WHY ECONOMIC REFORM FAILED IN TUNISIA

ASSESSING FOUR DONORS AND A COUNTRY IN TRANSITION

SABINA HENNEBERG

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Abbreviations

AFD	Agence Française de Developpement
AfDB	African Development Bank
CPG	Phosphate Company of Gafsa
DCFTA	Deep and Comprehensive Free Trade Area
DPL	Development Policy Loan (World Bank)
EBRD	European Bank for Reconstruction and Development
ECFR	European Council on Foreign Relations
EEAS	European External Action Service
EFF	Extended Fund Facility (IMF)
EIB	European Investment Bank
EMP	Euro-Mediterranean Partnership
ENP	European Neighborhood Policy
EUR/ACE	Office of the Coordinator of U.S. Assistance to Europe and Eurasia
FDI	foreign direct investment
FTA	free trade agreement
IFI	international financial institution
IS	Islamic State

ISN	"Interim Strategy Note" (World Bank)
MEPI	Middle East Partnership Initiative
MFA	Macro-Financial Assistance (EU)
NCA	National Constituent Assembly
PDL	Free Destourian Party
PfDSP	Partnership for Democracy and Shared Prosperity
PRA	People's Representative Assembly
RCD	Constitutional Democratic Rally
RFI	Rapid Financing Instrument
SAP	Structural Adjustment Program
SBA	Stand-By Arrangement (IMF)
SCMET	U.S. Office of the Special Coordinator for Middle East Transitions
SPRING	Support for Partnership, Reforms, and Inclusive Growth (EU)
TIFA	Trade and Investment Framework Agreement
UGTT	Tunisian General Labor Union
USAID	U.S. Agency for International Development
UTICA	Tunisian Confederation of Industry, Trade, and Handicrafts

Executive Summary

After the Arab uprisings of 2011, Tunisia distinguished itself as the region's best prospect for a democratic transition, boasting achievements such as a new constitution, free and fair elections, and commissions addressing corruption, media freedom, and women's rights. Yet economic grievances lay beneath the uprising, and international actors understood that Tunisians would embrace political change only if they believed the country's economic problems were being addressed. Ultimately, even major global assistance during the postrevolutionary years failed to stem Tunisia's economic problems. Any final illusions about a democratic transition dissipated on July 25, 2021, when President Kais Saied suspended parliament and consolidated national power.

This study seeks to assess what went wrong with Tunisia's transition by focusing on the activity of four key international donors and lenders between 2011 and 2021 (the World Bank, International Monetary Fund, United States, and European Union), while separating the decade into three phases:

The road to National Dialogue, 2011–14. Tunisia's first three years following the January overthrow of President Zine al-Abidine Ben Ali were marked by various political and economic struggles, but also by a unique civil society–organized National Dialogue that ultimately engendered a new constitution in early 2014 and presidential and parliamentary elections later that year. The economic challenges arose largely from the revolution itself

and political turbulence centered on the hasty election for the 2011 Constituent Assembly. Only once a yearlong interim government was replaced by a "technocratic" government was the new constitution adopted, allowing for the election of leaders including President Béji Caïd Essebsi.

Political progress amid institutional stasis, 2015–19. The second phase of Tunisia's transition began hopefully amid the recent political achievements but was, in time, marred by security threats and reemergent corruption. By the fall 2019 elections, Tunisian voter participation reflected clear disillusionment with democratic politics. Even so, on the economic front, international financial institutions continued their lending in an effort to help Tunisia meet its funding and debt-payment needs. The United States, for its part, worked with Tunisia to advance economic stability and reform through both smaller programs funded through the U.S. Agency for International Development and longer-term initiatives such as a Millennium Challenge Corporation compact.

Disillusionment and a return to authoritarianism, 2019–21. The final interval covered in this study began with Kais Saied's election as president, followed by the election of a parliament meant to serve until 2024. Normal life in Tunisia was soon disrupted by the Covid pandemic, which revealed much of the underlying dysfunction in the economy and exacerbated Tunisians' anger over the political chaos and lack of improvement in their daily lives. Yet the period also saw reasons for optimism, including continued hopes for democracy and reduced donor concerns about security. International financial institutions and bilateral donors in turn pushed ahead with their programs. But a different threat emerged in the form of foreign meddling, mainly from regional governments seeking to secure their own financial and ideological interests rather than a pluralistic, economically healthy Tunisia.

Despite the broad failure of international support for reform in Tunisia, the four key actors did facilitate certain successes, particularly in less politically sensitive areas like overhauling the investment code and increasing tax revenue, including through a value-added tax increase in 2018. Similarly, as acknowledged in IMF program reviews, the Tunisian government took steps toward expanding social protections, such as through shifts away from universal subsidies and toward more targeted social transfers in order to reach vulnerable groups.

The larger Tunisian story reveals a kind of paradox. For donors, the country held the potential to transition away from authoritarian rule—thereby spurring democratic reform elsewhere in the region—but simultaneously was regarded as less worthy of attention than its authoritarian, war-torn, yet more influential neighbors. At times, this disconnect perhaps led Tunisians to feel more valued by the international community than they actually were.

Given the experience of 2011–21, what steps can international donors and lenders take to support Tunisia's economy? How can they apply lessons from the postrevolutionary decade to support future transition attempts in Tunisia and elsewhere?

- First, donors and lenders seeking to promote economic reform in a country transitioning from authoritarian rule must **think collectively and long term about their objectives.** Even under the best of circumstances, a decade is barely sufficient for enacting a dramatic economic overhaul. Moreover, even in apparently promising cases, transitions take time and face regular setbacks. In both Tunisia and other future instances of transition, enthusiasm for supporting reform must be accompanied by mechanisms for sustained commitment beyond a few years. This could involve, for example, pledging assistance over a longer timeframe or dedicating the resources for working groups to meet over ten, fifteen, or twenty years.

- Second, donors need to **be clear-eyed about performance when it comes to economic reform.** Treating Tunisia as a "success story" merely because it averted the civil war or military rule experienced by its neighbors did not advance the economic reform project. The donor community also might have systematically considered the impacts of the harmful exogenous events. For example, the Deauville partnership formed in May 2011 could have called emergency high-level meetings to address later terrorist incidents in a way that preserved its collective reform agenda. Such an approach would have required space within coordination mechanisms, including the Deauville partnership as well as the G7+EU Tunisia Economic Partners Group, for frank dialogue about Tunisia's political and economic progress toward transition from authoritarian rule.

- Third, international donors and lenders must **try new strategies when they perceive their support to be falling short of its desired effects.** Although multilateral development banks like the IMF and World Bank may not have the flexibility to quickly shift course mid-loan, they can undoubtedly collaborate with other donors and lenders to address a key cause of government resistance to change: profound skepticism among the public. This requires the early adoption and regular and frequent evaluation of communication mechanisms (e.g., local dialogues, Facebook campaigns) aimed at persuading Tunisians that donor-backed reforms are not secretly meant to impoverish the country. Similarly, in their planning around trade agreements, bilateral donors should incorporate education programs that can enhance popular support and understanding about the benefits of private-sector-led growth.

- Fourth, the international community can **look for opportunities to impose stricter conditionality on a transitioning country.** In the case of Tunisia, donors' consistent inclination toward flexibility did not pay off, and tactical shifts at key moments might have yielded better outcomes. For example, the IMF's belated withholding of the second tranche of Extended Fund Facility financing in 2017 might have been more appropriate earlier—such as after the election of the "troika" government in 2011 or the Béji Caïd Essebsi/Habib Essid government in 2014.

- Fifth, international donors and lenders should seek to **build on the progress made in Tunisia since 2011**, however minimal it appears. This includes continuing to engage with Tunisian authorities on projects that reduce energy costs and revive once-thriving industries, such as phosphates, thus improving the country's financial health and economic outlook. Relationships established during the postrevolutionary decade, despite President Saied's harsh rhetoric around foreign interference, have not been completely severed. Although Tunisia's current environment discourages governance innovation, in-depth training for Tunisian civil servants in skills related to effective economic management—e.g., policy analysis, intergovernmental cooperation—should continue. Such steps addressing Tunisians in both the civil service and the private sector could facilitate economic progress when political opportunity opens up in the future.

1

Introduction

The fall of Tunisia's longstanding dictatorship in 2011 brought about several institutional changes, including a new, more liberal constitution, free and fair elections, and commissions addressing issues such as anti-corruption, media freedom, and women's rights. These changes led many observers to believe the country was transitioning away from authoritarian rule. International actors, for their part, recognized that economic grievances—chiefly unemployment, inequality, and corruption—had motivated the uprising that drove out Tunisia's autocratic president, and that only addressing fundamental economic challenges would convince Tunisians that a more open political system could improve their day-to-day lives.[1] Despite in-depth reports on the topic accompanied by numerous interventions and massive pledges of support by international actors, both Tunisia's democratic transition and its economy were, by late 2021, in jeopardy.

Although the international community sought to support a highly ambitious economic reform agenda, the political events of July 25, 2021—when President Kais Saied suspended parliament and seized power unilaterally—still came as a surprise. This development essentially began the unraveling of Tunisians' progress toward a democratic system of governance. It also suggested that efforts at economic change in Tunisia had not supported liberal democracy, prompting the question of why—despite enthusiasm and high levels of international assistance and support—this was so.

The present study seeks to answer this question by addressing the engagement of four primary international donors and lenders in Tunisia between 2011 and 2021: the World Bank, the International Monetary Fund, the United States, and the European Union. Although numerous other outside actors sought to support or influence Tunisia's transition, these four best represent the Western policymaking perspective with which this monograph is concerned.[2] They also effectively led the way in supporting the overall transition process.[3]

The choice of these four donors indeed may bias the research, specifically toward a U.S. perspective. Yet the other major international actors involved, as measured by funding volume—including the African Development Bank and European Investment Bank[4]—dealt less with economic policy than those considered here, so the bias may not be as great as it would first appear. The monograph also considers attempts by outside actors—mostly wealthier governments in the Middle East and North Africa—to influence Tunisia's political and economic transition.

CONTRIBUTION TO THE LITERATURE

Tunisia's return to autocracy in 2021 after a decade of apparent promise has received significant attention from academic and policy researchers. The literature is dominated by the problem of identity politics—i.e., Islamists vs. secularists—including explorations of how a focus on identity conflicts came at the expense of other pressing issues.[5] Growing public disillusionment with the political class has also been linked to the challenge of reincorporating the main Islamist party, Ennahda, into political life.[6] Other factors in Tunisia's democratic experiment receiving attention include the military,[7] the national labor union,[8] the education system and women's rights,[9] and civil society.[10]

A relatively small portion of the literature has highlighted Tunisia's economic policies over 2011–21,[11] with much of it tracing their flaws to Tunisia's post-independence history.[12] Political economy studies have faulted the international community for its continuing willingness to lend at below-market rates, discouraging Tunisian authorities from undertaking needed reforms such as reducing energy subsidies and reconfiguring state-owned enterprises.[13] Similar studies have argued that the massive foreign aid streaming into Tunisia was failing to address systemic corruption, placing the country's democratic future in doubt.[14]

To date, however, no study has fully examined the international community's failure to help Tunisia undertake the economic reforms that might have helped its political transition succeed. While some studies have looked at the role of international lending in either advancing or hindering reforms,[15] few have comprehensively explored international engagement with Tunisia's economic reform as a fundamental pillar of broader democratic reform. This monograph helps fill that gap, focusing on the decisions of key international players in encouraging and supporting Tunisia's economic reforms, and the impacts of these decisions.

