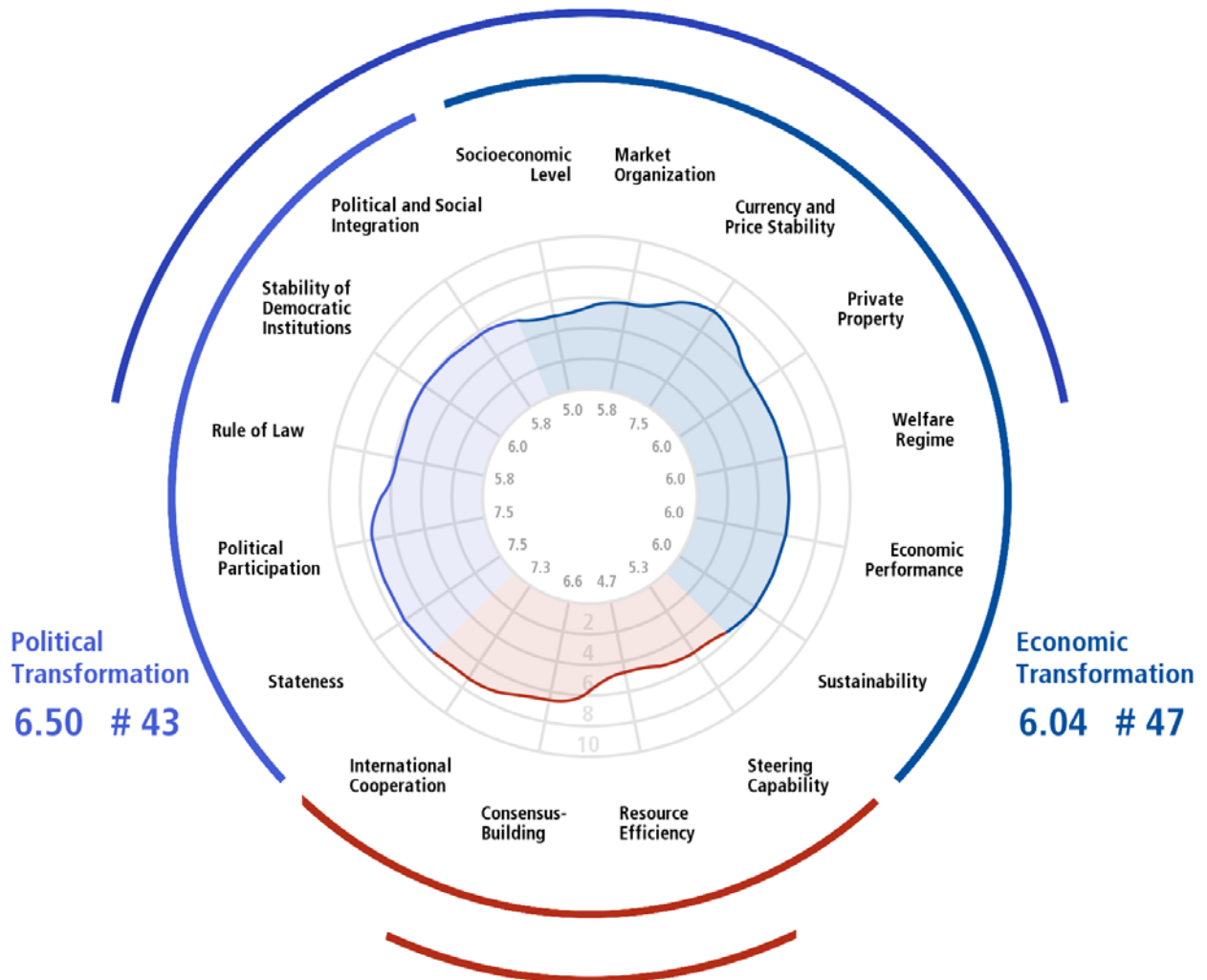


Tunisia

Status Index

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on 1-10 scale out of 129



Political Transformation
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on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	11.4	HDI	0.725	GDP p.c., PPP \$	11599
Pop. growth ¹	% p.a.	1.1	HDI rank of 188	97	Gini Index	35.8
Life expectancy	years	75.5	UN Education Index	0.685	Poverty ³	% 9.1
Urban population	%	67.0	Gender inequality ²	0.289	Aid per capita \$	42.1

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. 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

After a contentious political transition, Tunisia is beginning to consolidate its democratic political system. Realizing all of the democratic ambitions of the 2014 constitution quickly proved challenging. The tense security situation, flagging economy and bloated bureaucracy are not only slowing the reform process, they perpetuate each other.

The country was rocked by three major Islamist terrorist attacks in 2015, two of which hit the heart of the capital Tunis. In 2016, the so-called Islamic State (IS) militia attempted unsuccessfully to seize territory in a Tunisian town near the Libyan border. The government has reacted to these assaults by increasing resources for security, declaring a state of emergency and implementing an anti-terrorism law that some fear undermines freedoms declared in the 2014 constitution.

The 2014 national elections were won by the secular Nidaa Tounes (NT, Call of Tunisia) party, which gained a plurality of the parliamentary seats. The party's founder Beji Caïd Essebsi was elected president. In early 2015, the moderate Islamist party Ennahda, which initially held the second-largest bloc in parliament, became NT's junior partner in a coalition government under Prime Minister Habib Essid. After several NT members of parliament left their party, Ennahda became the largest parliamentary group. Nevertheless, it continued to participate as junior partner in a government of national unity formed in 2016, the result of a highly personalized process initiated by President Essebsi. This new coalition government is led by Prime Minister Youssef Chahed, a member of NT. The cabinet includes representatives from a broad political spectrum, which lends it legitimacy, but also hampers its ability to decisively pursue policies. The ongoing disintegration of NT – itself a broad coalition – is indicative of fragmentation in the political party system.

Tunisia's economy remains largely unreformed and fails to deliver a democracy dividend to citizens. Amid slow economic growth, unemployment continues to stand at over 15% nationally and over 28% in some regions. Almost a third of university graduates are unemployed across the

country. Stark regional inequalities have yet to be effectively tackled. The lack of growth is partly rooted in the state's prominent position in the economy. Extensive regulation and state-owned companies limit competition and facilitate nepotism and corruption. Due to pressure from international financial institutions such as the IMF, new investment and competition laws to improve the business environment have been passed, though these were delayed and less ambitious than had been expected.

Civil society remains an important source of pressure for fully implementing the constitution. Its contribution to the political transition was internationally recognized in 2015, when the Nobel Peace Prize was awarded to the so-called Quartet. Of the four key NGOs, the powerful trade union association UGTT remains particularly influential. It continues to be a force for democracy, but its support of strikes in key industries has also slackened economic growth and further complicated the government's efforts to balance the budget.

Important progress has been made on judicial independence. Oversight of the judiciary is now formally in the hands of the Supreme Judicial Council, which was established in 2016, but remains inoperative. Despite a constitutionally mandated deadline in 2015, the constitutional court has not been established. With the exception of the Electoral Commission, independent constitutional authorities such as the Human Rights Commission and Commission on Corruption and Good Governance have yet to be established, leaving their work in the hands of the transitional authorities.

The Truth and Dignity Commission has initiated its work, launching a truth and justice process of unprecedented scope in the Arab world. The commission aims to hold to account perpetrators of economic and financial crimes committed during the authoritarian regimes of Presidents Bourguiba and Ben Ali. There are concerns, however, that pending legislation on economic and financial reconciliation will enable former regime members to pay their way out of accountability.

In everyday life, Tunisians perceive much continuity with authoritarianism. Corruption remains pervasive in many institutions, the economy underperforms and state institutions are often unaccountable. Though support for democracy remains strong, a small but growing share of the population appears indifferent to the form of government. As politicians prepare for municipal and national elections in the coming years, they face formidable challenges in delivering reforms that tackle the complex challenges that underlie citizens' perceptions.

History and Characteristics of Transformation

For the first time in its history, Tunisia is administered by democratically elected politicians on the basis of a constitution that was the result of a democratic and pluralistic process. The political transition that took place after the ousting of authoritarian President Ben Ali in 2011 was marked by political crises and close to collapse in 2013. Following a series of security failures and two political assassinations, mistrust ran high between the government (dominated by the moderate Islamist party Ennahda) and largely secular opposition. The National Dialogue, initiated by civil society, produced a road map that cleared the way for the installation of a technocratic government. This provisional administration oversaw the adoption of a constitution in January 2014 as well as free and fair elections in the fall of the same year.

This political transition ended more than five decades of authoritarian presidential regimes under the 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 tenures, building up extensive security forces, a devoted bureaucracy and, under President Ben Ali, the Constitutional Democratic Rally (RCD), which was officially dismantled on 7 February 2011. While a façade of democratic institutions and practices expanded over time, these were skewed in the regime's favor. Key opposition movements such as the Islamist Ennahda (“Renaissance”) and Tunisian Workers' Party (Hamma Hammami's PCOT, Parti communiste des Ouvriers de Tunisie, renamed in 2012 to PTT, Parti des Travailleurs Tunisiens) remained severely repressed. The few legal opposition movements and civic associations were closely controlled by the government. Important interest groups such as the Tunisian General Labor Union (UGTT, Union Générale Tunisienne du Travail) and the employers' Tunisian Union for Industry, Commerce and Handicraft (UTICA, Union Tunisienne de l'industrie, du commerce et de l'artisanat) 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, and 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) and 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 began 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. These included the country's proximity to Europe, its low-cost but skilled labor force, a serviceable infrastructure, and 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. Alongside this growing

export market, a tourism-driven influx of foreign currency and programs with international organizations undergirded the country's economic development.

Economic reforms found new impetus with a structural adjustment program in 1986, which included the progressive liberalization of foreign trade and privatization of state-owned enterprises. A state-induced upgrade program increased the competitiveness of export-oriented firms throughout the 1990s. As of 1 January 2008, the process of dismantling reciprocal trade barriers with the European Union on industrial goods was completed, at least on paper. However, foreign trade continues to suffer from several logistical shortcomings (e.g., bureaucracy and custom 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 workers), persistent regional disparities, the erosion of the welfare state and blatant corruption throughout government.

