should prioritize investment, and tackle regional and inter-generational injustice. It will be politically difficult to reduce the budget deficit, and shift spending from consumption (e.g., the high public wage bill and handouts to SOEs) to medium and long-term goals. As such, this will require either a government with a strong mandate that is willing to take on opposition – an unlikely constellation in the current political and electoral system – or a national pact between the government, trade unions, business and civil society. As part of a strategy, the latter would also make it more likely that international financial support will be necessary to plug the gaps in Tunisia's national budget and reschedule parts of the country's debt to free up resources. To provide a perspective for inclusive economic growth and gain the faith of international financial institutions and investors, that strategy would have to include reform of the country's loss-making state-owned enterprises, thick jungle of business regulation and judiciary, as well as tackle the growing problem of corruption and fiscal evasion.

Some strengths have been highlighted by the health crisis. The authorities were able to act swiftly and effectively to nip the first wave of infections in the bud, highlighting their competence in dealing with major crises. The country's small pharmaceutical industry has proven invaluable. It provides about half the drugs used in Tunisia and produces COVID-19 test-kits. It is a timely example that demonstrates the country's well-qualified workforce – a comparative advantage for international investors. If strategically used, Europe's ambitions to re-shore some critical pharmaceutical production, among other things, from Asia to its neighborhood could prove a boon to Tunisia. The shift may not be implemented sufficiently quickly to compensate for the continued pandemic-driven shortfall in tourism revenue. Yet, in the medium term, an increase in manufacturing can provide desperately needed value-added jobs and a steadier stream of foreign currency than tourism. The tourism industry has fallen victim to the deterioration in security over the past few years and consequently fluctuated.

Internationally, Tunisia's leaders should continue to pursue their diversification strategy, while maintaining close bonds with traditional partners. The country's geo-economic reorientation southward will be valuable for trade. Yet, in strategic sectors like the green economy, data and digitalization Tunisia may well want to remain in the European Union's orbit. It should, therefore, seek to revitalize its Privileged Partnership with the bloc beyond the domestically controversial Deep and Comprehensive Free Trade Agreement. In turn, Europe and other international partners should continue to support Tunisian civil society in their efforts to tackle human rights violations and fight for clean governance. It is easy to become disenchanted with a political system that appears to be consumed with itself rather than the common good.

Whether Tunisian politicians have the ambition and vision to act boldly is far from clear. Yet, muddling through with ever higher levels of debt and corruption risks undermining the legitimacy and stability of the transformation as a whole.