This text makes two chief contributions to the existing literature on democratic transition and specifically the attempted transition in Tunisia:

1. It sheds light on exactly what the international community did to help the country's economy recover from the turmoil created by the 2011 instability and to address the structural problems

that initially drove Tunisians into the streets. The steps taken by donors and lenders considered here are documented in various reports and statements but have not yet been cataloged systematically.[16]

2. It helps explain why this assistance did not achieve the desired results: fundamental change to Tunisia's economic structures and—indirectly—sustained democratization. It further enhances existing research on the mechanisms by which international lenders succeed or fail in stabilizing countries undergoing political transition.[17] And it brings economic assistance more firmly into the picture, along with identity politics, the role of Tunisia's labor union and other interest groups, and a preoccupation with security, among other issues. The study thus broadens the understanding of why, despite significant international support, the democratic experiment in Tunisia floundered.

In addition to enhancing a broader understanding of how the international community can support democratic transitions, the study draws on lessons learned from 2011–21 to offer policy ideas. The ultimate conclusion about how Tunisians, international actors, and other external forces prevented deeper change in Tunisia's economy can perhaps engender more effective approaches to democratic—and economic—reform in the future.

TERMINOLOGY

This monograph is about the relationship between democratization, economic reform, and international assistance. Here, *international assistance* refers to the full spate of programs offered by international financial institutions (IFIs) and bilateral partners to promote specific goals in a country like Tunisia. Such assistance includes economic, financial, and technical support. *Economic support* refers to development assistance, either through a loan or grant, intended to support projects such as infrastructure improvement, jobs training, and private sector development. Such programs often include technical support or assistance, or the deployment of international advisors to help Tunisians engage in a given project.[18] *Financial support* refers to loans conditioned on structural reforms that address what donors perceive to be fundamental flaws in the country's economic system. These include reforms related to governance, budgeting, and regulations,[19] including IMF interventions focused on long-term "structural" reforms seeking to alleviate unnecessary state involvement in the economy. *Technical support* covers reforms in areas such as the tax and investment code, banking deregulation, and civil service and pensions.

To address the economic instability caused by Tunisia's abrupt transition away from its autocratic system, the IMF targeted both economic stabilization and economic reform. Stabilization came first, addressing Tunisia's balance of payments problems through interventions that helped rebuild foreign reserves, stabilize the currency, and reduce current account deficits. These steps were to be followed by conditional loan programs in which, theoretically, tranches of a loan would be disbursed in coordination with the adoption of economic reforms.[20] Because both economic stabilization and reform are considered prerequisites for growth, World Bank activity also supported such efforts—mostly through financing investment projects—to further its mission of ending extreme poverty and promoting shared prosperity.[21]

Meanwhile, the U.S. government and European Union supported projects aimed at furthering their own national interests through advancing economic and broader stability in Tunisia. Their policy tools included both traditional aid assistance through grants and concessional loans as well as modalities like trade.[22] As will be discussed later, IFIs differed from bilateral donors because the former considered political impact to be outside their domain. Nonetheless, all these donors and lenders assumed growth would facilitate a political transition by helping expand economic opportunities for all segments of the population—specifically, by growing a middle class that would demand a voice in governing institutions.[23] This monograph, to the extent possible, zeroes in on interventions aimed at achieving those three economic objectives—stabilization, reform, and growth—while mindful all along of the transitional context. It recognizes that economic policy is frequently affected by political decisions, and vice versa.

While international donors and lenders often distinguish between economic and other forms of assistance (e.g., security), the line between supporting economic and political change, particularly in a transitional context like Tunisia's, is often blurry.[24] Thus, this study considers how economic, political, and security goals interact in the experience of donors and lenders. It also focuses on interventions by the international community aimed specifically at achieving economic change, such as conditional loan programs.

The concept of "political economy"—which considers economic policy as "the outcome of interactions among politicians, bureaucrats, and interest groups operating within a set of institutional constraints"[25]—is central to the questions examined in this monograph: How did Tunisia's specific attempts to build new political institutions (e.g., an independent election authority, anti-corruption commissions) interact with simultaneous attempts to introduce economic reforms? How did civil society in Tunisia—or the amalgamation of domestic NGOs seeking to achieve various political, economic, and other goals—influence economic processes like negotiations with the EU over a Deep and Comprehensive Free Trade Area? How did Tunisia's existing (i.e., prerevolutionary) economic policies favor a small circle of elites who held political influence, and why was it so hard for the international community and Tunisian politicians to change this reality?

TIMEFRAME AND METHODOLOGY

This study focuses on the decade immediately following the departure of President Zine al-Abidine Ben Ali on January 14, 2011. By the time President Kais Saied consolidated power on July 25, 2021, Tunisia had long been veering from its perceived democratic path,[26] but his announcement marked a decisive break, belying the notion of a transition away from authoritarianism. The study is based on secondary data and sources as well as on interviews conducted with Tunisian and international policymakers and economists during 2024, 2025, and early 2026. The timeframe adopted therefore allows for hindsight among interviewees and accommodates lags in the publication of economic data.

Although no research design is perfect, each transition has its unique features related to national history and the emergence of institutions. In Tunisia, for example, powerful unions held much more sway during the post-2011 years than in Egypt, where the authoritarian government was also ousted and the military was central in undermining a democratic transition. Nonetheless, this study assumes that the policy lessons from Tunisia can be applied to other cases of attempted democratic transition—resting on the fundamental need to reform structures to allow for inclusive economic policy—in the Middle East and North Africa as well as elsewhere.[27]

FINDINGS

The monograph identifies three categories of explanations for why post-2011 international assistance to Tunisia ultimately failed to beget economic reform. The first focuses on challenges stemming from the nature of Tunisia's political economy and its transition, including a lack of absorption capacity, choices made by postrevolutionary authorities to prioritize political consensus over economic reform, and resistance by interest groups.

The second category identifies problems related to the international community and its approach to supporting economic reform in Tunisia. These include setting high expectations among Tunisian counterparts while also expecting to achieve "quick wins" without dedicating sufficient resources; prioritizing security concerns over economic reforms; an absence of policy tools appropriate for Tunisia's stature and particular conditions; and the challenge of introducing reforms within a narrow window of time. The monograph also identifies several challenges within this category not unique to Tunisia, such as an inability among foreign donors and lenders to navigate the country's political economy or to present a common front.

Third, the monograph identifies a category of challenges described as exogenous or external. In post-2011 Tunisia, these included a series of security events both inside and near the country; developments outside the country or donor headquarters such as a military coup in Egypt; and financial assistance to Tunisia by other regional actors as they attempted to sway the country's politics. Such events, although outside the control of Tunisian and international actors, play a significant role in explaining why international assistance did not go farther in supporting economic reform.

International donors and lenders can draw several lessons from a decade of unsuccessful attempts to stabilize and reform Tunisia's economy during a transition from authoritarian rule. Chief among these is that international assistance to economic reform is necessary for a country to overcome the attendant challenges of a political transition. Such assistance must be sustained and driven by a long-term vision, supported by close monitoring of goal benchmarks, and attuned to outside forces that may be interfering with those goals.

Yet international assistance will not suffice to achieve economic reform without adequate understanding and willingness among Tunisians. The donors and lenders considered in this study did work with postrevolutionary leaders who were ready to embrace change. What was missing was a joint effort between donors and lenders to overcome resistance from the public and from actors with vested interests in blocking reform. Future donor and lender efforts to support economic transition in Tunisia and elsewhere must therefore dedicate adequate attention to building state capacity and developing sectors for which sustainable reform will take generations.

STRUCTURE OF THE MONOGRAPH

Following the introduction, chapter 2 of this study describes Tunisia's economic experiences since its independence from France in 1956, and associated engagement from donors and lenders. The next three chapters (3–5) are empirical and divide the decade into three phases, effectively corresponding with the country's three governments: 2011 through 2014; 2015 through mid-2019; and later 2019 through mid-2021. Each chapter describes the major events in Tunisia's transition to democracy, the actions taken by the four primary donors, and how these actions either furthered or impeded progress toward democracy.

Chapter 6 makes a brief detour to acknowledge successes in international support for Tunisian economic reform before looking in greater depth at what went wrong. This analytical chapter, drawing on material from the empirical chapters, presents three categories of challenges that ultimately stymied economic change: Tunisian sources, international sources, and external or exogenous forces. The concluding chapter offers lessons for the future and recommendations for policymakers.

Notes

1 See Francesco Cavatorta, "The 2011 Uprisings in North Africa: Causes and Consequences," in *Routledge Handbook on the Modern Maghrib*, ed. George Joffé (Routledge, 2024), 440.

2 According to Lisa Spantig, the three largest multilateral donor organizations providing post-2011 support in Tunisia were the African Development Bank, the European Investment Bank, and the World Bank. See "International Financial Institutions: Business as Usual in Tunisia?" in *Tunisia's International Relations Since the "Arab Spring": Transition Inside and Out*, ed. Tasnim Abderrahman et al. (Routledge, 2018), 216. Member states within the European Union were also important donors, especially France, Italy, and Germany and to a lesser degree Spain and the United Kingdom, but they are excluded to limit the scope of the discussion. For a more comprehensive review of Tunisia's international relations during this period, see the full volume edited by Abderrahman et al.

3 The United States and EU would not support or promote reforms in contradiction to those proposed by the IMF, for example.

4 See Spantig, "International Financial Institutions."

5 See Anne Wolf, "In Search of 'Consensus': The Crisis of Party Politics in Tunisia," *Journal of North African Studies* 24, no. 6 (2019), 883–86, available at https://www.tandfonline.com/doi/full/10.1080/13629387.2019.1675249; Shadi Hamid and Sharan Grewal, *The Dark Side of Consensus in Tunisia: Lessons from 2015–19* (Brookings Institution, 2019), https://www.brookings.edu/articles/the-dark-side-of-consensus-in-tunisia-lessons-from-2015-2019/.

6 See Rory McCarthy, *Inside Tunisia's al-Nahda: Between Politics and Preaching* (Cambridge University Press, 2018).

7 See Sharan Grewal, *Soldiers of Democracy: Military Legacies and the Arab Spring* (Oxford University Press, 2023); Alejandro Pachon, "Loyalty and Defection: Misunderstanding Civil-Military Relations in Tunisia During the 'Arab Spring,'" *Journal of Strategic Studies* 37, no. 4 (2014), 508–31, available at https://www.tandfonline.com/doi/abs/10.1080/01402390.2013.847825; and Hicham Bou Nassif, "Coup in Tunisia: Why the Military Abandoned Democracy," *Journal of Democracy* 33, no.1 (2022), https://www.journalofdemocracy.org/articles/why-the-military-abandoned-democracy/.

8 Hèla Yousfi, *L'UGTT: Une Passion Tunisienne; Enquête sur les Syndicalistes en Révolution, 2011–2014* (L'Institut de Recherche sur le Maghreb Contemporain, 2014).

9 See Safwan M. Masri, *Tunisia: An Arab Anomaly* (Columbia University Press, 2019); Valentine M. Moghadam, "Explaining Divergent Outcomes in the Arab Spring: The Significance of Gender and Women's Mobilizations," *Politics, Groups, and Identities* 6, no. 4 (2017), available at https://www.tandfonline.com/doi/full/10.1080/21565503.2016.1256824.