Despite ongoing reforms, Tunisia's authoritarian heredity remains 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 security forces have not become 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 for delivering content, even though many of these 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

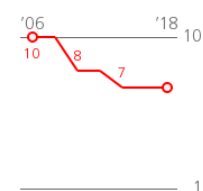
The Tunisian state maintains its monopoly on the use of force, but has been challenged by Islamist terrorist groups. These have mainly targeted tourists and security forces, with the most prominent attacks occurring in 2015. In attacks later claimed by the so-called Islamic State (IS) militia, gunmen killed numerous international tourists in the Bardo Museum in central Tunis as well as in a beach hotel in Sousse/Port El Kantaoui. Subsequent investigations of the attacks showed that some of the 38 deaths would have been preventable had the security forces acted more effectively: local police officers deliberately stalled responding to the shooting. An attack on a bus carrying members of the Tunisian presidential guard travelling in central Tunis in November 2015 resulted in several deaths. In March 2016, attacks aimed at overwhelming the key security installations of the southeastern city of Ben Guerdane (30 km from the Libyan border) apparently aimed at claiming the city for an Islamic caliphate. Government forces regained control of the city on the same day, but the incident highlighted the risk of spillovers from ongoing conflict in neighboring Libya. Many Tunisian jihadists were trained in Libya and, presumably, more than 3,000 have left their country to fight for IS and other Islamist groups in Syria, Iraq, and Libya. The Tunisian government says it dismantled 160 jihadist cells in the first ten months of 2016 and completed a barrier along its border with Libya. With IS under pressure in Syria and Iraq, there is concern that many of its combatants will return to fight in North Africa. Meanwhile, the military is continuing operations against Islamist militants in the Djebel al-Chaambi area near the Algerian border.

The overwhelming majority of citizens accept the Tunisian nation-state as legitimate. Arab, Berber, and Mediterranean cultural and ethnic influences are widely recognized as part of the Tunisian nation and citizenship is not discriminatory. The presence of small Jewish and Christian minorities is uncontroversial. There are, however, reports of discrimination against black Tunisians. The 2014 constitution, which was passed by a broad majority of political forces, defines Tunisia as a civil state with a republican system based on citizenship, but in its first article also defines Islam as its

Question
Score

Monopoly on the
use of force

7



State identity

9

religion and includes ambiguous statements about the relationship between religion and the state. However, some Salafist groups and moderate Islamist political forces still argue in favor of a greater role for religion in defining national identity.

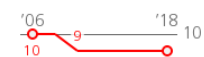
While the state is fundamentally defined as “civil” and based on citizenship and its key institutions (e.g., education and the judiciary) are secular, religious dogmas have some influence on the legal order and political institutions. The constitution stipulates Islam as the religion of the state, limits the Office of the Presidency to Muslims and contains further ambiguities about the role of religion in the state. Some inequalities affecting women in parts of the legal code – such as in inheritance rights and the transmission of nationality – are rooted in Islamic Law. In a 2015 Afrobarometer poll, 22% of respondents in Tunisia found that in a Muslim country, non-Muslims should enjoy fewer political rights than Muslims. However, 73% disagreed with this idea, including 43% who disagreed strongly. The Diwan al-Ifta, the country’s highest religious establishment, is traditionally apolitical. When Tunisia’s Grand Mufti issued a statement in 2016 calling on Tunisians to resume work amid protests and strikes, this unprecedented intervention in public affairs proved controversial and was condemned by civil society and trade unions. With the Ennahda party, a moderate Islamist political force is represented in the Tunisian parliament and government.

The Tunisian state’s infrastructure extends throughout the territory of the country and all regions are served by a differentiated administration including tax authorities, courts, law enforcement, and social services. The quality of the state’s services differs significantly between the more affluent urban coastal areas and the country’s interior. Existing inefficiencies in the public administration are often seen as linked to excessive bureaucracy, the hiring of unnecessary staff by transitional governments as well as corruption and nepotism.

According to World Bank data, 92% of Tunisians have access to improved sanitation facilities and 98% have access to an improved water source, which reflects Tunisia’s generally high human development outcomes.

2 | Political Participation

Tunisians were not called to vote during the assessment period and the next national elections are due in 2019. In 2014, the country held parliamentary and presidential elections that were organized by the Independent High Authority for Elections (known by the French acronym ISIE, Instance Supérieure Indépendante pour les Élections), an independent constitutional body per Articles 125 and 126 of the 2014 constitution. International and national observers assessed the process as free and fair with minor irregularities that did not substantively affect the outcome of the vote. The 2014 elections were the first under the new constitution and followed Tunisia’s first



No interference of religious dogmas

7



Basic administration

7



Free and fair elections

9



free and fair elections (October 2011) for the National Constituent Assembly after the fall of the authoritarian Ben Ali regime in January 2011. A diverse set of parties with varied platforms was able to run and political offices were filled in accordance with the election outcome. Nidaa Tounes, the party with a plurality of seats in the parliament nominated Habib Essid as prime minister, who formed a coalition government that included representatives of other political parties. Following consultations between party leaders of Nidaa Tounes and Ennahda, other political parties and three civil society groups, Essid's cabinet was replaced by a "national unity" government under the leadership of Youssef Chahed (the Carthage Agreement).

To maintain their political impartiality, the electoral law for the 2014 elections prohibited members of the military and security forces from voting. The Tunisian parliament adapted the law in January 2017 to allow them to vote in upcoming municipal elections. However, they will not be able to stand as candidates or take part in campaigning and party rallies. They will also vote a day before election day. Municipal elections are expected to be held toward the end of 2017.

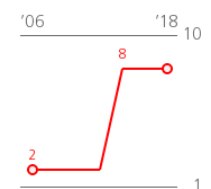
Democratically elected political representatives have the power to govern. Tunisia's relatively small and professional military has remained politically impartial. However, the Carthage Agreement of July 2016, which resulted in the "national unity" government of Youssef Chahed, was the outcome of a highly personalized process involving President Essebsi and Ennahda leader Ghannouchi outside established constitutional institutions and processes. Ghannouchi enjoys considerable political influence – particularly over his party's elected officials – while lacking electoral legitimacy himself. A small cadre of business people and former regime figures continue to hold influence over public institutions. Policy choices are to some extent limited by agreements with international financial institutions (in economic policy) and other international actors.

The Tunisian constitution guarantees the rights of association and assembly. Article 35 of the 2014 constitution guarantees the right to establish political parties, unions, and associations which, in their internal organization, must respect the constitution, law, financial transparency, and refrain from violence. Article 36 specifically guarantees the right to join and form trade unions and the right to strike; these rights are restricted for the security forces (i.e., the army, police and customs officials). Article 37 guarantees the right to assembly and peaceful demonstration.

In the body of law and in practice, the right of association is respected more than the right of assembly. The imposition of a state of emergency in reaction to terrorist attacks allowed the government to put limitations on the right of assembly. A curfew was imposed for about two weeks after the attack on security forces in Tunis on 24 November 2015. During the assessment period, a number of protests were violently dispersed by security forces, resulting in injuries to some participants. Some

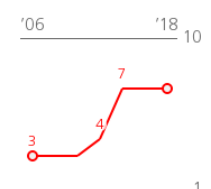
Effective power to govern

8



Association / assembly rights

7



protesters were detained for questioning, though these were later released without charge.

Tunisia's media reflect a plurality of public opinion. Freedom of expression is guaranteed by Article 31 of the constitution, but there are legal and practical limitations. For instance, Article 49 of the constitution allows for restricting expression to protect public order, public morals and national defense. The state's constitutional task to "protect the sacred" can potentially be interpreted in ways that would limit the freedom of expression.

The 2015 counterterrorism law gives security forces broad surveillance powers. There are reports of people – including publicists – suffering abuses during counterterrorism operations. Tunisia's ranking in the World Press Freedom Index by Reporters Without Borders improved from 133 of 179 countries in 2014 to 96 of 181 in 2016. Journalists are subjected to harassment by security officials, particularly during protests, and there were several public attacks against journalists by politicians including the president. Charges brought against journalists are rarely followed by trials. While no official censorship is implemented, self-censorship is widespread.

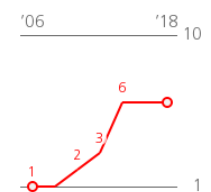
A Freedom of Information Law was passed by the parliament in March 2016, implementing the constitutional right to information access in Article 32. This will come into effect in March 2017 and foresees the establishment of an Access to Information Authority (Instance d'accès à l'information). However, in January 2017, Prime Minister Yousef Chahed faced criticism over a circular that prescribes that all civil servants (except media spokespersons) request permission from their superiors before passing on information to journalists.

3 | Rule of Law

Under the 2014 constitution, Tunisia's political institutions operate in a semi-presidential system. Executive power is shared between the president of the republic and president of the government (prime minister). Broadly, the directly elected president's responsibilities cover foreign policy, defense and national security whereas the prime minister's portfolio is dominated by domestic policy. By requiring that the president consult the government on his policy areas, the constitution has created a complex system of power sharing in the executive. The temperament of the respective office holders will have much influence on the conventions that will dominate political practice in these areas. Indeed, there is some concern that the current incumbent Beji Caid Essebsi attempts to concentrate power in the presidency. Legislative power is vested to the parliament, the Assembly of People's Representatives (ARP, Assemblée des Représentants du Peuple) or can be exercised directly by the people in referenda. Under some circumstances, the constitution provides the president and prime minister with decree powers. One of four top courts, the constitutional court has broad review powers and is appointed jointly by the

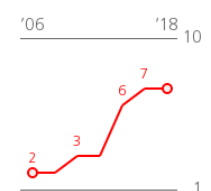
Freedom of expression

6



Separation of powers

7



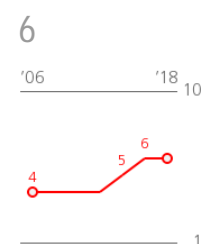
president, parliament, and the Supreme Judicial Council. Although the constitution mandates that the constitutional court be set up within one year after the elections (i.e., by 2015), it has yet to be established. The constitution also provides for technical bodies such as the Electoral Commission, Audiovisual Communication Commission and Human Rights Commission, which provide another check on Tunisia's political institutions.

Tunisia's judiciary has never been as independent as it is today, but some constraints remain. Article 102 of the constitution provides for judicial independence and subsequent articles outline the institutional mechanisms to ensure this. Thus, judges enjoy criminal immunity and their transfer, removal, or disciplinary action against them requires the Supreme Judicial Council, the body that manages the profession of judges and which was established during the review period. With the president, that Council also appoints judges. The constitutional court will have broad review powers over existing legislation brought to it by the courts as well as over draft laws and treaties, but it has yet to be established. Its twelve members will be appointed by the president, parliament and the Supreme Judicial Council, each having the power to appoint four. Remaining constraints on the judiciary's independence are rooted in the persistence of corruption, a lack of resources, and a lack of respect for human rights and proper procedure. Indeed, reports suggest that many court verdicts are not executed due to abuses of power and corruption, which is particularly widespread in the security sector.

