

## **INCLUSION AND RESILIENCE: STRENGTHENING TUNISIA'S REFORM PROGRAM**

**MARWAN MUASHER, MARC PIERINI, AND FADIL ALIRIZA**

Following an unprecedented period of political consensus building, Tunisia and its international partners have launched a new coordination mechanism to boost long-term investment and facilitate private-sector growth. However, for this effort to succeed, a bottom-up approach must also be taken to address more urgent challenges such as youth unemployment, corruption, centralized governance, and public distrust. This will require instituting broad-based economic and political reforms that democratize market access, engage local actors, and meet the needs of all citizens, especially those marginalized in interior regions.

### **Key Themes**

- Although Tunisia has made significant progress toward consolidating its democracy, consensus among political parties has not translated into public buy-in of the reform process.
- Substantial inequality remains among citizens, depending on geographic location, age, and political and social status.
- The November 2016 international investment conference, Tunisia 2020, is part of a strategy to secure the country's long-term economic development, but there are major, near-term obstacles to its effective implementation.
- Increased spending on public wages and debt has left little room for investment in Tunisia's budget.
- Pervasive corruption and nepotism and prohibitive customs and tax regimes are barriers to small and medium-sized enterprises and achieving shared prosperity.
- Difficult reforms, such as reducing public-sector employment, could exacerbate political and social tensions.
- The kind of investment made and level of civic society engagement will be important factors in building a resilient economic, political, and social order in Tunisia.

### **Recommendations**

- The government of Tunisia, with international support, should
  - Make comprehensive tax and customs reform a priority to open up the market for local, small and medium-sized enterprises and generate job opportunities.
  - Fight corruption at every level by mandating officials' public disclosure of assets and interests; creating transparent tracking and reporting mechanisms for the investment, development, and trade sectors; and cracking down on illicit capital flows.
  - Work toward decentralizing governance to the local level by drafting an electoral law and holding free and fair local elections.
  - Promote domestic investment in Tunisia's marginalized, interior regions.
- Tunisia's international partners should
  - Reaffirm their strong support to the government and the country's entire society on the difficult march toward reforms.
  - Augment their financial and technical support for Tunisia's democratic and economic development, and focus on projects with wide-reaching benefits, such as infrastructure.
  - Be sensitive about conditionality and avoid restructuring the economy too quickly or drastically, which would exacerbate social tensions and risk damaging Tunisia's fragile transition.
  - Engage local actors, civil society, and the media in formulating coordinated development policies to give them a stake in governance and increase the likelihood of reforms succeeding.

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