10 Edwige Fortier, *Contested Politics in Tunisia: Civil Society in a Post-Authoritarian State* (Cambridge University Press, 2019); and Alexander P. Martin, *Tunisian Civil Society: Political Culture and Democratic Function Since 2011* (Routledge, 2020).

11 See various works by Hamza Meddeb, mostly published by the Carnegie Endowment for International Peace. See also International Crisis Group, *La Transition Bloquée: Corruption et Régionalisme en Tunisie* (ICG, 2017); Fadil Alireza, "Perpetual Periphery: IFIs and the Reproduction of Tunisia's Economic Dependence," in *The Impact and Influence of International Financial Institutions on the Economies of the Middle East and North Africa*, ed. Tarek Radwan (Friedrich Ebert Stiftung, 2020); and Robert Kubinec, *Making Democracy Safe for Business: Corporate Politics During the Arab Uprisings* (Cambridge University Press, 2023).

12 See Saber Mansouri, *Un Printemps sans le Peuple: Une Histoire Arabe Usurpée, Janvier 2011–November 1911* (Passé Composé, 2020).

13 Riccardo Fabiani, "Tunisia and the International Community Since 2011: Rentierism, Patronage and Moral Hazard," *Jadaliyya*, January 29, 2018, https://www.jadaliyya.com/Details/35142/Tunisia-and-the-International-community-since-2011-Rentierism,-Patronage-and-Moral-Hazard.

14 Robert Kubinec, "How Foreign Assistance Can Hurt, Not Help, Tunisia's Democratic Transition," *Monkey Cage, Washington Post*, December 19, 2016, https://www.washingtonpost.com/news/monkey-cage/wp/2016/12/19/how-foreign-assistance-can-hurt-not-help-tunisias-democratic-transition/.

15 See Maxwell J. Fuerderer, "Presidential Prerogatives, Exogenous Situations, and Sisyphean IMF Loan Arrangements: Examining Fiscal Crises in Post–Arab Spring Tunisia and Egypt," *Third World Quarterly* 44, no. 11 (2023): 2335–50; Fabiani, "Tunisia and the International Community Since 2011," https://www.jadaliyya.com/Details/35142/Tunisia-and-the-International-community-since-2011-Rentierism,-Patronage-and-Moral-Hazard; Irene Weipert-Fenner et al., "The Political Economy of Implementing IMF Reforms: Evidence from Egypt and Tunisia," *British Journal of Middle Eastern Studies* (2025), available at https://www.tandfonline.com/doi/full/10.1080/13530194.2025.2473880; and Amr Adly and Hamza Meddeb, "Why Painful Reforms Are Less Risky in Tunisia than Egypt," Carnegie Endowment for International Peace, March 31, 2017, https://carnegieendowment.org/research/2017/03/why-painful-economic-reforms-are-less-risky-in-tunisia-than-egypt.

16 Unlike other analyses—e.g., Abderrahim et al., *Tunisia's International Relations Since the "Arab Spring"*; Uri Dadush and Michele Dunne, "American and European Responses to the Arab Spring: What's the Big Idea?" *Washington Quarterly* 34, no. 4 (2011)—this study offers a longer-term perspective, meaning it has more complete data and more hindsight.

17 See Randall W. Stone, *Lending Credibility: The International Monetary Fund and the Post-Communist Transition* (Princeton University Press, 2002); Bernhard Reinsberg et al., "Unimplementable by Design? Understanding (Non-)Compliance with International Monetary Fund Policy Conditionality," *Governance* 35, no. 3 (2022): 689–715; and Padma Desai, "Beyond Shock Therapy," *Economic Reform and Democracy* 6, no. 2 (April 1995), 101–11.

18 See Phyllis R. Pomerantz, *Foreign Aid: Policy and Practice* (Routledge, 2024), 91.

19 For a broader discussion on the forms and mechanics of international assistance, with an emphasis on the United States, see "Foreign Assistance: An Introduction to U.S. Programs and Policy," Congressional Research Service, updated January 10, 2022, https://www.congress.gov/crs-product/R40213#_Toc92815024; Pomerantz, *Foreign Aid*.

20 In reality, IMF lending arrangements are more complicated than this; the fund strives to tailor arrangements to each country's circumstances. See IMF lending fact sheet, https://www.imf.org/en/about/factsheets/imf-lending.

21 Pomerantz, *Foreign Aid*, 60–61.

22 For "grants and concessional loans," see Pomerantz, *Foreign Aid*, chap. 4.

23 As theorized by Barrington Moore Jr. in *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Beacon Press, 1993).

24 This is because, as noted, donors view political and economic change as going hand in hand.

25 Stephan Haggard and Steven B. Webb, eds., *Voting for Reform: Democracy, Political Liberalization, and Economic Adjustment* (Oxford University Press, 1994), 3.

26 International Crisis Group, *Stemming Tunisia's Authoritarian Drift,* Middle East and North Africa Report 180 (ICG, 2018), https://www.crisisgroup.org/rpt/middle-east-north-africa/tunisia/180-stemming-tunisias-authoritarian-drift.

27 As of this writing, Syria is among the recent cases within the Middle East and North Africa—along with Nepal and Madagascar outside the region—where popular protest led to the ultimate toppling of dictators.

2

Economy and Western Support Before the 2011 Revolution

When they took to the streets in December 2010, Tunisian protesters articulated a set of demands explicitly tied to the economy. Yet these calls for economic change were intertwined with political demands, given that many Tunisians felt excluded from access to their country's wealth.[1] After the revolution, key donors sought to respond with support for economic reforms that would help meet these demands.[2] As this chapter shows, donors were very clear about their intent to facilitate Tunisia's economic transition (ameliorating concerns such as unemployment, inequality, and corruption) alongside its political transition (building new, inclusive governing institutions). As such, the chapter explores the underlying issues that drove the 2010–11 uprising and how donors initially responded to the events.

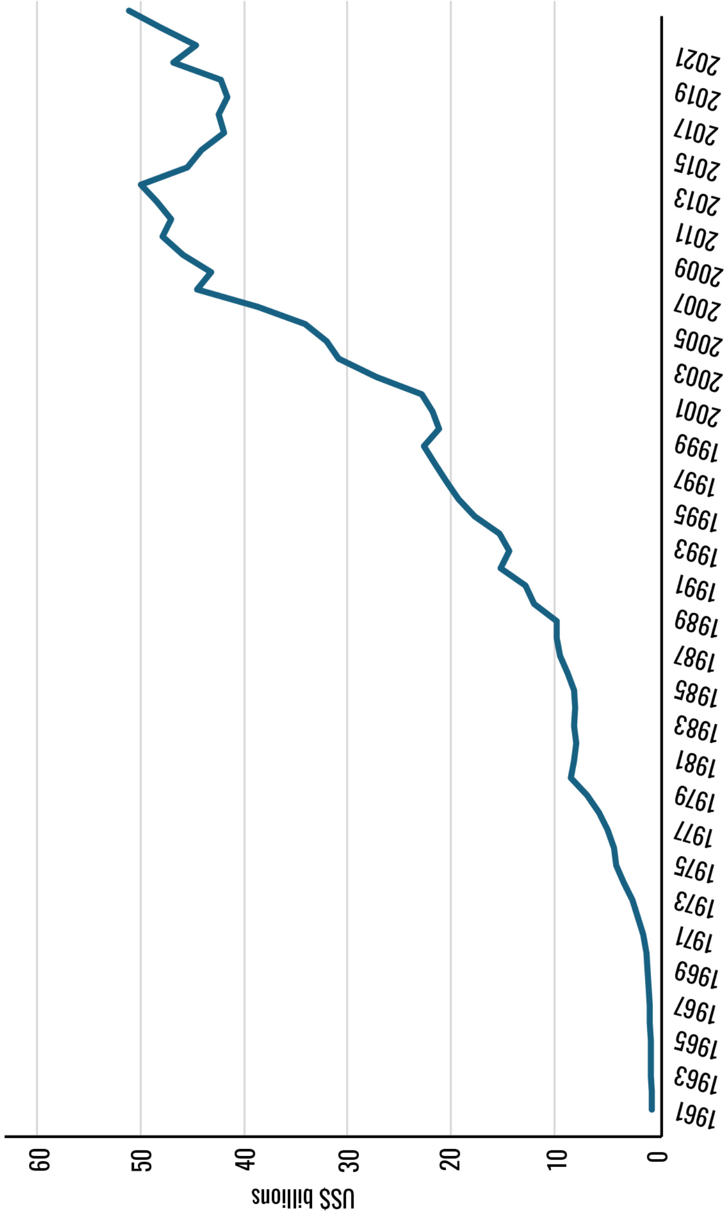
TUNISIA'S POST-INDEPENDENCE ECONOMIC DEVELOPMENT, 1956–87

Under the Tunisian republic's first president, Habib Bourguiba, the government tried policies rooted in statism or socialism, especially during the 1960s,[3] as well as policies tending toward liberal economics. The latter model emerged in the 1970s following what was widely perceived as a failed socialist experiment, although it was still guided by a heavy state hand.[4] During this *infitah* (liberalization) period, the government sought to encourage exports and private sector development through incentives such as tax-free zones.[5] At the same time, state-owned companies continued to lead the development of "strategic" sectors such as phosphates, electricity, water, hydrocarbons, petrochemicals, and transport. The government, according to one account, also "dedicated considerable resources to consumer subsidies and to a wide range of investments in social programs, wages, and infrastructure."[6]

Although this system did facilitate significant growth in certain sectors and overall exports, it came with major downsides. Exports were concentrated in cheap sectors such as textiles, leather products, and even processed foods and thus generated only low-skilled jobs,[7] even though Tunisians had benefited from Bourguiba's investment in education. Investment was also insufficient for creating enough jobs to match labor market supply.[8] Further, the state's continued role in much of the economy led to numerous distortions and inefficiencies (see figure 2.1 for Tunisia's GDP over the decades).

Meanwhile, the constant threat of strikes and social unrest led by the powerful Tunisian General Labor Union (UGTT) forced the government to subsidize food and energy staples, which—added to the 1970s oil crisis and economic downturn—exacerbated state imbalances.[9] Administrative officials gained substantial discretionary power through this state intervention, facilitating corruption and blocking unconnected segments of the population from advancing economically.[10] An important moment came in 1984, when Tunisians took to the streets in "bread riots" in response to lowered bread subsidies, enacted amid severe budget constraints similar to those faced in other countries around the region.

Figure 2.1. GDP per Capita in Tunisia, 1960–2021



Source: World Bank.