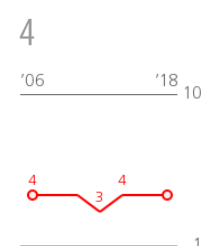
Corruption continues to be present in Tunisia and many Tunisians report that the situation has deteriorated since the 2010/2011 revolution. Bribery is common in daily life. The security apparatus is seen as the most corrupt part of the state administration, but other policy areas such as health and social benefits are also affected. The director of the National Anti-Corruption Authority (INLUCC, Instance Nationale de Lutte Contre la Corruption) reported that as of 31 December 2016, his organization had investigated 152 dossiers on corruption affairs of which 22 were transferred to the judicial authorities. Chronically underfunded and understaffed, INLUCC is dealing with thousands of cases. The judiciary, in turn, is affected by corruption – news reports suggest that many individuals who are convicted escape their penalty – and the fate of the corruption cases referred to it is as yet unknown. While media reports on corruption prompt government action and cases from the Ben Ali era have been well documented, this so far has largely failed to translate into rigorous prosecutions.

Civil rights are codified in the constitution. Limitations on civil rights must be codified in law and cannot infringe on the essence of the constitutional right. The catalogue of rights in Title Two of the constitution includes equality before the law, the right to life, human dignity, physical integrity, privacy, citizenship, and asylum, the presumption of innocence and due process, humane treatment, and political and social rights. Article 49 bans amendments that undermine the constitution's human rights and freedoms provisions. In practice, these rights are neither reflected in the

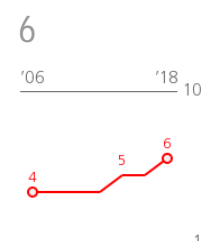
Independent judiciary



Prosecution of office abuse



Civil rights



entire body of law nor fully respected. However, legislators made some progress in harmonizing legislation with the constitution. A reform of the Code of Criminal Procedure adopted in February 2016 improved the right to due process. It grants suspects the right to a lawyer from the onset of detention and shortens the maximum duration of detention without charge to 48 hours, with one extension possible. There are exceptions for terrorism cases which allow for pre-charge detention of up to 15 days. Moreover, in these cases the investigative judge and prosecutor have the authority to delay access to a lawyer for up to 48 hours.

A counterterrorism law and the state of emergency enacted since November 2015 have had a detrimental effect on civil liberties. For instance, at least 139 Tunisians have been confined to house arrest without charge. Human rights organizations and the UN Committee against Torture note progress in the fight against torture, but also highlight reports of ill-treatment and torture in police custody as well as consistent reports about a lack of due diligence by the relevant authorities in investigating such mistreatment.

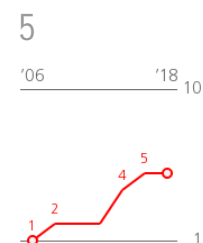
Discrimination against certain groups persists in law and practice, mostly reflecting conservative social norms. Women and girls are discriminated against in parts of the law (e.g., inheritance and gender-based violence) and other parts of social life. The penal code makes consensual same-sex conduct a crime and there have been several prosecutions during the evaluation period. Acknowledged less publicly is the significant discrimination against black Tunisians who are believed to represent up to 15% of the population (there are no official statistics).

4 | Stability of Democratic Institutions

The democratic institutions that resulted out of the contested transition from authoritarianism work effectively if not without friction. When President Beji Caid Essebsi pushed for a national unity government and Prime Minister Habib Essid refused to step down, it was the parliament that dismissed Essid in a vote of no confidence. The assembly subsequently confirmed the cabinet proposed by the president's candidate for prime minister, Youssef Chahed, within the constitutional 30-day period. This episode and other events suggest that, in practice, political power has become more concentrated in the presidency than the constitution appeared to foresee.

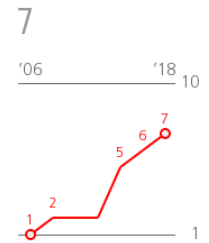
Political calculations appear to be delaying both the establishment of the constitutional court and local elections, as the main parties see their interest furthered by the status quo. As part of constitutionally mandated decentralization, local elections are, however, expected in 2017.

Performance of democratic institutions



There is no credible mainstream political force that openly seeks to abolish the current political system based on constitutional democracy. The two largest political parties, secular Nidaa Tounes and moderate Islamist Ennahda, were both involved in drafting the country's republican constitution and are together in a coalition government. Other parties in parliament accept the democratic system as legitimate. The legally established and non-violent Salafist party Hizb al-Tahrir is openly hostile to the democratic system and aims for the establishment of a caliphate, but it is not represented in parliament. Small violent groups with loyalty to the so-called Islamic State seek to overthrow the constitutional order through violence. However, key civil society organizations promote democratic norms and many pressure the authorities to adhere to the rights and freedoms guaranteed by the constitution. The military has remained apolitical and with few exceptions other security forces also respect the existing democratic institutions' legitimacy.

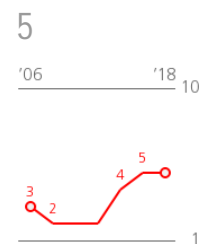
Commitment to democratic institutions



5 | Political and Social Integration

Tunisia's political party system continues to show low levels of institutionalization and significant fragmentation. The country boasts over 200 parties nationally. Seven blocs are represented in parliament, but some of these are coalitions of several political parties, such as the Popular Front, which is the parliamentary representation of several leftist movements.

Party system



The two largest parties since the 2014 elections are the moderate Islamist Ennahda and secular Nidaa Tounes. Of all parties, Ennahda continues to be the best organized party, boasting a presence across the country, strong grassroots support, and well-defined internal rules that it follows. Campaigning on an anti-Islamist platform, Nidaa Tounes (NT) had initially won the most parliamentary mandates in the 2014 elections, but its support base was broadly distributed across groups from the left and right. Numerous NT deputies defected in 2016 amid efforts by President Essebsi's son Hamed Essebsi to secure power in the party. This rendered Ennahda the largest parliamentary representation. The degree to which other political parties are socially rooted and institutionalized varies. While the Free Patriotic Union party (UPL) is centered on a group of businessmen around its leader Slim Riahi, the liberal Afek Tounes is more clearly defined, but has a limited voter profile.

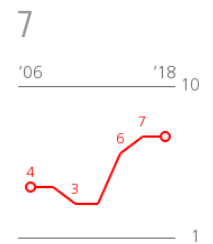
The phenomenon of so-called political tourism reflects the continued relevance of clientelism in the political party system and contributed to instability: motivated in some cases by financial rewards, several politicians have changed their party allegiance or proclaimed themselves independent.

Tunisia's civil society is diverse and incorporates numerous different social interests. There are, naturally, differences in capacity and influence between organizations. This includes the ability to work strategically, mobilize grassroots support, access foreign funding, and cooperate with other civil society organizations as well as the government. Civil society's contribution to the building of a pluralist democracy was recognized in 2015 when the so-called National Dialogue Quartet was awarded the Nobel Peace Prize. It had mediated a way out of the political standoff between government and opposition in 2013. Representative for the more established civil society organizations, the Quartet includes the Tunisian General Labor Union (UGTT), Tunisian Union for Industry, Commerce, and Handicraft (UTICA), Bar Association, and Tunisian League for Human Rights (LTDH). Out of these four, the UGTT is particularly influential, relying on its historic legitimacy as a founding force of Tunisian nationalism and its large membership across the country. Though the UGTT officially rejected the president's call in 2016 to join a national unity government, it retains influence in the new government through the presence of two ministers closely affiliated with the trade union movement who have portfolios that directly affect the union's issues. It is worth noting that politically active Tunisian youth are generally more inclined to take their activism to NGOs rather than political parties. A few Tunisian NGOs have been particularly effective in monitoring the work of the Tunisian parliament and thereby contributed to political accountability.

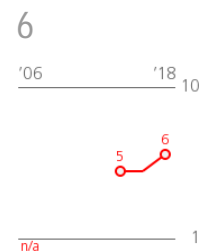
For almost half of Tunisians, democracy is preferable to any other system of government. Polling data by the International Republican Institute (IRI) shows that the share of Tunisian respondents endorsing that view has slightly increased over the BTI's assessment period from 43% in June 2015 to 48% in December 2016, having peaked at 53% in May 2016. However, in the same time span, the share of respondents that believe the form of government does not matter for "someone like me" has increased from 16% to 25%. Conversely, fewer respondents believe that a non-democratic government can be preferable in some circumstance (22% in December 2016 compared to 35% in June 2015). Polling data from April/May 2015 for the Afrobarometer showed stronger support for democracy, with 66% of respondents finding it preferable to any other kind of government, 15% seeing a non-democratic government preferable in some circumstances and 14% saying it does not matter for "someone like me."

According to the IRI poll, around two-thirds of respondents believed that Tunisia is a democracy. The largest share of these respondents, however, found their country to be a "flawed democracy." In December 2016, 5% saw in Tunisia a "full democracy," 21% a "nearly full democracy," 41% a "flawed democracy," and 28% believed the country is not a democracy at all. The poll also indicates that of those asked the question, the majority were satisfied with democracy in Tunisia, with 9% very satisfied and 57% somewhat satisfied – a somewhat smaller share than in previous polls. In this context, it is worth noting the findings of the ArabTrans research project

Interest groups



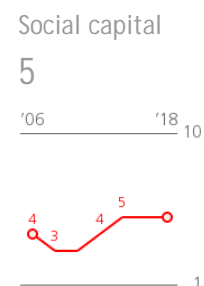
Approval of democracy



that for the majority of Tunisians the idea of democracy is closely related to economic rights.

Approval of democratic institutions varies. In the 2015 Afrobarometer poll, 32% trust the president a lot, 23% somewhat, 20% just a little, and 22% not at all. Figures for the parliament are 20% who trust it a lot, 29% somewhat, 25% just a little, 21% not at all. A majority perceives political parties as creating division and confusion (54%), though a significant minority believes many parties are needed for a real choice over who governs the country (42%). Moreover, 65% of respondents in the same poll find that opposition parties should “accept defeat and cooperate with the government to help it develop the country” rather than keeping it accountable by monitoring and criticizing it after an election (33% agreed with the latter). 76% found political party leaders are more concerned with their own political ambitions than with serving the interests of the people. Almost two-thirds of respondents in the 2016 IRI poll said members of parliament do nothing to address the needs of people like them, with 20% believing they do little, 10% enough, and 1% a lot. According to the Afrobarometer, a third of the population trusts the courts a lot, 27% somewhat, 21% just a little, and 16% not at all. It is worth noting that in the same polls many Tunisians say they perceive these institutions as being affected by corruption and that this has recently increased. The state institution enjoying the highest levels of trust has consistently been the national army: 83% trust it “a lot” in the Afrobarometer compared to 43% for the police. In focus groups conducted by the National Democratic Institute, many respondents showed concern that corruption has become established in the police, affecting their ability to trust them and feel safe.

Civil society organizations, many of which were only founded after the 2010/2011 revolution, are active in Tunisia and have increasingly made their presence felt. Nevertheless, social capital remains comparatively weak. Trust in strangers is recovering from a decrease that continued during the political transition. Tunisians continue to name the military as the most trustworthy public institution. The country also scores low in Gallup’s 2016 Global Civic Engagement Report, reflecting a low likelihood to donate money to charity (ranking among the bottom five countries in the index on that particular indicator), help strangers or volunteer time to an organization.



II. Economic Transformation

6 | Level of Socioeconomic Development

Tunisia's economy has long been held as a regional success story and its positive performance in measures such as the Human Development Index are testimony to genuine improvements. During the assessment period, the country was also able to withstand several shocks resulting from terrorist attacks. Nevertheless, inequalities between people from different regions, genders, and educational backgrounds are persistent, profound, and, to some extent, structural.

Tunisia is ranked 96th of 188 countries in the 2015 Human Development Report, placing it in the bottom quarter of countries with "high development." The country's score of 0.721 is above the average among Arab States (0.686) and the third highest after Lebanon and Jordan among the non-oil producing Arab countries. This reflects improved outcomes in health, education and income. World Bank figures indicate that Tunisia's GDP per capita (in PPP) reached \$11,467 in 2015 and that in 2010 (the latest available), the country's Gini coefficient was 35.8, down from 40.8 ten years earlier. Poverty – measured as living on less than \$3.10 a day at 2011 international PPP-adjusted prices – affected 8.4% of the population in 2010 and 15.5% of the population lived below the national poverty line (both: latest available figures). 2% lived on less than \$1.90 a day (2011 PPP). These averages, however, cast over significant regional differences: average poverty rates in the interior of the country were four times higher than those in the more affluent coastal areas.

Similarly, while the overall unemployment rate in the second quarter of 2016 was 15.6%, there are significant variations. Gender differences are visible as male unemployment is at 12.4% and female unemployment at 23.5%. Graduates are more likely than others to be jobless. Their overall unemployment rate was 30.5% in the second quarter of 2016, with male graduates' rate at 19.4% and that of female graduates at 40.4%. In turn, female labor force participation as a share of the total is a low 27%, compared to the global average of 40.3%. Regionally, the northeast's unemployment is highest at 28.5%, followed by the southwest with 26.2%. In the center-east, which includes coastal cities such as Monastir and Sousse, unemployment is lowest at 9.9%.

Despite its reputation for being a regional leader in terms of women's rights, Tunisia is in the bottom fifth of countries in the UNDP's Gender Development Index, reflecting large differences between the outcomes of male and female Tunisians. According to 2014 data, while life expectancy at birth is higher for females (77.3 years) than males (72.5 years), mean years of schooling are lower (5.9 years compared to 7.8 years) and estimated gross national income per capita (in 2011 \$PPP) differ drastically: \$4,748 for females and \$16,159 for males.

Question
Score

Socioeconomic
barriers

5

'06 '18 10



1

Economic indicators		2013	2014	2015	2016
GDP	\$ M	46255.3	47603.2	43156.6	42062.5
GDP growth	%	2.9	2.8	1.1	1.2
Inflation (CPI)	%	5.8	4.9	4.9	3.7
Unemployment	%	15.9	15.8	15.2	14.8
Foreign direct investment	% of GDP	2.3	2.2	2.2	1.7
Export growth	%	6.7	-	-	-
Import growth	%	5.2	-	-	-
Current account balance	\$ M	-3878.7	-4340.6	-3849.7	-
Public debt	% of GDP	46.8	51.6	57.2	62.9
External debt	\$ M	25661.4	26371.9	27130.6	28110.5
Total debt service	\$ M	2455.8	1860.7	2018.6	1858.1
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	18.6	18.7	19.6	20.0
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	4.2	4.0	-	-
R&D expenditure	% of GDP	0.7	0.7	0.6	-
Military expenditure	% of GDP	1.6	1.9	2.3	2.3

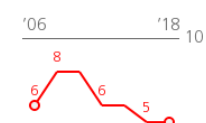
Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The Tunisian authorities remain committed to a market-based economy. There are, however, significant limitations to the operation of competitive markets in the country. In many areas, regulation remains inefficient, effectively inhibiting competition. Even after decades of economic liberalization, considerable segments of the Tunisian economy remain shielded by high barriers to entry for firms, domestic and foreign. The worsening security situation during the evaluation period has also adversely affected market-based competition. While the majority of prices result from market competition, the state intervenes by regulating and subsidizing several socially important commodities such as staple foods and energy. Amid low global

Market-based competition

5



1

energy prices, the government shifted its spending from energy to foodstuffs, but kept subsidies in place. The government is, however, developing a comprehensive overhaul of the system as current subsidies represent a significant share of state expenditures.

The Tunisian dinar can only be traded domestically and it is illegal to take the currency out of the country. The dinar is, however, convertible for current account transactions, though some foreign exchange operations require prior authorization by the central bank. Foreign investors may transfer currency without authorization as non-residents are exempt from most exchange regulations. However, procedures for capital and dividend repatriation are complex and subject to central bank discretion. Businesses frequently complain about difficulties in this area.

Tunisia effectively continues to feature a dichotomous economy where domestic/onshore companies are shielded by regulation and thus relatively uncompetitive. The export-oriented “offshore-sector,” on the other hand, is competitive though largely isolated from the domestic market.

Post-authoritarian Tunisia is still grappling with the economic legacies of the Ben Ali era of state capture and crony capitalism. Corruption, nepotism and wide-scale tax evasion affect market competition in Tunisia, though the extent is difficult to measure. According to the World Bank 2014 Investment Climate Assessment, 24% of firms reported having to provide some form of informal payment to “speed things up” – among the highest rates in the world. The impression that cronyism and rent-seeking persists is underscored by high rates of informal employment: in 2011, 44.5% of all wage earners were informally employed. This share, however, has been decreasing since 2007 and is a reflection of rigid labor laws, which result in employers’ preference for short-term contracts or informal employment.

Amid a decline in foreign investment and generally low investment rates, the Tunisian authorities are reforming the institutional framework for competition and investment. A reform of the competition law, passed by the parliament in September 2015, should reduce barriers to entry and the discretionary application of regulation. A new investment law, passed in September 2016, established a High Council for Investment, chaired by the prime minister, to facilitate the investment process as well as reduced the number of government procedures and authorizations required to make investments. Restrictions on foreign investment in “strategic” sectors remain however. These include energy, transport, water and agricultural land property. The state also controls or dominates some key sectors through state-owned companies, including utilities and finance.

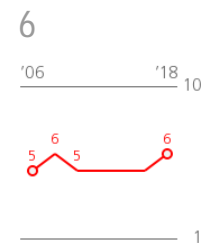
Tunisia scores 3.4 out of 7 points in the 2016 – 2017 Global Competitiveness Report’s assessment of anti-monopoly policy, ranking 95th out of 138 countries. This is a decline: in the previous assessment period, the country scored 4.0 out of 7 and was ranked 71st out of 143. These figures are mostly relevant for international investors in the offshore economy, whereas dense regulation of domestic onshore markets has often facilitated a lack of effective competition. However, the competences of the Competition Council have been enhanced by the 2015 reform of the competition law. This aims to encourage competition and reduce government intervention. Amongst other changes, the Competition Council’s advocacy powers are strengthened, its and the Ministry of Trade’s duties and responsibilities on competition-related issues more clearly defined and the level of fines increased from 5% to 10% of company turnover if competition laws are violated.

A founding member of the WTO, Tunisia is also the first country in the region to have implemented free trade in industrial goods with the European Union (EU) in 2008, following an Association Agreement with the bloc in 1995. Amid the EU’s status as Tunisia’s prime trade partner, negotiations on a Deep and Comprehensive Free Trade Agreement (DCFTA or ALECA, its French acronym) began in April 2016. After the conclusion of the first round of negotiations, the proposed agreement is now controversially debated given the asymmetry between the two trading partners’ economies.

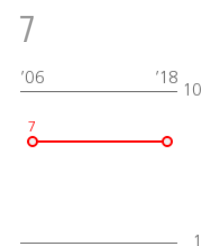
Regionally, Tunisia is signatory to the Agadir Agreement of 2004, which progressively lifts trade barriers with Morocco, Egypt and Jordan. Tunisia was also a co-founder of the Greater Arab Free Trade Area in 2005 and commercial barriers with Algeria, Libya, Morocco, and Turkey have been lowered in bilateral deals in recent years.

In the World Bank’s Doing Business index, Tunisia is ranked 92nd of 190 countries on the ease of trading across borders, ahead of many regional peers, but below Morocco. The Heritage Foundation ranks Tunisia 158th out of 178 countries for trade freedom despite a small increase in its score, noting a “very high” average tariff rate of 13.9% and barriers to the trade of agricultural goods. Tunisia maintains some non-tariff barriers on trade which apply particularly to goods that compete with those of domestic producers. The main industries affected are motor vehicles and pharmaceuticals, where import restrictions such as quotas apply. Importers also find that inconsistent procedures within Tunisian Customs present an obstacle to trade as goods are sometimes delayed by legally required checks, which are not uniformly invoked.

Anti-monopoly policy



Liberalization of foreign trade



The Tunisian financial sector is dominated by the state and performed poorly, posing a significant challenge for the country's economy. International financial institutions note a fragmentation of the market that could contribute to its comparatively low profitability due to the absence of economies of scale.

In its Banking Industry Country Risk Assessment 2016, rating agency Standard and Poor's downgraded the Tunisian banking sector to a risk rating of 9 out of 10, where 1 is the lowest and 10 the highest risk. Moody's, another rating agency, changed the outlook from stable to negative of several Tunisian banks' local currency deposit ratings in November 2016. This is due to its estimation that even though the Tunisian government appears willing to support banks if needed, its capacity to do so is in doubt amid heightened fiscal pressures.