During the Bourguiba era, European countries and the United States had well established relationships with Tunisia. France and Italy in particular have deep roots in the country due to their geographical proximity, including family and business ties. In the three decades between its independence from France in 1956 and Ben Ali's ascent in 1987, France, Italy, and other European nations thus engaged with Tunisia, particularly through trade.[11]

U.S. support for Tunisia after the French protectorate was encouraged, in part, by Bourguiba's choice to adopt a more Western-oriented foreign policy than many of his Arab contemporaries. Despite occasional tensions, the relationship was friendly, even if U.S. strategic interests in the country were minimal compared to its interests in other Arab states. Throughout Bourguiba's presidency, the U.S. presence in Tunisia mainly consisted of strong diplomatic relations and some cultural and economic development programs such as the Peace Corps.[12]

LEADERSHIP TRANSITION, FAMILY CORRUPTION, AND INTERNATIONAL PRESSURE, 1986–96

By the mid-1980s, Tunisia was navigating a significant economic downturn. In addition to the mounting government deficits that prompted the 1984 bread riots, the country faced several exogenous shocks, including a fall in oil and phosphate prices, two key exports at the time; a drop in tourism due to the U.S. bombing in Libya; a fall in remittances from Tunisian workers amid a European recession; and a drought in 1986 that disrupted agricultural production and exports.[13] Meanwhile, President Bourguiba was now in his early eighties. All this created an opportunity for his political opponents and others, and in 1987 Zine al-Abidine Ben Ali became president through a bloodless coup.[14]

The new president soon aggressively pursued opportunities to enrich his family and its cronies, who gained access to the most lucrative businesses and control over many sectors of the national economy.[15] A postrevolutionary World Bank study found that the highest-performing firms and those accounting "for a disproportionate share of output, employment, and jobs" tended to be concentrated in intensively regulated sectors and owned by people connected to Ben Ali. This strong correlation between sector regulation and well-connected firms,[16] and its dampening effect on competitiveness and innovation, depressed private investment.[17]

Although Tunisia joined the World Bank and began receiving development loans as early as 1958,[18] more significant international engagement began in 1986, when the country received its first Structural Adjustment Program (SAP) loan from the IMF. The stipulations of the loan—which was supported by World Bank and other development bank projects[19]—forced Ben Ali to take steps to liberalize the economy.[20] As a result, by the early 2000s, Tunisia was experiencing consistent, relatively strong growth of 4–5 percent alongside political stability. It was also benefiting from a strong international economy. Yet Ben Ali sought to manage the implementation of these liberalizing reforms to avoid political unrest, thus maintaining heavy public sector hiring and food and energy subsidies, while his government "dragged its feet" on privatization.[21] The government continued to favor—partly through access to credit[22]—firms and sectors based in coastal regions, where Ben Ali and Bourguiba before him had their connections. This gave rise to a large informal economy and the resulting inequality that by 2011 was at the heart of popular protests.

During the 1990s—coinciding with Tunisia's period of IMF support and economic liberalization—the European Union and Tunisia established a framework that more or less still governs ties today. At the outset, the Barcelona Process of 1995 established the Euro-Mediterranean Partnership (EMP), encompassing the EU's then fifteen member states and twelve additional Mediterranean states. The partnership was divided into three areas:

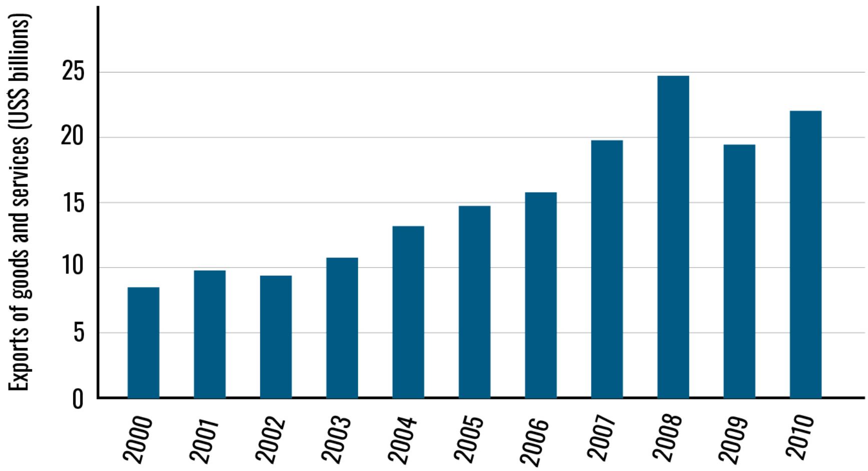
- economic—the predominant feature of the framework[23]—through the formation of a free trade area "aimed at promoting shared economic opportunity through sustainable and balanced socioeconomic development"
- political and security—by advancing stability through the promotion of democratic politics and the rule of law
- social and cultural—by promoting exchanges among populations through, e.g., education, dialogue, civil society, and travel[24]

This was followed by Tunisia's eighth development plan, the second under Ben Ali, a five-year liberalizing effort that ended in 1996.

A CRISIS MOUNTS, 1996–2010

Within a decade of Ben Ali's assumption of power, Tunisia's economy had seen notable growth and support from the IMF, the World Bank, and Europe but featured structural flaws that would fuel a mounting crisis. Whereas exports benefited from Tunisia's 1995 accession to the World Trade Organization and signing of an Association Agreement with the EU introduced through the Barcelona Process, Tunisia could not fully exploit the opportunity because of the earlier-described inhibitors to growth (see figure 2.2).

Figure 2.2. Tunisia's Exports, 2000–2010



Source: Data from World Development Indicators database, April 8, 2026.

The terrorist attacks of September 11, 2001, brought about a sharp shift toward the security dimension of relationships between the United States and Middle East actors, including Tunisia. A somewhat expanded bilateral security partnership ensued,[25] along with a significantly widened democracy promotion agenda across the Maghreb, including through programs such as the Middle East Partnership Initiative (MEPI), which would help channel support to Tunisia after 2011. Meanwhile, in 2004, the Euro-Mediterranean Partnership expanded to include the European Neighborhood Policy (ENP), a change that shifted the focus toward migration and terrorism concerns.[26] This new framework introduced the notion of "positive conditionality," or the rewarding of progress toward economic and political reforms through closer cooperation.[27] In 2008, the ENP was "formally rebranded" as the Union for the Mediterranean.[28]

By late 2008, with the global financial crisis playing out, world demand fell for Tunisia's exports of agricultural products, textiles, and manufactured goods, while overseas remittances dropped as Tunisians and other Arabs working abroad in sectors such as construction lost income.[29] Rising global food prices also hit Tunisians.[30] In response to such developments, major riots and sit-ins occurred in the poor and neglected Tunisian mining basin, centered in Gafsa, marking the first signs of instability.[31] Although the government quelled the uprising, anger spread as conditions continued to deteriorate.

Increasingly, not only the Tunisian government but also the international community became the focus of popular hostility. Rather than acknowledge the government's siphoning off of public wealth for its own enrichment, the World Bank and other actors had consistently heralded the Ben Ali leadership for its adherence to their policy recommendations. In late 2010, then–Prime Minister Mohamed Ghannouchi was even invited to the World Bank headquarters in Washington DC to showcase Tunisia's "success"— soon to be revealed as nothing but an illusion.[32] Also in late 2010, the WikiLeaks scandal uncovered hundreds of cables from the U.S. embassy uncritically discussing Ben Ali's blatant corruption.[33]

DONOR PERCEPTIONS ON THE EVE OF THE REVOLUTION

In hindsight, the neoliberal reforms upon which programs and loans were built helped create the conditions for the 2011 Tunisian revolution, in the view of several observers.[34] Although economic growth had improved living standards for significant segments of the population, particularly residents of coastal areas around

Tunis, Sfax, and Sousse, it had left behind equally significant segments in interior regions such as Gafsa, Kasserine, and Sidi Bouzid.[35] These growing inequalities, combined with the increasingly blatant theft of the country's wealth by the ruling families, created discontent, which found leadership in organizations such as the labor union, the UGTT. Anger was also directed at international institutions, which not only had failed to alleviate inequalities but had praised Tunisia's progress, even when many felt their daily living conditions had not changed. As a result, international financial institutions on the eve of Tunisia's revolution were viewed by many as the enemy.

Although Europe was much closer to Tunisia under Ben Ali than was the United States— especially in trade and investment but also in diplomacy—both faced the same critiques of their policies, centering on hypocrisy and inconsistency.[36] Many saw a "divergence between [donors'] rhetoric and action," pitting claims of support for democracy and human rights against the actual pursuit of security as a priority. As scholars from the European Council on Foreign Relations (ECFR) noted after Ben Ali's departure, Tunisians were "well aware" that EU assistance ("aid and trade") had not been withheld despite Ben Ali's failure to enact reforms on democracy and human rights.[37] Preparations in late 2010 to elevate Tunisia to advanced status in the EU Association Agreement were seen to epitomize deepening high-level relations despite a neglect for basic rights and inclusion at the societal level.[38]

Moreover, European and American donors often disagreed on their goals and priorities. Europe has, in the eyes of many observers, tended to be "better placed—geographically, ideologically and institutionally"—than the United States to deploy democracy-promotion tools with an overarching objective of stability.[39] In practice, this meant Europe would push harder for these objectives than the United States. Policymakers on opposite sides of the Atlantic have also occasionally diverged on objectives relating to global environmental challenges, leading to competition rather than coordination.[40] Finally, inconsistencies within Europe due largely to security challenges emanating from North Africa have opened up the EU to accusations of hypocrisy, whereby members with more at stake—namely, the "frontline states"—have tended to be less principled about respect for human rights when faced with the imperative of controlling migration.[41]

DEAUVILLE SUMMIT, MAY 2011

In late May 2011, world leaders gathered in Deauville, France, for a G8 summit. As a result of uprisings that began in Tunisia in December 2010 and spread to Egypt, Libya, and elsewhere—and of the associated weakening of several regional dictatorships—this planned summit would take on a new focus: how the G8 could support Arab countries trying to move past their longstanding authoritarian governing systems "toward 'free, democratic and tolerant societies.'"[42] Along with the G8 members, participants included interim leaders of these "Arab countries in transition," as well as representatives of eight IFIs and other developed or wealthy states.[43]

The summit's resulting Deauville Partnership with Arab Countries in Transition initiative recognized that the protests were driven as much by economic as political causes—particularly over jobs and systems rooted in inequality. According to participants, the basic bargain struck at Deauville was, if you (Tunisia and other Arab countries in transition) liberalize politically, we (the West) will open our markets to you.[44] Through expanded trade, financial assistance, and support for advancing economic opportunity, economic stability would be restored and growth created, in turn allowing people to believe that "democracy pays."[45]

The Deauville declaration discussed two pillars for the Partnership (political and economic) and four priority areas (stabilization, job creation, participation/governance, and political/economic integration), emphasizing the need to address economic factors if these revolutions were to succeed.[46] Echoing such a view, experts at the influential ECFR wrote in early 2011, "The number one issue with the potential to make or break the democratic transition [in Tunisia] is the economy."[47] Among this memo's recommendations were efforts to support tourism and an improved investment environment, encourage travel between Tunisia and Europe, and support residents of rural areas. Likewise, donors recognized that if they wanted democracy in Tunisia, they needed to look to "where it all began"—the economy.[48]

Yet numerous observers and even participants subsequently acknowledged that the partnership, and other similar frameworks and statements issued by bilateral donors, amounted to a mere deepening of existing frameworks.[49] Even the idea of "more for more" expressed by then–European Commission President José Manuel Barroso[50]—i.e., more political liberalization rewarded by more financial and other support—reflected essentially the same bargain the West had always struck with its Arab partners. In the words of one European External Action Service (EEAS) official, "Incentivization is the new conditionality."[51] Support would be tied to reform, just as it had always been.

The summit led to pledges of financial support for all Arab countries in transition. According to *Wall Street Journal* reporting at the time, individual G8 members pledged $10 billion in bilateral aid to this end. Such pledges were also meant to unlock other sources of financing, with "international development banks—in which G8 members are top shareholders—[saying they would] supply more than $20 billion" over the next three years.[52] Saudi Arabia, Qatar, and Kuwait offered another $10 billion. The G8 members offered few specifics in their pledges, including for Tunisia.[53] This approach appeared consistent with the recognition that economic reform—facilitated by support for "money, markets, and mobility"—was crucial to translate the toppling of Ben Ali and other dictators into democratic transition.[54]

The Deauville summit embodied the great enthusiasm with which donors approached the events of 2011 in Tunisia and elsewhere. Conference participants expressed this enthusiasm in clear statements of intent to support an economic transition that would prevent the reemergence of authoritarianism. The mood was all the more striking given the serious repercussions of the global financial crisis then being felt.

The summit captured still a third dynamic that would later resurface: the expectations created within the Arab transition countries themselves. France in particular, under President Nicolas Sarkozy, had its own motivations for wanting to exhibit tremendous generosity toward these countries. In addition to its colonial history in the region, France sought to recover its reputation among Arab populations, given its initial unwillingness to abandon Ben Ali.[55] As the summit host, France was also clambering for a successful outcome.[56] In a subsequent press conference, Sarkozy reportedly named a total pledge figure possibly more than twice the actual amount.[57] Representatives of other donor countries subsequently acknowledged that the enthusiasm displayed in Deauville may have led to a "misreading."[58] The result, as will be discussed below, was a deepening of prerevolutionary misperceptions and mistrust among Tunisians toward Europeans and the West.

POST-DEAUVILLE REFLECTIONS AND PLEDGES

Building on the support pledged at Deauville, donors initially followed through by demonstrating the lengths they would travel to support Tunisia's transition. For example, the World Bank indicated of its initial 2011 multi-donor loan (discussed more in chapter 3), "The program…was ground-breaking in terms of the rapidity of donors' response, the nature of the reforms, and the size of fast-disbursing financing brought together by these donors for Tunisia."[59] The $500 million program—part of a larger pledge of $1.3 billion over two years—thus reflected the swiftness and boldness with which such institutions sought to respond to the tumultuous events of December 2010–January 2011.

Additionally, key donors in Tunisia were cognizant of their poor reputation. Speeches and reports from the initial post-uprising years referenced "acknowledging past mistakes," showing "humility about the past," and adopting a new "listening mode."[60] The World Bank's key report, *The Unfinished Revolution*, was also viewed by many as an admission that the IFIs had ignored much of the "rot"—e.g., corruption, youth unemployment, inequality—underneath Tunisia's macroeconomic success.[61] In March 2011, the World Bank organized a conference, Arab Voices and Views, to help show its commitment to engaging with citizens in the region.[62]

Donors thus sought to quickly show their support and make up for past mistakes, recognizing that a stabilized Tunisian economy would create space for later reforms. Yet this time around, donors such as the World Bank went out of their way to indicate that they did not seek to impose solutions.[63] This meant emphasizing flexibility and responsiveness.[64] Critically, the World Bank's

Unfinished Revolution discussed the need for social dialogue, given that Tunisia's underlying problems had been largely fueled by exclusionary arrangements engineered by the regime and its cronies. The study further reflected the bank's role in helping communicate necessary reforms to the public and thereby supporting Tunisian authorities.[65]

Like the bank, the IMF arrived in Tunisia following the revolution emphasizing flexibility. Its Stand-By Arrangement was inherently focused on short-term assistance, with the immediate goal, as one official put it, to "give the country breathing room to stabilize politically—and later to…pivot to the economic sphere and turn Tunisia into something economically sustainable."[66] Such a stabilization package would also theoretically help unlock other funding for the country. Observers note that this "flexibility" probably meant asking for softer conditions than it otherwise would have done.[67]

Indeed, the IMF helped boost activity by other donors, exemplified by the first U.S. loan guarantee to Tunisia in 2014 following the fund's arrival.[68] The same year, explicitly linked to the IMF loan, the European Commission agreed to issue its first Macro-Financial Assistance package for the country.[69]

CHAPTER SUMMARY

At the time of the revolution, Tunisia's economy exhibited myriad problems, including:

- an onshore/offshore dichotomy that facilitated export-led growth but failed to match skilled workers with jobs or create opportunities in the country's interior
- heavy regulations and other barriers to trade and investment
- ever-deepening corruption and poor governance

Particularly since the implementation of the 1986–95 Structural Adjustment Program, the international community had paid little attention to Tunisia's political economy and failed to offer or support any corrective actions in response to its underlying weaknesses.

This changed after President Ben Ali's fall. The 2011 Deauville summit and initial actions by the World Bank and IMF—followed by their bilateral counterparts (all detailed in subsequent chapters)—acknowledged that any transition away from authoritarian rule would need to address the economy, including the core grievances behind the revolution, especially unemployment, inequality, and corruption. Donors' initial reactions also exhibited clear attempts to be fast, "furious"—by providing large amounts of funding—and flexible. A "mea culpa" tone in their programs appeared to acknowledge their own neglect of those grievances and emphasize the need to restore their reputation after perceived missteps during the Ben Ali era. In sum, their initial actions indicated a desire to turn things in a new direction for Tunisia. Would they?

Notes

1 A rallying cry during the protest was “bread, freedom, and dignity.” The Ben Ali government used many forms of control, such as restricting press freedoms, to keep the leader in power and enhance his family’s personal wealth. See Lisa Anderson, “Demystifying the Arab Spring: Parsing the Differences Between Tunisia, Egypt, and Libya” *Foreign Affairs* (May/June 2011), available at https://bit.ly/4tKYkv2. Also see Jon Marks, “The Maghrib Economies: A Perpetual Search for Relevance and Reform,” in *Routledge Handbook on the Modern Maghrib*, ed. George Joffé (Routledge, 2024), 586–89.

2 A fairly comprehensive review of the U.S. and EU response through about 2015, including historical background, can be found in J. N. C. Hill, *Democratisation in the Maghreb* (Edinburgh University Press, 2016), 51–66.

3 These reforms were led by Ahmed Ben Saleh, the minister of economy and planning. For more on this period, see Charles A. Micaud with Leon Carl Brown and Clement Henry Moore, *Tunisia: The Politics of Modernization* (Frederick A. Praeger, 1964), 176–87.

4 Bourguiba appointed Prime Minister Hedi Nouira to guide this process. See Christopher Alexander, *From Stability to Revolution in the Maghreb* (Routledge, 2016), 113–17

5 Mustapha K. Nabli and Jeffrey Nugent, *Tunisia’s Economic Development: Why Better Than Most of the Middle East but Not East Asia* (Routledge, 2023); World Bank Group, *The Unfinished Revolution: Bringing Opportunity, Good Jobs and Greater Wealth to All Tunisians* (2014), https://www.worldbank.org/en/country/tunisia/publication/unfinished-revolution; and Alexander, *From Stability to Revolution*.

6 Alexander, *From Stability to Revolution*, 114.

7 Emma Murphy, *Economic and Political Change in Tunisia: From Bourguiba to Ben Ali* (St. Martin’s Press, 1999).

8 See World Bank Group, *The Unfinished Revolution*, 26, https://www.worldbank.org/en/country/tunisia/publication/unfinished-revolution.

9 For a good history of the role of Tunisia’s unions in the country’s economic development, see Eva Bellin, *Stalled Democracy: Capital, Labor, and the Paradox of State-Sponsored Development* (Cornell University Press, 2002). For more detail on energy subsidies, see the 2022 explanatory paper by L’Observatoire Tunisien de l’Economie, “Reforming the Fuel Subsidy System,” available at https://www.economie-tunisie.org/sites/default/files/carburant.pdf; see part 2a for background. Also see Ferdinand Eibl, “The Political Economy of Energy Subsidies in Egypt and

Tunisia: The Untold Story," Oxford Institute for Energy Studies, August 2017, https://www.oxfordenergy.org/publications/political-economy-energy-subsidies-egypt-tunisia-untold-story/. UGTT is the French acronym for Union Générale Tunisienne du Travail.

10 See World Bank, *The Unfinished Revolution*, 26, https://www.worldbank.org/en/country/tunisia/publication/unfinished-revolution; "Tunisie: Dépasser le Système Socio-Économique pour Retrouver Démocratie et Etat de Droit," unpublished paper by anonymous author, 2023 or 2024.

11 For a discussion of how Tunisia approached engagement, especially on commercial matters, with the European Community under Bourguiba and during Ben Ali's early tenure, see Mary Jane Deeb and Ellen Laipson, "Tunisian Foreign Policy: Continuity and Change Under Bourguiba and Ben Ali," in *Tunisia: Political Economy of Reform Boulder*, ed. I. William Zartman (Lynne Rienner, 1991), 130–40. Also see Patrick Holden, "Security, Power, or Profit? The Economic Diplomacy of the U.S. and the EU in North Africa," *Journal of North African Studies* 14, no. 1 (2009), 21–25, available at https://www.tandfonline.com/doi/full/10.1080/13629380802383547; and Laura-Theresa Krüger et al., "Tunisia and the EU: 'More of the Same' or Starting Anew?" in *Tunisia's International Relations Since the "Arab Spring,"* ed. Abderrahim, 147–49; see 104–7 for France specifically.

12 See "Tunisie: Dépasser le Système Socio-Économique," 5, for a discussion of the USAID-funded Office de Développement de la Tunisie Centrale (ODTC), a rural development office established in reaction to the unrest of 1978 and in the context of U.S. confrontation with Libya. For further discussion of U.S. and EU policy instruments used during this period, see Holden, "Security, Power, or Profit?" https://www.tandfonline.com/doi/full/10.1080/13629380802383547, and Hill, *Democratisation in the Maghreb*.

13 Nabli and Nugent, *Tunisia's Economic Development*, 88. For more detail on intertwined politics and economics in prompting Bourguiba's fall, see Kenneth Perkins, *A History of Modern Tunisia* (Cambridge University Press, 2004), 157–76.

14 For details on these events, see Daniel Zisenwine, *Tunisia Under Ben Ali: A History of an Authoritarian Regime, 1987–2011* (Bloomsbury Press/I.B. Tauris, 2025), 19–32.

15 See "Tunisie: Dépasser le Système Socio-Économique," sec. 2.4.

16 Antonio Nucifora et al., *All in the Family: State Capture in Tunisia* (World Bank, 2014), available at https://openknowledge.worldbank.org/entities/publication/a5d247e6-2eec-592f-ad0c-ee94b9d9742b.

17 For further discussion of challenges related to investment levels, see

World Bank, *The Unfinished Revolution* (2014), chaps. 2–3, https://www.worldbank.org/en/country/tunisia/publication/unfinished-revolution; and Nucifora et al., *All in the Family*, https://openknowledge.worldbank.org/entities/publication/a5d247e6-2eec-592f-ad0c-ee94b9d9742b, as well as Alexander, *From Stability to Revolution*, 122–23, and Nabli and Nugent, *Tunisia's Economic Development*, chap. 5, section A.

18 See "Tunisia," Arab Watch Coalition, https://arabwatchcoalition.org/tunisia/.

19 See Lisa Spantig, "International Financial Institutions: Business as Usual in Tunisia?" in *Tunisia's International Relations Since the "Arab Spring": Transition Inside and Out*, ed. Tasnim Abderrahman et al. (Routledge, 2018), 224–25. Between 2007 and 2010, the bank's primary sectoral focus was on bolstering exports, referred to in Spantig as "industry and trade."

20 Among the changes introduced were privatization of hundreds of firms, deregulation of product prices, and limited liberalization of the exchange rate. See Nabli and Nugent, *Tunisia's Economic Development*.

21 Nabli and Nugent, *Tunisia's Economic Development*, 89–90.

22 As critiques of these policies point out, the dismantling of agricultural collectives further complicated access to credit for rural businesses and economic operators. See Maya Yahya, *Great Expectations in Tunisia* (Carnegie Endowment for International Peace, 2016), 6, https://carnegieendowment.org/research/2016/03/great-expectations-in-tunisia, citing scholars such as Karen Pfeifer and Stephen King.