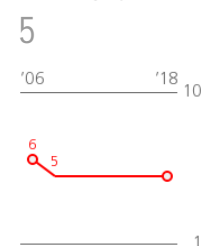
The sector is still dealing with the legacy of its role under authoritarianism. During Ben Ali's regime, access to credit was often given to cronies rather than productive enterprises and often without appropriate scrutiny of the projects funded. For public banks in particular, these practices present considerable challenges. As of December 2015, the share of non-performing loans (NPLs) was 16% of the total loans across all banks per IMF figures. The share was 24.9% for public and 10.4% for private banks. The struggling tourism sector alone – hit by the deteriorated security situation – accounts for 21% of NPLs. In terms of the capital adequacy ratio (CAR), this was 12.2% for the sector, 11.2% for public and 12.4% for private banks. The Tier 1 CAR was 9.5% for the sector, 7.7% for public and 10.0% for private banks.

Under the stand-by agreement with the IMF, the Tunisian authorities recapitalized two large public banks and strengthened the regulatory and supervisory framework. In 2016, the parliament passed banking legislation both on the central bank's independence and supervisory powers and commercial banks' governance that should increase the sector's resilience.

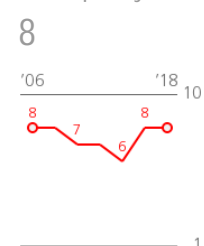
8 | Currency and Price Stability

Tunisia continued to control inflation effectively during the evaluation period. The Tunisian authorities report the December 2016 rate of inflation (CPI) at 4.2%. It thus fell from the somewhat higher rate of 4.9% the previous year and is relatively close to the rates of previous evaluation periods (2014: 4.9%, 2013: 5.8%, 2012: 5%, 2011: 3.5%, 2010: 3.7%, figures from IMF World Economic Outlook October 2016). Notably, the IMF reports that core inflation has remained stable at 4.7% with food inflation having dropped significantly over the evaluation period. With the authorities committed to prudent monetary policy and positive real interest rates to anchor inflation expectations, these outcomes affirm the stability of the economy. Indeed, this should become even more certain since the Tunisian parliament approved a new central bank law in April 2016, which confirms price stability as the central bank's (CBT) overriding objective and enhances its independence. The law also introduces

Banking system



Anti-inflation /
forex policy



a banking resolution mechanism, lender of last resort mechanism and deposit guarantee fund as well as reforming the bankruptcy regime. Deviations from best practices remain, however, in the central bank law: the government remains present on the CBT board and the law does not outright ban the CBT from receiving instructions from the government.

The CBT has reduced its intervention in the foreign exchange market and is committed to pursuing a more flexible exchange rate policy to preserve international reserves and facilitate external adjustment, according to the IMF. The CBT has introduced operational changes in the foreign exchange market: a foreign exchange auction system should promote greater flexibility of exchange rates and, in turn, reduce the current overvaluation of the Tunisian dinar as well as improve liquidity and competitiveness. Over the course of the evaluation period, the Tunisian dinar has continued to depreciate vis-à-vis the US dollar and Euro, the latter being the currency of most of Tunisia's trade partners.

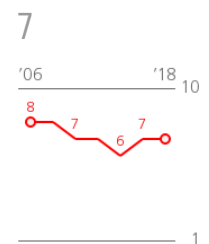
After the government's budget deficit slightly improved from 4.5% of GDP in 2014 to 4.4% in 2015, it is estimated to have increased to around 6% in 2016. It is projected to decrease to 5.6% in 2017 and 4.6% in 2018. A considerable share of state expenditure is on staff –representing 42% of government spending, one of the highest ratios globally. The UGTT trade union rejected a wage freeze proposed by the government, but agreed to spread wage increases over two years to lighten this burden. Moreover, a hiring freeze has been implemented outside the security forces. In conjunction with cuts in other areas, government consumption, which stood at 19.3% of GDP in 2013 and 19.7% in 2014, is likely to remain stable.

Public debt reached 54.6% of GDP in 2015 and is estimated to have increased further to 61.7% in 2016 – it had previously decreased from 67.4% in 2002 to 40.5% of GDP in 2010.

External debt increased to \$27.36 billion in 2015 and is estimated to have reached \$28.85 billion in 2016. Tunisia's public debt level remains sustainable and lower than that of regional peers.

Tunisia's current account deficit has remained high amid a deterioration of tourism – a key export sector. In the first ten months of 2016, the deficit reached 7.5% of annual GDP and is estimated by the central bank to reach 8.5% for the full year. This deficit has increased from 7.6% in 2015, 7.9% in 2014, and 6.0% in 2011, but is expected by the IMF to decrease to 4.4% in the medium term in light of a tighter fiscal stance, depreciation of the dinar, and increased demand from the eurozone.

Macrostability



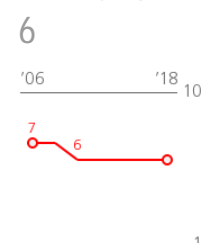
9 | Private Property

Property rights are well-defined in Article 41 of the constitution, which also stipulates the protection of intellectual property rights. In practice, there are limitation on the exercise of property rights. Foreigners may purchase real estate property in Tunisia, but require approval from the local governor. Agricultural land cannot be bought by non-Tunisians, but can be rented for a maximum term of three years. The World Bank's Doing Business Report counts four procedures to register property and estimates that in a standardized case this will take 39 days. In December 2016, Libyan media reported that the Tunisian authorities banned Libyan citizens from purchasing property below TND 200,000 (ca. \$85,000) in an effort to curb rising home prices. An estimated 750,000 to 2 million Libyans reside in Tunisia amid the ongoing conflict in their country and their housing demand has been blamed for a surge in property prices.

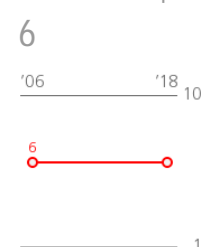
Tunisia's position in property rights analyses improved slightly from a dip after the revolution. In the 2016 – 2017 Global Competitiveness Report, Tunisia scores 4.5 out of 7, ranking 49th out of 138 countries. Previously it scored 4.0 (2014 – 2015) and 4.3 (2013 – 2014). The protection of intellectual property is more precarious, rated 3.9 out of 7 in the 2016 – 2017 report. Counterfeit goods are easily available in Tunisia. The rating is, however, an improvement on the 2014 – 2015 rating of 3.1. The Heritage Foundation's assessment is more pessimistic, consistently scoring Tunisia at 40% for property rights since 2011, following a score of 50% for the 15 years preceding the revolution. These ratings convey above all shortcomings in the rule of law as businesses are not confident that contractual and property rights are effectively enforced by the judicial system. The dichotomous nature of the economy between onshore and offshore applies here as export-oriented businesses' rights appear more soundly protected than those of businesses serving the domestic market.

Tunisia ranks 77th out of 190 countries for the ease of doing business in the World Bank's Doing Business Report 2017. This is a slight deterioration from its rank of 75 in the 2016 report. It takes 11 days and 9 procedures to start a business in the country, ranking better than many comparable economies. It does similarly well in other indicators for the ease of doing business, such as registering property, dealing with construction permits and paying taxes. Notably, Tunisia climbed 26 ranks in "getting credit" in the index (from 127th to 101st). Under the Ben Ali regime, access to credit was often a function of proximity to the regime. This appears to have improved. Nevertheless, access to financing is mentioned in the top five most problematic factors for doing business in Tunisia in the 2016 Executive Opinion Survey of the World Economic Forum having long topped the list. The biggest concern now is inefficient government bureaucracy, followed by political instability, corruption and restrictive labor regulation. However, access to credit for domestic firms remains a key constraint to growth according to the IMF. Its analysis of lending data points to

Property rights



Private enterprise



some credit rationing by banks (i.e., that credit is deliberately supplied to a limited pool of clients). Protection for certain industries and the role of state-owned enterprises in some sectors remain significant despite further liberalization in the investment code and competition law reform.

10 | Welfare Regime

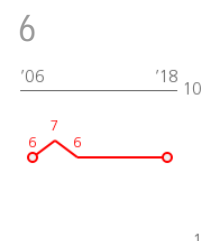
Tunisia boasts a formally comprehensive social security system and its constitution enshrines several social rights such as the right to health. In Article 28 the constitution also obliges the state to ensure the safety and quality of the health care system as well as access for all citizens. Despite its comparatively strong record on health care, there are considerable shortcomings in Tunisia's welfare system.

The public health service provides roughly half of all health services. Public health expenditure represented 4% of GDP in 2014, dropping from its 4.23% peak in 2013. In turn, private health expenditure represented 3% in 2014. At 2.1 hospital beds per 1,000 inhabitants, Tunisia boasts the highest number of beds in North Africa apart from Libya (as per 2012 and before Libya's civil war escalated). Life expectancy at birth is 73 years for males and 78 years for females (2015 WHO figures). However, health services differ considerably between the urban centers on the coast – where quality is high – and the country's economically deprived regions in the interior – where access to services is much more limited. In 2014, 37.73% of all health expenditure was out-of-pocket. Thus, the most vulnerable groups in society do not always have access to the required care.

Blanket subsidies for food and energy still constitute a significant part of Tunisia's social policy. Some estimates state that less than 20% of the subsidies' value actually reaches the intended beneficiaries. The government has, however, reduced subsidies over the course of the evaluation period, cutting energy subsidies in particular, and is in the process of developing more targeted measures. These reforms include the application of a unique social identifier for all beneficiaries, to be rolled out in June 2017. Reforms are also planned for the pension scheme CNRPS and social insurances, which are both in deficit. These problems are not least rooted in the explosion of the informal sector and resulting lack of social security contributions.

While the Tunisian welfare system covers illness, motherhood, accidents at work, work-related illness, disability, old age, and family costs, provision is often fragmented and uneven. The main gap in the system remains the lack of comprehensive unemployment insurance. Private networks of solidarity and the informal sector thus continue to play an important role.

Social safety nets



Tunisia has a track record on striving for gender equality, but discrimination against women persists. In the 2014 Gender Inequality Index, Tunisia ranks 48th out of 188 countries. The index reflects gender-based inequalities in three dimensions: reproductive health, empowerment and economic activity. Regional neighbors fared worse with Algeria ranked 83rd, Libya 94th and Morocco 126th.