23 This was particularly true for Europe. See Adel Abdel Ghafar and Anna Jacobs, "Introduction: EU–North Africa Relations in an Age of Turbulence," in *The European Union and North Africa: Prospects and Challenges*, ed. Adel Abdel Ghafar (Brookings Institution, 2019), 3–5.

24 For more discussion, see Hill, *Democratisation in the Maghreb*, 52.

25 See Alexis Arieff, *Tunisia: Recent Developments and Policy Issues* (Congressional Research Service, 2011), 11, https://www.everycrsreport.com/files/20110118_RS21666_e4c4219cf62aa05831596e9de80ca31fe2991f03.pdf?utm_source.

26 Abdel Ghafar and Jacobs, "Introduction: EU–North Africa Relations," 6.

27 Abdel Ghafar and Jacobs, "Introduction: EU–North Africa Relations," 5, citing Michael Willis, author of *Power and Politics in the Maghreb: Algeria, Tunisia and Morocco from Independence to the Arab Spring* (Oxford University Press, 2014). Each ENP country would periodically establish a bilateral action plan through which the EU would "offer remuneration in the form of closer engagement, economic deals, and aid packages. The

plans included such elements as greater foreign investment, free trade agreements, more migration mobility, counterterrorism measures, governance and human rights reforms, education and poverty alleviation programs, and others."

28 Hill, *Democratisation in the Maghreb*, 53.

29 Adam Hanieh, "Authoritarianism, Economic Liberalization, and the Roots of the 2011 Uprisings," Transnational Institute, October 27, 2021, https://www.tni.org/en/article/authoritarianism-economic-liberalization-and-the-roots-of-the-2011-uprisings.

30 For example, data from the UN Food and Agriculture Organization shows that Tunisia's food imports as a share of total merchandise exports rose in the 2008–10 period and have continued to climb; site accessed March 14, 2026, https://www.fao.org/faostat/en/#country/222.

31 For more detail on this movement and what it represented, see Eric Gobe, "The Gafsa Mining Basin Between Riots and a Social Movement: Meaning and Significance of a Protest Movement in Ben Ali's Tunisia," working paper, January 2010, available at https://shs.hal.science/halshs-00557826/file/Tunisia_The_Gafsa_mining_basin_between_Riots_and_Social_Movement.pdf.

32 "Tunisie: Dépasser le Système Socio-Économique"; Delinda C. Hanley, "Diplomatic Doings: Prime Minister of Tunisia Mohamed Ghannouchi," *Washington Report on Middle East Affairs* (December 2010): 65–66, accessed January 19, 2026, https://www.wrmea.org/2010-december/diplomatic-doings-prime-minister-of-tunisia-mohamed-ghannouchi.html.

33 See Mila Sanina, "WikiLeaks Cables Help Uncover What Made Tunisians Revolt," PBS, January 25, 2011, https://www.pbs.org/newshour/world/wikileaks-reveal-what-made-tunisians-revolt.

34 See Stephen King, "Structural Adjustment and Rural Poverty in Tunisia," Middle East Research and Information Project, March 3, 1999, https://www.merip.org/1999/03/structural-adjustment-and-rural-poverty-in-tunisia/; Hanieh, "Authoritarianism, Economic Liberalization, and the 2011 Uprisings," https://www.tni.org/en/article/authoritarianism-economic-liberalization-and-the-roots-of-the-2011-uprisings.

35 For more discussion, see Yahya, *Great Expectations,* https://carnegieendowment.org/research/2016/03/great-expectations-in-tunisia.

36 See Krüger et al., "Tunisia and the EU," in Tunisia's International Relations since the "Arab Spring," ed. Abderrahim.

37 Susi Dennison et al., *After the Revolution: Europe and the Transition in Tunisia* (European Council on Foreign Relations, 2011), https://ecfr.eu/publication/after_the_revolution_europe_and_the_transition_in_tunisia/.

Krüger et al., "Tunisia and the EU," in *Tunisia's International Relations Since the "Arab Spring."* Also see Hill, *Democratisation in the Maghreb*, 60–66, who discusses reasons for this contradiction, or "tension," after the uprising. Namely, donors were trying harder to live up to their professed goals of promoting democracy at a time when the EU was itself hard-hit economically; some EU institutions adapted to change better than others, hindering a consistent response; and other donors entered the scene, allowing recipients to "pick and choose" and leading to generally higher scrutiny by the recipient populations and governments; see 62–64.

38 Susi Dennison et al., *After the Revolution*, 13–14, https://ecfr.eu/publication/after_the_revolution_europe_and_the_transition_in_tunisia/. Also See al., "Tunisia and the EU," in *Tunisia's International Relations since the "Arab Spring,"* ed. Abderrahim.

39 Holden, "Security, Power, or Profit?" https://www.tandfonline.com/doi/full/10.1080/13629380802383547.

40 Holden "Security, Power, or Profit?" 15–27, https://www.tandfonline.com/doi/full/10.1080/13629380802383547. For Holden, the United States and EU were nonetheless largely in harmony in terms of their approach to North Africa.

41 Dennison et al., *After the Revolution*.

42 "Deauville Partnership with Arab Countries in Transition," https://2009-2017.state.gov/e/eb/ecosum/2012g8/deauville/index.htm.

43 See the section "Other Sources of International Support" in chapter 5 of this study.

44 U.S. State Department official, interview by author, Washington DC, September 2024. Also see Hanieh, "Authoritarianism, Economic Liberalization, and the 2011 Uprisings," https://www.tni.org/en/article/authoritarianism-economic-liberalization-and-the-roots-of-the-2011-uprisings.

45 Jasmine Khelil, "Why Tunisia Lost Faith in Democracy," *Diwan*, Malcolm H. Kerr Carnegie Middle East Center, July 18, 2024, https://carnegieendowment.org/middle-east/diwan/2024/07/tunisias-pathway-to-democracy-truth-or-fallacy?lang=en.

46 See "Declaration of the G8 on the Arab Spring," May 26–27, 2011, available at https://obamawhitehouse.archives.gov/sites/default/files/uploads/declaration_of_the_g8_on_the_arab_spring_final.pdf.

47 Dennison et al., *After the Revolution*, 11.

48 Dennison et al., *After the Revolution*.

49 Adam Hanieh, "Shifting Priorities or Business as Usual? Continuity

and Change in the Post-2011 IMF and World Bank Engagement with Tunisia, Morocco and Egypt," *British Journal for Middle Eastern Studies* 42, no. 1 (2015), 119–34; Ana Echagüe et al., "Europe and the Arab Uprisings: EU Vision Versus Member State Action," *Mediterranean Politics* 16, no. 2 (2011): 329–35, available at https://www.tandfonline.com/doi/abs/10.1080/13629395.2011.583760.

50 Sebastian Moffett et al., "G-8 Pledges $40 Billion for 'Arab Spring,'" *Wall Street Journal*, May 28, 2011, https://bit.ly/4wHguAG.

51 See Echagüe et al., "Europe and the Arab Uprisings," 330, https://www.tandfonline.com/doi/abs/10.1080/13629395.2011.583760.

52 Moffett et al., "G-8 Pledges $40 Billion," https://bit.ly/4wHguAG.

53 Moffett et al., "G-8 Pledges $40 Billion," https://bit.ly/4wHguAG.

54 Moffett et al., "G-8 Pledges $40 Billion," https://bit.ly/4wHguAG. Also see Hanieh, "Shifting Priorities or Business as Usual?"

55 Sarkozy was also known for having personal and professional ambitions in the Middle East and North Africa and with the region's dictators. See Echagüe et al., "Europe and the Arab Uprisings," 332–33, https://www.tandfonline.com/doi/abs/10.1080/13629395.2011.583760.

56 One participant said other countries were trying to outdo one another with their pledges. As for the French, American participants said they used "creative math" and that French officials publicly used figures that were "multiples of the numbers actually in play." U.S. State Department officials, interview with author, Washington DC, September 2024.

57 See "Press Conference with Nicolas Sarkozy, President of the French Republic, Deauville, May 27, 2011," accessed January 19, 2026, https://bit.ly/4wFSrlt; and Margaret Besheer, "G8 Commits $80 Billion to Arab Spring Democracy," Voice of America, September 19, 2011, http://www.voanews.com/content/g8-commits-80-billion-to-arab-spring-democracy-130242553 /158882.html.

58 U.S. diplomat, virtual interview with author, June 2024.

59 World Bank, "Tunisia—Interim Strategy Note for the Period FY13–14" (May 2012), 25, https://documents.worldbank.org/en/publication/documents-reports/documentdetail/786001468173647922.

60 All quotes from Ragnar Weilandt, "EU Democracy Projection in Tunisia: The Case of Civil Society Consultations," *Mediterranean Politics* 27, no. 4 (2022), 483–504. The World Bank's "Interim Strategy Note" also explains, on p. 12, "A lesson learned from the brief period of CPS implementation and the Arab spring is that transparency, voice and accountability are fundamental for shared and sustainable growth and poverty reduction."

61 Former World Bank official, interview by author, Washington, DC, June

2024. Also see p. 26 of World Bank, *The Unfinished Revolution*, https://www.worldbank.org/en/country/tunisia/publication/unfinished-revolution. As will be discussed, critics continued to find such admissions insincere. See Karen Pfeifer, "Rebels, Reformers and Empire," Middle East Research and Information Project, April 10, 2015, https://www.merip.org/2015/04/rebels-reformers-and-empire/.

62 Cited in Spantig, "International Financial Institutions," 224. The conference was actually accompanied by the first postrevolutionary World Bank loan for an "affiliated network for social accountability" in the Arab world. But the "Governance and Opportunity" Development Policy Loan was the first major postrevolutionary loan specifically for Tunisia.

63 Insights here, including the quoted phrase, from IMF official, author interview, Washington DC, October 2024.

64 See "Principles of Engagement" section in the World Bank's "Interim Strategy Note," https://documents.worldbank.org/en/publication/documents-reports/documentdetail/786001468173647922; they include selectivity, gender integration, and broadening of consultations to reach new stakeholders.

65 World Bank official, interview by author, Washington DC, June 2024.

66 IMF official, interview by author, Washington DC, October 2024.

67 World Bank official, interview, June 2024.

68 World Bank official, interview, June 2024.

69 "Macro-Financial Assistance for the Republic of Tunisia Loan from the European Union of up to EUR 300 Million," memorandum of understanding, 2014, p. 4, https://ec.europa.eu/economy_finance/eu_borrower/mou/tunisia_mfa_mou_signed_en.pdf.