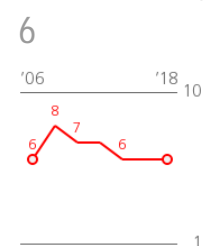
The constitution commits to protect, strengthen, and develop women's rights as well as protect those of children and people with disabilities. It also guarantees gender equality in access to all levels of responsibility in all domains. Tunisia's legal system still discriminates against women though. In particular, this affects their rights to inheritance (where women inherit half of what male relatives inherit), transmission of nationality to children and spouses (which is more difficult for Tunisian women than men), rights in marriage, and protection from sexual violence. Draft bills tackling some of these inequalities have been brought into the Tunisian parliament, but have been postponed in favor of financial and security legislation. Of the 217 members of parliament, 68 (31.3%) are women.

Educational participation is generally well-balanced between genders. Tertiary enrollment stands out, as female gross enrollment outweighed male enrollment 1:1.6 in 2016. The literacy gap is closing as it is 98.6% for males and 92.9% for females according to the latest available figures. Despite a small increase in female labor force participation to 27% in 2014, women continue to be underrepresented in the workplace – particularly in higher positions – and are more likely to face unemployment than men.

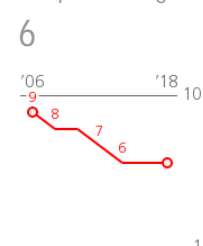
11 | Economic Performance

With GDP growth rates of 0.8% in 2015 and an estimated 1.3% in 2016, Tunisia's economy has performed below expectations. Terrorist attacks, political uncertainty, and social tensions weighed heavily on economic activity whereas exceptionally high olive oil production in 2015 and lower global energy prices have contributed to growth. GDP per capita (PPP) reached \$11,539 in 2015, up from \$11,009 in 2013. Given sluggish growth, unemployment remained high at 15.2% in 2015 and 15.6% in 2016, with significantly higher rates in some regions. A key casualty of the low growth rates are entrants to the labor market. The World Bank estimates that the economy needs to add around 90,000 jobs annually to absorb the growing labor force – not taking into account the existing stock of unemployed. The current deficit of approximately 18,000 jobs every year disproportionately hits urban university graduates. The economy mainly produces jobs in low-value-added sectors such as construction, trade, and nonfinancial services. A large share of the jobs created for the highly qualified are precarious. Inflation has continued to decline, aided by a reduction in fuel prices, standing at 4.2% in December 2016.

Equal opportunity



Output strength



Public debt grew to 54.6% of GDP in 2015 and is estimated to have reached 61.7% in 2016 – it had previously decreased from 67.4% in 2002 to 40.5% of GDP in 2010. External debt increased to \$27.36 billion in 2015 and is estimated to have reached \$28.85 billion in 2016 – an overall sustainable position. However, the relatively large deficits over the course of the evaluation period have had an adverse effect on public investment. Key contributors to these deficits were widespread tax evasion (particularly among self-employed professionals), the large public-sector wage bill, loss-making state companies and subsidies.

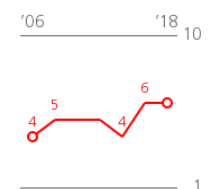
Tunisia’s current account deficit has remained high. In the first ten months 2016, the deficit reached 7.5% of annual GDP and is estimated by the central bank to reach 8.5% for the full year. This deficit is an increased from 7.6% in 2015, 7.9% in 2014, and 6.0% in 2011, but is expected by the IMF to decrease to 4.4% in the medium term given a tighter fiscal stance, depreciation of the dinar, and increased demand from the eurozone. As investors assumed a wait-and-see position amid the negative security situation and social tensions, the flow of foreign direct investment remained low at 2.4% of GDP in 2015 and 1.6% in 2014 according to the latest available figures.

12 | Sustainability

For most Tunisians, environmental issues appear to above all concern waste management. The country produces around 2.5 million tons of garbage, 10% of which is recycled. On the policy level, an environmental police is scheduled to begin work in the first quarter of 2017 and an environmental awareness campaign is planned by the ministries of environment, youth, and culture. “Green economic growth” is part of the Tunisian government’s five-year economic vision (2016 – 2020), aiming at water, food and energy security as well as an increase in the production of renewable energy. The development of a national plan to modernize agriculture, diversify energy production and protect biodiversity is set to be part of that vision. Scoring highest of all participating countries in the Arab Future Energy Index 2015, Tunisia stands out with the most comprehensive policy framework for energy efficiency improvements and is lauded for “a strong institutional body with strategic leadership, dedicated resources, and competent staff.” The renewable energy sector attracts interest from international investors and international financial institutions. Plans by the Tunisian government foresee that 30% of the country’s energy consumption should come from renewables by 2030.

Environmental
policy

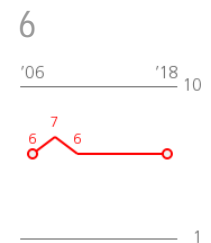
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Public expenditure on education represented 6.2% of GDP in 2012, according to the latest available figures. At 92.9%, the country's literacy rate is high, reflecting decades of investment in primary education. The literacy gap between men and women is closing as a result of almost 100% gender-equal primary school enrolment. Education is free and compulsory up until the age of 15. Secondary gross enrolment decreased somewhat from its peak of 92.5% in 2008 to 87.6% in 2014. Similarly, tertiary gross enrolment fell from 35.2% in 2012 to 34.6% in 2014. While primary and secondary education enrolment is equal between the genders, more women than men receive tertiary education. In sum, a large share of Tunisian youths receive high-level formal education. Amid a high quantitative output, the Tunisian education system has qualitative weaknesses. In the OECD's PISA education study that measures the performance of 15-year-old students, Tunisia's results were well below the OECD average in science, mathematics and reading. In reading, results have even declined since 2006. Tunisia fares above average for social equity (i.e., parents' education has a smaller impact on results than elsewhere) and the performance gap between boys and girls. The deficiencies result from both a lack of funding and capacity. The sector lacks teachers and instruction is often aimed at repetition rather than skill development. One result of this is a skills mismatch that contributes to the high unemployment of school leavers, as many lack the skills desired by employers.

In 2014, Tunisia invested 0.6% of GDP in research and development. This is too modest to climb the "value-added-ladder," where the share of knowledge-intensive production increases and better paying jobs are created. Given the high number of university graduates, this should be a priority. According to figures from the World Intellectual Property Organization, patent applications from Tunisia amounted to 627 in 2015, of which 409 were filed by non-residents, and 38 were filed abroad.

Education policy /
R&D



Governance

I. Level of Difficulty

Structural constraints on governance in Tunisia remained moderate. The country continues to benefit from investments made over decades on human development, comparatively good infrastructure and its proximity to Europe. No natural disasters or pandemics affected it during the evaluation period.

The continued conflict in neighboring Libya does, however, present a challenge. It pushed numerous Libyans to seek refuge in Tunisia and deprives the country of a previously vital source of remittances from Tunisians working in the oil-rich country. Moreover, the Tunisian authorities had to step up spending on both border and domestic security as the conflict spills over.

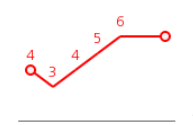
A structural constraint that the government has yet to effectively tackle is the uneven development across the country. Not only does the private sector outside the affluent coastal cities fail to create sufficient jobs for Tunisians, the quality of public services and infrastructure there lags behind as well. A mismatch between the skills trained in Tunisian education and those desired by potential investors and employers represents another obstacle on the way to development.

Civil society organizations (CSOs) have become a more common feature on the Tunisian political landscape and regularly voice their views on current policy. Numerous new organizations have been founded since the reform of the legal framework on CSOs in 2011, but much of the influence and capacity remains with the more established, urban-based organizations such as the so-called Quartet that was awarded the Nobel Peace Prize in 2015. Around 10,000 CSOs formally existed on the eve of the 2010/2011 revolution. According to a 2013 study by the Foundation for the Future, only 10% of these could be considered genuinely independent; the others were co-opted or even launched and funded by the regime. Even so, Tunisian civil society under authoritarianism did challenge the state both openly and covertly, albeit within limits. Today, authoritarian and patriarchal social norms and practice continue to weigh down on civil society's potential. Trust in strangers has begun to recover from a decrease that continued during the political transition.

Structural constraints

6

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Civil society traditions

6

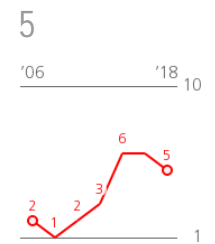
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A number of attacks by extremist religious groups have rocked Tunisia during the evaluation period. These have, however, failed to mobilize groups along cleavages. Social unrest also continued as numerous strikes and sit-ins have weighed down on businesses' output. At the same time, institutional politics has become much less polarized. In fact, the two parties arguably positioned at the respective ends of the parliamentary-political spectrum – the secular Nidaa Tounes and the moderate Islamist Ennahda – have formed a coalition government.

Attacks continue to target the security sector and tourism. The most prominent attacks in 2015 on the Bardo Museum, a Sousse beach, and a bus carrying security forces in central Tunis were followed in 2016 by a dawn raid on security installations in Ben Guerdane, near the Libyan border. Apparently aimed at establishing a caliphate on Tunisian soil with sharia law rule, the attackers were reportedly trained in Libya. Tunisian security forces thwarted the operation successfully and Ben Guerdane's citizens did not join the insurrection. There are ongoing operations by the Tunisian military against Islamist militants in the Djebel Chaambi area near the Algerian border. Moreover, it is estimated that between 3,000 and 6,000 Tunisians have joined the so-called Islamic State in Iraq, Syria, and Libya and many are expected to return to Tunisia as the group has come under pressure in the Mashreq.

Conflict intensity



II. Governance Performance

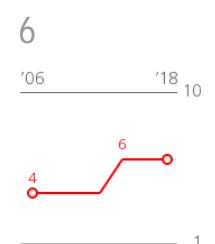
14 | Steering Capability

The Tunisian government's ability to prioritize and devise a long-term vision was disrupted by the deterioration in security during the evaluation period as well as the numerous administration changes over the course of the post-revolutionary period. Since the departure of Ben Ali, the country has seen seven prime ministers in as many years. This has resulted in a focus on short-term issues, particularly on security. While there are efforts to tackle issues underlying the instability in parts of the country – above all the lack of economic development in the periphery – securitization often trumps sustainable development. In that context, agreements with international financial institutions – above all the IMF – have provided an anchor for policy-planning. In 2016, the government laid out its Five-Year Economic Vision and a detailed development plan. Resting on five pillars (public institution effectiveness, economic diversification, human development and social inclusion, regional development, and green economic growth), this vision is accompanied by well-advanced plans for several sectors. The government has announced 2017 as “the year of reform.” Thus far, however, entrenched interests (e.g., business networks and the representatives of public sector employees) have weighed down on the government's ability to deliver on such ambitions.

Question

Score

Prioritization



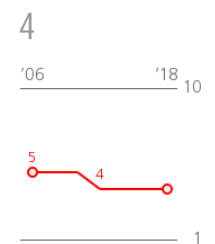
The deteriorating security situation meant that amid an initial focus on private-sector development, much of the authorities' attention shifted to security issues. Many of the priorities identified there could be implemented and the security situation improved in the latter half of the evaluation period. The government was less successful in implementing its economic policy priorities, ranging from reductions in unemployment and the budget deficit to dealing with loss-making SOEs. On one of the specific policies in this area, the reform of the public administration and reduction in the number of civil servants, the government is facing serious resistance from the UGTT. The IMF notes that "opposition by vested interests (...) resulted in the search for consensus taking longer than expected and reforms often turning out less ambitious than initially planned." While this is certainly true, in some cases this also reflects more effective scrutiny of the government's plans by civil society. The government also faced social tensions that included strikes and spontaneous work stoppages occurring on numerous occasions during the evaluation period.

The Tunisian government's record on policy learning is mixed. It is able to and does make use of past experience as well as knowledge exchange (e.g., through international cooperation). For example, it invited the Council of Europe's Venice Commission to advise on the draft law establishing Tunisia's constitutional court. Such consultations do not, however, consistently translate into innovative policies. In security and economic policy, the government is more prone to maintain "default" positions of orthodoxy.

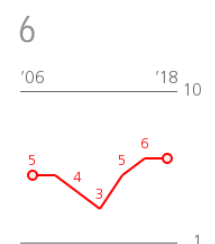
Smuggling across Tunisia's borders, for instance, is a serious problem as it brings with it a potential influx of weapons and jihadi fighters; numerous weapons have already been found. The government response, which consists of regular border closures and a general increase of security measures near the border, is likely to backfire. Citizens in the border regions have long relied on informal cross-border trade for their livelihoods and there is little to replace it. Due to the ongoing conflict in Libya, communities living near the border have lost another traditional source of revenue: remittances from Tunisians working in the neighboring country. Not only has the militarization of the border failed to stop smuggling, a survey by International Alert indicates that 80% of respondents in cities near the Libyan border believe that the ability to cross the border is related to corruption more than ever before. This further undermines government control. Projects to regulate and legalize trade, such as a free trade zone near the border, have been discussed, but not come to fruition.

The authorities are also regularly over-optimistic in their projections of economic growth and the resulting tax intake. Budgets have therefore seldom been accurate and short-term financial laws are required at the end of the year. While adopting much of the expertise provided by international financial institutions such as the IMF in its economic policies, the Tunisian government does not appear to have the capacity to develop more innovative approaches to tackling issues such as the widespread tax evasion among self-employed professionals.

Implementation



Policy learning



15 | Resource Efficiency

The Tunisian state continues to spend an extraordinary share of its budget on staff, limiting its ability to invest. This is a legacy of the post-revolutionary period when transitional governments recruited around 200,000 workers – not least to soften the economic deterioration that followed the political changes. At the end of 2016, Tunisia had 650,000 civil servants according to Minister of Civil Service and Governance Abid Briki. Reports suggest that daily rates of absenteeism are as high as 18%. Most state-owned enterprises (SOEs), which represent 13% of GDP, are both overstaffed and lossmaking. Under the Chahed administration, plans are being developed to both reduce staffing levels in the public sector and improve the financial situation of SOEs.

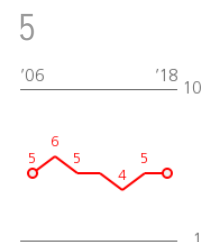
The government has run high deficits, but its overall debt position remains sustainable. The state's deficit in 2015 was 4.4% of GDP and is estimated to be 6% in 2016. Public debt reached 54.6% of GDP in 2015 and is estimated to be 61.7% in 2016. The deficits have been worsened by the high wage bill and need to bail out SOEs. Budgets are debated in parliament, but forecasts are regularly too optimistic. As they assume too high economic growth and tax intakes, parliament must adopt supplementary finance laws at the end of the year – as in 2016.

The efficiency of the public administration has deteriorated since the 2011 revolution. Corruption is widespread and hampers development. This is particularly the case for the peripheral areas where a lack of administrative skills contributes to a limited absorptive capacity to make use of public funds. Decentralization is mandated by the 2014 constitution, but the process has not been tackled in earnest.

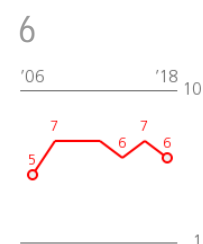
Faced with social tension amid sluggish growth and a number of terrorist attacks that in turn adversely affected the economy, the Tunisian government largely pursued a security-driven policy. Interministerial cooperation is inefficient and the multiple levels of government – national, regional, and local – have not been able to coordinate well; a failure that hits regional development particularly hard.

The constitution foresees complex power sharing provisions within the executive, where the president's responsibilities are defense, foreign policy, and national security whereas the prime minister deals with domestic matters. With ministerial appointments in the president's areas of competence requiring his approval, the constitution's design made it possible for President Essebsi to concentrate significant powers in the presidency. The Carthage Agreement, through which President Essebsi successfully pushed for a new government, shows that highly personalized policymaking is prevalent.

Efficient use of assets



Policy coordination



Blatant corruption in the Ben Ali regime had been a major trigger for the uprisings in 2010/2011. The failure of political elites to tackle corruption effectively has been one of the biggest disappointments of the post-revolutionary era for many Tunisians. The cost of corruption in Tunisia is substantial. In January 2017, the director of Tunisian customs said that his agency only contributed TND 5 billion to the state budget, with hundreds of millions of Tunisian dinar lost to corruption. Besides being a drain on state resources, corruption also has an opportunity cost: businesses that would operate in the absence of corruption do not invest in Tunisia.

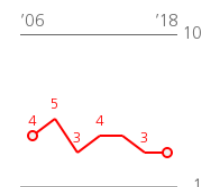
The 2014 constitution mandates a Good Governance and Anti-Corruption Agency, but sets no deadline for its establishment. Its creation by December 2016 is, however, a structural benchmark of Tunisia's present agreement with the IMF and it is also part of the government's current five-year economic development plan. In the absence of the independent constitutional body, the transitional National Anti-Corruption Authority (INLUCC, Instance Nationale de Lutte Contre la Corruption) is the main body responsible for anti-corruption efforts. It is, however, hampered by insufficient resources. At a parliamentary hearing in February 2016, INLUCC's head Chawki Tabib described the situation as deplorable, pointing out that fewer than a dozen judges are faced with a backlog of more than 12,000 dossiers. Tabib has faced death threats and enjoys protection by the presidential guards. With a view to reforming the anti-corruption framework, three bills are being drafted and discussed in the parliament at the time of writing: whistleblower protection (for cases where citizens report corruption in the public sector), conflicts of interest in the public sector, and financial disclosure of net worth for senior officials. At the same time, the parliament is discussing an economic and financial reconciliation law that would exempt offenders from prison time in exchange for a payment to the state.

A Freedom of Information Law was passed in March 2016 and will come into effect after a year. This implements the constitutional right to information access in Article 32 and foresees the establishment of an Access to Information Authority (Instance d'accès à l'information). In January 2017, however, Prime Minister Chahed issued a circular in which civil servants other than official spokespersons are banned from releasing information to the media without permission from their superiors. This has attracted considerable criticism from journalists and civil society who complain that access to information has in practice become more difficult than under previous transitional administrations.

The financing of political parties lacks transparency. The Tunisian accountability NGO I-Watch reported that in 2016 only 8 of 205 registered political parties had submitted their financial reports to the Court of Auditors (Cour des Comptes) on 31 December, in line with the relevant political party regulation. While Nidaa Tounes complied with the regulation, their coalition partner Ennahda, which holds a plurality in the parliament, failed to do so. I-Watch also reported that numerous members of the governments in office since 2011 have failed to report their assets in line with the

Anti-corruption
policy

3



relevant regulation. Moreover, 72% of electoral lists did not reimburse public funding for the 2011 and 2014 elections campaigns, which amounts to over TND 5 million.

16 | Consensus-Building

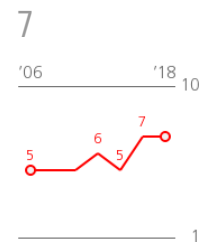
Tunisia's elites share a consensus on procedural democracy. The main political parties – engaged in a coalition government – and civil society organizations are in agreement over the constitutional democratic order. In practice, authoritarian norms persist and liberal rights are not consistently respected. The Carthage Agreement showed that highly personalized policymaking outside state institutions persists.

The country's main political parties agree on a market-based economy. The main point of contention between the government, parties and social forces is the degree to which the state should intervene in the economy. For instance, while some ministers are said to ponder the privatization of some lossmaking SOEs, the powerful trade union association is a strong proponent of government intervention in the name of social justice.

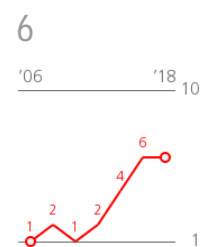
There are two key anti-democratic actors in contemporary Tunisia, though both have been unable to stall democratization in the post-Ben Ali era. First, members and associates of the former regime, particularly in the security sector and business. Second, ultra-conservative Islamic groups seeking to give religion a much more prominent role in public life to an extent that would be incompatible with a liberal democratic order. Their position does not seem widely shared by the population and Islamist groups have faced considerable repression by the state apparatus. A considerable share of former regime figures would be appeased if the economic and financial reconciliation law comes to pass. First proposed by President Essebsi, the bill would halt ongoing and future prosecutions of corruption or misuse of public funds by business people and public servants under the condition that the person agrees to a “reconciliation” agreement with a state commission to refund illegally obtained money to the state. Parliament started its discussions on the bill in June 2016, but it faces opposition by some political parties and key civil society groups such as the UGTT. While the president insists on the controversial bill, critics claim it is not only detrimental to the transitional justice process, but also unconstitutional.

Tunisia's consensus-oriented political culture has continued to leave its mark on day-to-day politics, but structural cleavages remain. The most remarkable instance of cleavage management may be the coalition government between the secular Nidaa Tounes and moderate Islamist Ennahda parties. The organizational and electoral success of Nidaa Tounes had in part been rooted in its firm stance against Islamist politics. The polarization between secular and Islamist forces had brought the country close to collapse during the political transition in 2013. Today, many laws in parliament are passed by broad majorities across party lines.