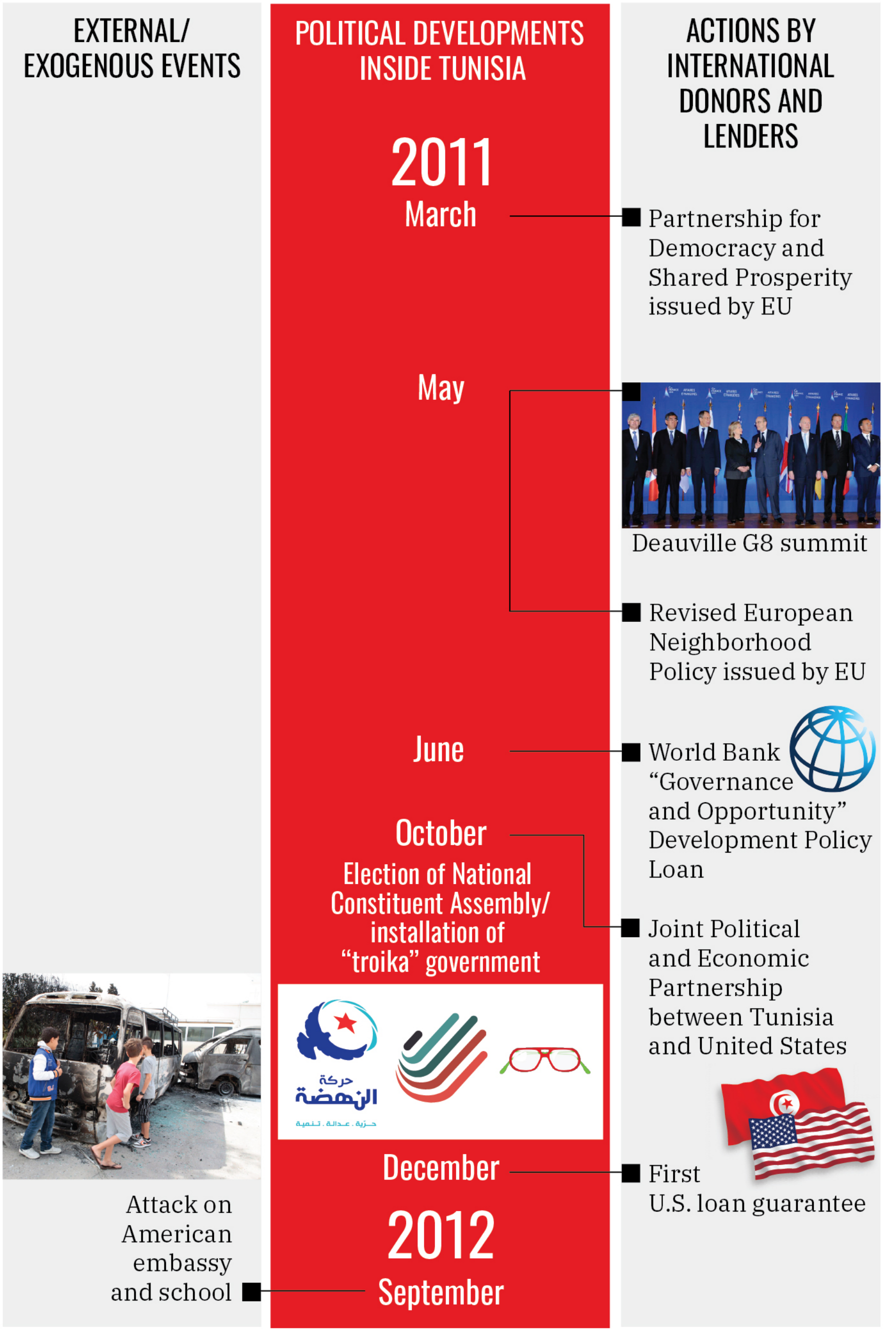
3

The Bumpy Road to National Dialogue, 2011–14

Tunisia's first three years following President Ben Ali's ouster were marked by economic, political, and security struggles. But they were also distinguished by a regionally unique, civil society–organized National Dialogue that ultimately facilitated the adoption of a new constitution in early 2014 and presidential and parliamentary elections later that year. Among the many challenges facing Tunisia were economic damage created by the revolution and political turbulence amid the hasty organization of the 2011 Constituent Assembly election. The ultimate failure of an interim coalition government to manage a yearlong constitution-writing process created additional stress. Only once this interim government was replaced by a "technocratic" government was a new constitution adopted, which allowed for the election of new postrevolutionary leaders (see figure 3.1 for a summary of developments).

Throughout all these experiences, the international community expressed its intent to deliver bold support to Tunisia's transition, including on the economy. In addition to loans from the World Bank and IMF, the United States and the European Union provided assistance to help stabilize Tunisia's economy while also funding programs intended to deal with unemployment and bolster related areas such as education.

Figure 3.1. Political Developments, Donor Activity, and Exogenous Events, 2011–14



EXTERNAL/ EXOGENOUS EVENTS

2013 — February: Assassination of Tunisian politician Chokri Belaid

July: Coup in Egypt

July: Assassination of Tunisian politician Mohamed Brahmi

POLITICAL DEVELOPMENTS INSIDE TUNISIA

2013

February

June

July

Summer

National Dialogue, replacement of troika with Jomaa government


Mehdi Jomaa

2014

January

Adoption of new constitution

October

Election of Béji Caïd Essebsi/parliament in which Nidaa Tounes holds plurality

حركة نداء تونس

ACTIONS BY INTERNATIONAL DONORS AND LENDERS

June: Signing of IMF Stand-By Arrangement

June: First Tunisian investment conference

This chapter provides an overview of two main features of the 2011–15 period: Tunisia's economic downturn and its political crises, both of which were eventually resolved by the National Dialogue. It then discusses efforts by the World Bank, IMF, United States, and EU to support economic reform and stability in Tunisia throughout these events.

ECONOMIC DOWNTURN

The revolution hit Tunisia's tourism economy hard, owing not only to political uncertainty but especially to security concerns. The police enjoyed less favor under the new leadership than they had under Ben Ali,[1] reducing their capacity to respond to the multiple attacks and terrorist incidents inside Tunisia's borders.[2] Tourism declined precipitously due to the protests, with the January 2011 figure falling 25 percent from January 2010, while bookings for the first three months of 2011 dropped 50 percent from the previous year.[3] Well into the peak summer tourist season, levels were still down, with the industry only recovering sometime into 2012.

Another important economic consequence of the revolution was diminished foreign direct investment. Although it would later fluctuate as it had previously, effects of the uncertainty from 2011 through 2014 were notable. According to official statistics, in 2011 foreign investment dropped by 20 percent, with at least eighty foreign companies fleeing the country.[4] World Bank and IMF estimates show a significant drop in FDI between the last quarter of 2010 and the first quarter of 2011.[5] Although these levels did recover, they never did so at a sufficient level to restore prerevolutionary growth.[6]

A third source of economic decline for Tunisia related to the persistent effects of the 2008–9 global financial crisis inside its main trading partner, Europe. Not only had Tunisian exports to the EU substantially dropped as a result, from around 80 percent of total exports to closer to 70 percent, but remittances—representing an important 5 percent of Tunisian GDP—slowed because Tunisian workers in Europe were earning less.[7] Thus, as much as the EU may have wanted to assist Tunisia, it faced its own economic constraints.

Fourth, the revolution had unlocked a newfound freedom of speech that found expression in constant protests that disrupted economic activity. According to the Economist Intelligence Unit, by April 2011,

> political unrest ha[d] been replaced by social and economic turmoil…[with] workers in both the public and the private sectors [using] their new-found sense of freedom to stage wildcat strikes and sit-ins to back demands for higher wages, better conditions and the dismissal of unpopular mangers, especially if those managers belonged to the former ruling party, the RCD [Constitutional Democratic Rally].[8]

Yet even where the RCD had been removed, the collapse of Ben Ali's "network of allied businessmen" meant that managers could no longer promise employment and benefits as the regime had allowed them to do in the past. Instead, local officials were left with a meager toolbox to respond to urgent demands for assistance. They therefore played for time, "urging patience and 'waiting' as a means of governing the unruly poor."[9]

Fifth, the calamitous events in neighboring Libya caused numerous adverse economic effects. Approximately 900,000 people crossed into Tunisia from Libya in 2011 as violence surged between the Libyan rebels and the regime of Muammar Qadhafi.[10] In addition to the costs of hosting so many new dependents—and absorbing several thousand Tunisians who had been working in Libya[11]—exports to Libya reportedly fell rapidly.[12]

Most of these problems—security incidents, social unrest, political crisis—persisted until a new constitution was adopted and elections for the country's first postrevolutionary president and parliament were held in late 2014. As subsequent chapters will show, even reaching that milestone could not fully turn things around.

POLITICAL CRISIS, NATIONAL DIALOGUE, AND ELECTIONS

Politically, the scene was very dynamic and marked by disruptions. In the months immediately following the revolution and Ben Ali's flight, a collection of interim institutions were formed expressly to prepare for the National Constituent Assembly election. The "provisional administration" experienced extensive turnover, with three iterations of an interim cabinet formed and dissolved before one was acceptable to the protesters who gathered regularly outside the prime minister's office demanding a more representative cabinet. Interim institutions also suffered from high turnover given the intensity and opacity characterizing the period.[13] Such an environment, of course, made it very difficult for any economic reforms to be discussed, agreed on, and adopted.

Even after the first election for an NCA was completed in October 2011, the situation remained turbulent, reflecting two political conflicts that had long hampered the country but stood out especially in the postrevolutionary moment as Tunisians explored their newfound freedom to speak and act. One was the standoff between Islamists and secularists. The other was a disconnect between the general population and their elected (elite) officials.

The Islamist-Secularist Divide

Starting in late 2011, the NCA had a one-year mandate to draft a new constitution, which would then be put to referendum.[14] It also had to appoint an interim government for the period of constitution drafting. This interim government was led by the Islamist Ennahda Party, which had won the most seats in the assembly. Ennahda formed a "troika" coalition government in which the other two smaller parties were both from the "historic" political opposition that identified as supporting a strict separation between religion and politics.[15]

Despite forming this cross-ideological coalition, the secular and Islamist camps struggled to work together.[16] Between November 2011 and August 2013, a stalemate dragged on in which they could not agree about key issues such as the role of religion in the state and women's rights.

Meanwhile, insecurity persisted. A turning point from a donor perspective was the September 2012 attack on the U.S. embassy and school in Tunis, in which protesters generally associated with the extremist group Ansar al-Sharia in Tunisia ransacked the American compound.[17] Four Tunisians died in the fighting. In the assessment of one observer, this attack marked the beginning of the end of the "Arab Spring narrative." Suddenly, the situation in Tunisia and in the broader region—e.g., in Libya, U.S. Ambassador Christopher Stevens was killed in a similar jihadist attack; in Syria, the war was intensifying—no longer appeared so rosy.[18] The security concerns deepened political divisions in Tunisia by appearing to justify critiques of Ennahda and the troika over alleged sympathy to Salafists and terrorists.[19]

The security crisis peaked with a series of assassinations in 2013, most prominently targeting the secular leftist politicians Chokri

Belaid and Mohamed Brahmi. NCA delegates responded by holding a sit-in that helped spawn a "quartet" of civil society groups to mediate a dialogue covering the most contentious articles of the draft constitution. The quartet included two prominent unions: the UGTT and UTICA (the business owners' union), known in English as the Tunisian Confederation of Industry, Trade, and Handicrafts.[20] Meanwhile, pressure by Ennahda's opponents for the party to cede power was abetted by continuing security incidents and the July 2013 coup against Egyptian President Mohamed Morsi—an event many view as scaring the party into believing it would need to give up some power or be banished altogether.[21] By September, Ennahda had agreed to hand over power to an unelected, apolitical—or "technocratic"—interim government and to compromise on key features of the constitution. This outcome was obviously critical for moving the country forward, but as later events show, it did not lead to a political process better suited to addressing economic reform.