Consensus on goals



Anti-democratic actors



Cleavage /
conflict
management

7

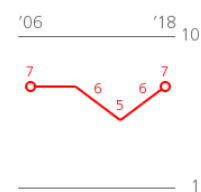
A key cleavage runs between generations, with many young Tunisians perceiving themselves shut out of economic opportunities and the political process. In turn, many youth (under 30) eschew institutional politics. Turnout in elections among youth is very low compared both to other countries in a transition and other democracies. Many young Tunisians prefer to engage in informal (e.g., NGO) activism rather than the formal political process. The latter is often seen as lacking prestige and financial security as well as being an elite affair. The profound disillusionment of youth with regard to economic and political opportunities is also a driver of militant Islamist radicalization.

While Tunisia is historically a highly centralized state, the 2014 constitution mandates decentralization to local government. Given the historically grown structures, there is strong resistance against this process within both elites and the state administration, suggesting that existing inequalities between regions are likely to have a strong impact on the political negotiations around the implementation of decentralization.

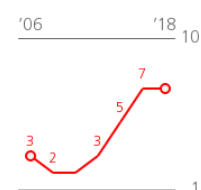
The participation of civil society has largely become the norm in the political process. CSOs are regularly consulted during the legislative process and several organizations are present in the parliament to scrutinize the work of the institution, recording and publishing attendance, voting records, and proposed bills as they are debated in the parliament. The future constitutional court's membership could include representatives of civil society: Article 118 of the constitution mandates that while all members need to be "competent," only three quarters are required to be legal experts.

The role of civil society was highlighted in the award of the Nobel Peace Prize for the so-called Quartet of CSOs in 2015. The group of four civil society organizations (the trade union association UGTT, employers' association UTICA, the Bar Association, and the Tunisian Human Rights League) had facilitated the National Dialogue between government and opposition during the political transition's tensest period and thereby ensured the adoption of the 2014 constitution.

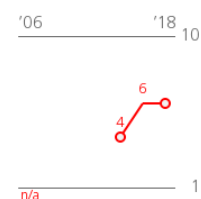
The Truth and Dignity Commission (IVD, L'Instance Vérité et Dignité) took up its work in June 2014, tasked with examining incidents of gross human rights violations by the state or those who acted in its name as well as the abuse of public funds since 1 July 1955. The IVD has a term of four years, which is renewable for up to one additional year. Notably, this is only the second national, public truth and justice process in the Arab world (after Morocco's much more limited Equity and Reconciliation Commission of 2004/2005). The IVD opened offices in cities across the country and in November 2016 held the first public hearings in Tunis. The televised session heard cases spanning from the Bourguiba regime to the upheavals of the 2010/2011 revolution. Given the presence of several politicians, the absence of the country's president, prime minister and speaker of parliament was widely interpreted as disinterest by these figures in the process. This suspicion is particularly



Civil society participation
7



Reconciliation
6



evident for President Essebsi, who served as minister of interior under President Bourguiba and was a high official under Ben Ali. President Essebsi also pushed for the controversial economic and financial reconciliation bill that would halt corruption cases under the condition that the person agrees to a financial “reconciliation” agreement with the state. Such a process risks undermining the IVD’s work. However, the latter is not without its own problems. Amid limited resources, pursuing its broad mandate will prove challenging within the short time span of four years (or five years, if parliament can muster the political will to extend the process by a year). The commission and especially its president have become the subject of political controversies. There are accusations of corruption, mismanagement, and political allegiance to Islamists, the former president, and even foreign agendas.

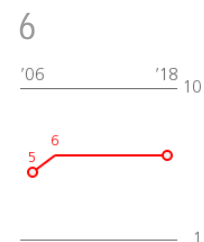
17 | International Cooperation

After the turbulences of the transition, Tunisia in 2016 resumed its post-independence practice of codifying a five-year development strategy. The “Tunisia 2020” vision was launched and accompanied with an international investment conference in November 2016. The strategy rests on five pillars: public institution effectiveness, economic diversification, human development and social inclusion, regional development, and green economic growth. It is a detailed plan that in many instances includes concrete projects that attracted investment and loans in the context of the Tunisia 2020 conference.

Since 2011, Tunisia has received comparatively generous funds from all major international financial institutions as well as development banks and various international partners, including the United States and European Union and its member states. In December 2015, a government source estimated that \$7 billion of loans and assistance had been delivered since the 2010/2011 revolution, with partners pledging more support. In 2016, the World Bank and the IMF committed further funds with explicit reference to the priorities of the government’s five-year plan. The World Bank established a Country Partnership Framework for Tunisia worth up to \$5 billion. Following its Stand-By Arrangement that ended in December 2015, the IMF approved a 48-month Extended-Fund-Facility of \$2.9 billion. However, a lack of implementation of the conditions attached to the loan meant that its second tranche, which was scheduled for release in December 2016, has been postponed.

The substantial international financial support aimed at consolidating Tunisia’s democracy and economic stability has mostly failed to deliver tangible and visible gains for ordinary Tunisians. Much of it was simply consumed by consumption expenditures including civil service salaries. The detailed nature of the 2016 – 2020 development plan presents a chance to steady implementation and coordination of development policy and thereby change the impression by many Tunisians that democracy does not deliver for them.

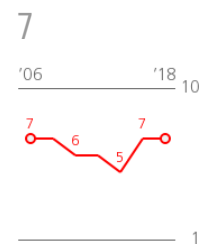
Effective use of support



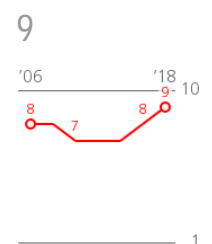
The substantial financial funding allocated to Tunisia by international financial institutions, development banks and other international partners are testimony to the credibility the country enjoys internationally. Assessing Tunisia's record under the IMF's 2013 – 2015 Stand-By Arrangement, the IMF notes that 60% of the forty-six structural benchmarks introduced under the program were met and that delays especially affected those reforms requiring parliamentary approval. The IMF subsequently approved a \$2.9 billion Extended-Fund-Facility though its second tranche has been postponed due to a lack of progress on reforms agreed to with the Fund. In the United Nations framework, Tunisia's election to the Human Rights Council in October 2016 is notable. Amongst the candidates, the country was elected with the largest number of votes, 189 out of 193 votes, for a three-year term beginning in 2017. While not in full compliance with all human rights agreements it is a signatory to, Tunisia has strengthened its cooperation with the UN's human rights bodies. Numerous Special Rapporteurs visited Tunisia during the evaluation period, Tunisian experts were elected to various bodies (e.g., the Committee against Torture) and the Office of the United Nations High Commissioner for Human Rights opened a country office in Tunis.

Tunisia is a member of numerous regional organizations, including the Arab Maghreb Union (AMU), Greater Arab Free Trade Area (GAFTA), African Union and Arab League. The country also cooperates closely with the European Union (EU). For example, it joined Horizon 2020, the EU's framework program for research and innovation, in December 2015. Building on a strong existing trading relationship, negotiations with the EU on a Deep and Comprehensive Free Trade Agreement (DCFTA or ALECA, its French acronym) began in April 2016. While the Tunisian constitution identifies the country as "committed to strengthening Maghreb unity as a step toward achieving Arab unity," the Maghreb remains one of the least integrated economic areas. Regionally, Tunisia and the other signatories of the 2004 Agadir Agreement (Egypt, Jordan, and Morocco) are seeking to revitalize this pact and expand trade. Tunisia also works with Algeria to intensify their trade ties on the basis of their 2008 trade agreement. Amid the continuing instability in North Africa – exemplified by the ongoing conflict in Libya – much cooperation within the Maghreb remains focused on security issues. Cooperation is particularly intensive with Algeria and included coordination on the Libyan conflict and joint military exercises. Successive Tunisian governments have offered Tunisia as a location for negotiations among Libya's conflict parties. However, given the country's vulnerability to spillovers from the conflict, it has also adopted a neutral position vis-à-vis the different parties involved. Tunisia accommodates an estimated two million Libyans who fled the conflict as well as provides a base for many diplomats and international organizations who moved from the country to Tunisia.

Credibility



Regional cooperation



Strategic Outlook

Since the first elections under the new, democratic constitution in 2014, progress has clearly been made toward fully implementing the constitution and other key reforms. However, much like the drafting process of the constitution, the implementation phase is taking more time and falls short of the high expectations it generated both at home and abroad.

Tunisia faces four main, interlinked challenges: lack of growth and a lack of economic opportunity, pervasive corruption in public and private institutions, an adverse security situation, and slow progress on political reform. Reforms to tackle each of these challenges are bound to be politically costly as they touch vested interests. With elections due in 2017 and 2019, politicians may hesitate to invest political capital in resolving these challenges. However, to secure meaningful progress on any of these challenges, reform momentum must be upheld on all of them.

Six years after a popular uprising triggered by poverty, unemployment and exclusion toppled a corrupt regime, many citizens have yet to experience tangible socioeconomic gains. The state-heavy economic system, sustained by an extensive bureaucracy and regulation, fosters corruption. To generate growth in the private sector, but also make public sector companies more efficient, governance and accountability must be improved. By strengthening the independence of the judiciary, the government has already taken one prudent step. This should be quickly followed by a thorough civil service reform and the creation and financing of other constitutionally mandated independent bodies such as the Anti-Corruption and Good Governance authority and constitutional court, which the constitution mandated for 2015. Socioeconomic progress cannot come soon enough for the many unemployed or underemployed, many of whom live in the long-ignored peripheral regions of the country. These peripheral regions deserve tangible remedies for the historic injustice done to them through decades of neglect by the central government. The benefits of governance reforms are likely to only accrue over the medium and long term. More imminently, additional spending should be shifted to investment, which the whole economy, but particularly these peripheral regions, urgently need. Other concrete measures, such as increasing the army's role in providing vocational training and employing military hospitals to offer care for populations in deprived areas, should also be considered. External funding may be available for some of these initiatives – Tunisia has already received generous funding from many international partners – but the government must also clamp down on widespread tax evasion and promote a vision of citizenship that includes paying taxes as a social responsibility.

The current combination of corruption, lack of economic opportunity and perceived lack of political progress feeds a sense of hopelessness in which radicalization can flourish, with serious security implications. To counter current security threats, improved intelligence gathering and equipment are necessary along with programs to deal with jihadi returnees from conflict areas. Likewise, critical are reforms that address the socioeconomic impetus of the 2010/2011 revolution. Tunisia's politicians will need to carefully balance the need for political consensus on key policies, with the need for decisiveness and distinguishable electoral choices.