Disconnect Between General Population and Elected Elites

These developments show how the NCA struggled mightily to retain control and govern effectively. In addition, NCA delegates "often got caught up in petty concerns at the expense of concrete policy debates,"[22] a failing thought to reflect their overall inexperience and one that created a disconnect with the population the NCA represented.[23]

Even the unions—especially the UGTT, which for decades had been the country's largest, most representative body—were not always "in touch" with the needs of the public. Having advanced Tunisia's fight for independence from France in the 1940s and early 1950s, the UGTT later emerged as one of the most prominent labor unions across the Arab world, and was consistently active in Tunisian politics. Yet the UGTT has also faced criticism for not sticking up for workers, such as in 2008, when laborers in the mining city of Gafsa staged a lengthy strike.[24] Relatedly, during the revolution it was torn by chronic internal disputes between the leadership and the base.[25] The unions—which have consistently antagonized the government, especially since the first major union-led revolt in 1978, but never fully satisfied their membership—would play an important role in the postrevolutionary economic experience.

Likewise, the gap between ordinary Tunisians and their elected officials was evident in high levels of suspicion toward the international financial institutions, as opposed to the generally cooperative approach taken by government officials working with these institutions. Representatives of Western donors report that both officials from the troika government and its technocratic successor, led by Medhi Jomaa, were cooperative and open to reform.[26] Thus, from a donor perspective, during this period the new leadership was working well, despite greater skepticism among the populace.

But the Jomaa technocrats who replaced the troika ministers on January 29, 2014, were by definition temporary. They would need to be replaced by politicians once the constitution was finalized and an election held, as it eventually was in October 2014. As that election process revealed, collectively Tunisian politicians had not overcome their ideological divides. Moreover, as the results revealed, such divisions—both within elites and between elites and the larger population—would contribute to the severe blockages ultimately encountered by Tunisia's new leadership in seeking to enact economic reforms.

DONOR RESPONSES

Each of the four major donors involved with economic reform—the World Bank, IMF, United States, and European Union—intensified their activities between 2011 and 2014. Although donors persisted in trying to provide fast, "furious," and flexible support, they faced constraints due to Tunisia's domestic political and economic turbulence.

World Bank

The World Bank was well-positioned to initiate support to Tunisia's transition. Not only did the development bank have a long-running presence in Tunisia, but it tended to be more flexible in its use of financial tools than its sister institution, the IMF.[27] With the 2011 revolution, the bank suspended its current operations in Tunisia and devised a new strategy in collaboration with the interim authorities. In June 2011, the bank issued a single-tranche, multi-sector $500 million development loan,[28] which was fast-tracked as a means of encouraging other donors and private sector partners to join in the effort.[29]

The loan was prepared jointly with other donors, primarily the African Development Bank (AfDB), EU, and Association Français du Developpement (AFD), France's state development agency.[30] This initial group of donors, with the World Bank in the lead, worked closely with Tunisia's interim troika government to plan their program. Notably, the total initial amount—approximately $1.3 billion, constituting roughly 3 percent of Tunisia's GDP[31]—was regarded in the development lending world as "massive."[32]

In essence, the bank sought to provide a Band-Aid for Tunisia's postrevolutionary economic needs while "preparing the ground" to address its social and economic grievances and, in so doing, "complete the transition."[33] The loan identified four priority sectors: governance, employment and regional disparities, the financial sector, and social policies, with the last focused on improving public services in poorer areas. And it provided technical assistance on objectives such as improving access to data; enhancing the employability of youth; reforming corporate governance; and expanding free access to healthcare, education, and social protection in underserved governorates.[34] The loan's title—"Governance and Opportunity"—reflected a continued donor focus on addressing both political and socioeconomic challenges.

Eighteen months after the Development Policy Loan (DPL) was issued, a 2012 World Bank performance assessment concluded that despite worse-than-expected economic performance in Tunisia—given challenges including a slowdown in domestic growth, the trickle-down effects of the recession in Europe, and higher prices—substantial progress had been made toward meeting the program's objectives. For example, bank officials reported progress on seven of the nine "prior actions"—interim government intentions independent of the bank's efforts—on which the DPL sought to build. The report also noted that the Tunisian government "remained committed to implementing reforms, as they were emblematic of the issues that emerged from the revolution."[35] Nonetheless, due to the loan's limited timeframe and Tunisia's continued risks and economic governance needs,[36] the bank issued two follow-up operations (i.e., loans) covering the years 2012 and 2013.[37]

In mid-2012, the World Bank also published its "Interim Strategy Note" (ISN) for the 2013–14 period, meant to replace the prerevolutionary Country Strategy Partnership. This ISN represented a continuation of the DPL in that it focused on economic as well as political goals, identifying three "areas of engagement": (1) "Laying the Foundation for Renewed Sustainable Growth and

Job Creation"; (2) "Promoting Social and Economic Inclusion"; and (3) "Strengthening Governance: Voice, Transparency and Accountability." In addition, the International Finance Corporation, a World Bank Group entity focused on supporting the private sector in recipient countries,[38] would "focus on restoring investor confidence in the short-term and boosting private sector activity over the longer-term."[39] The ISN was meant to cover the period until an elected government was in place. [40]

Bank officials in-country were also at work during this period on another product that would define post-2011 donor activities in Tunisia. This 331-page study, *The Unfinished Revolution: Bringing Opportunity, Good Jobs, and Greater Wealth to All Tunisians*, sought to assess the economic problems underlying Tunisia's revolution and identify how to address them. In revealing the inner workings of the economy, the study aimed to promote numerous policies that could make Tunisia more competitive, thereby creating jobs and more wealth "for all Tunisians."[41]

The importance of *The Unfinished Revolution* was twofold. First, it acknowledged that despite the bank's prerevolutionary loans, numerous problems had gone unaddressed.[42] This message reflected a broader effort among IFIs at the time to regain the trust of regional publics.[43] Second, as had already been expressed at the Deauville summit in May 2011 and in the bank's initial loans (the 2011–13 DPLs), the study recognized that donor programming would need to address policy issues spanning both governance and economic weaknesses. For example, having foregrounded the question of how Tunisia could unlock private sector investment, the text advocated more transparent financial sector governance and regulations. Donors largely agreed that the ambitious set of reforms identified in *The Unfinished Revolution*—including overhauling Tunisia's industrial policy, agricultural policy, and banking sector, as well as deepening investments in rural areas—were closely intertwined and that the country faced a critical window of opportunity for undertaking them. These reforms would need to be enacted alongside programs to strengthen Tunisia's social safety net while also reforming other key development sectors such as education. Yet, as will be discussed in chapter 6, this would prove more difficult than predicted.

IMF

In June 2013, the Tunisian government agreed on its first post-revolutionary IMF program, a Stand-By Arrangement (SBA) of $1.75 billion.[44] A published interview with the IMF mission chief for Tunisia, Amine Mati, covered the "pressures" to which this SBA was meant to respond: the economic effects of the revolution, including a slowdown in growth driven by drops in tourism, remittances, and FDI; a weakened economy in the country's main trading partner, Europe; and higher food and fuel prices mostly due to a rise in prices globally. The twenty-four-month lending arrangement aimed to restore macroeconomic stability while also undertaking an "appropriate mix of fiscal, monetary, and exchange rate" policy reforms to help repay the loan and avoid such imbalances in the future (see figure 3.2 for IMF engagements in Tunisia).[45]

In the interview, Mati—like World Bank officials—had to defend the IMF against suspicions of neocolonialist designs and aims to simply control Tunisia and prevent it from fully developing. He insisted that the loan was based on "the [Tunisian] authorities' program, not the IMF's," rejecting the notion that it contained "hidden conditions" or that the fund had not consulted with a broad array of stakeholders. In essence, while conducting the usual business in a country with balance of payments problems, the IMF also had to make up for not having "seen" the problems against which Tunisians had revolted.[46]

The IMF, buoyed by its large programs and overall importance in global development finance, would become the de facto lead donor in Tunisia after this point.[47] Unsurprisingly, the SBA program was ambitious in scope, seeking to achieve reforms in the financial sector, fiscal policy, monetary policy, and exchange rate policy—as well as structural areas like creating a more business-friendly environment, evening out regional disparities, and reducing the state's role in the economy.[48] Yet during the fifteen months preceding the election in October 2014, progress on implementing reforms was minimal, with delays principally owing to Tunisian authorities' preoccupation with the political transition and security upheavals. The IMF acknowledged in December 2014 that the reforms would require more time (see Appendix).[49]

Figure 3.2. IMF Engagements in Tunisia

DATES	PROGRAM	AMOUNT AGREED
Nov. 4, 1986–July 24, 1992	Structural Adjustment Program (SBA+EFF)	$173 million
June 7, 2013–Dec. 31, 2015	Stand-By Agreement	$1.74 billion
May 20, 2016–March 18, 2020	Extended Fund Facility	$2.83 billion
April 10–15, 2020	Rapid Financing Instrument	$745 million

Sources: "Tunisia: History of Lending Commitments as of June 30, 2019," IMF, https://www.imf.org/external/np/fin/tad/extarr2.aspx?memberKey1=970&date1key=2019-06-30; and "Tunisia: 2021 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Tunisia," IMF Report 21/44, February 26, 2021, 2, https://www.imf.org/en/publications/cr/issues/2021/02/26/tunisia-2020-article-iv-consultation-press-release-staff-report-and-statement-by-the-50128.

United States

As discussed earlier, before 2011 the United States maintained some bilateral assistance programs in Tunisia but had never considered the country a partner on the level of other regional countries such as Egypt, Jordan, and Morocco. For instance, between fiscal years 2008 and 2010—the three intervals preceding the revolution—foreign assistance and security cooperation funds totaled $67 million.[50] In contrast, other countries in the region, particularly Egypt, Iraq, Israel, and Jordan, historically received far more.[51]

The events of December 2010–January 2011 persuaded U.S. officials that Tunisia merited a new approach, and ultimately that a democratic transition was in American interests.[52] During the Obama administration's first interagency meeting after the revolution, State Department officials sought to determine what resources they had to help with Tunisia's unexpected transition, considering the U.S. presence to date and the potential ramifications of a "successful" transition. On the economic front, a White House fact sheet published in May 2011 highlighted four key areas of support to Arab transition countries: economic management, economic stability, economic modernization, and the development of a framework for trade integration and investment.[53] That same month, at the Deauville summit, Secretary of State Hillary Clinton and Secretary of the Treasury Timothy Geithner also singled out Tunisia—and Egypt—for support from the G8.[54]

Existing funds for FY 2011 bilateral assistance to Tunisia were too low to meet such objectives, however, so policymakers had to search for other potential sources ("pots").[55] One was the Middle East Partnership Initiative (MEPI), which had received a congressional allocation that was not country-specific. A high-level official working on the initiative described MEPI as “the most accessible money” in the administration’s budget, and recalled how the Tunisian uprising prompted MEPI leaders to “throw out our budget plan and re-notify Congress” in order to direct support to Tunisia and other “transition countries” in the region.[56]

Such flexibility allowed the Obama administration to kick-start reforms in Tunisia. The redirected MEPI funds, for instance, supported projects implemented by partner NGOs as Education for Employment, which trains youth in the Middle East and North Africa for private sector jobs.[57] Nonetheless, previously low U.S. engagement in Tunisia and the inherently slow nature of the foreign assistance bureaucracy meant it would take more than a year to make such programs operational. Moreover, even American officials acknowledged that such programs were a mere drop in the bucket compared to what they ultimately sought to achieve.[58]

Consolidating Support

Following this initial scramble for funds—for FY 2011 alone, the United States found about $40 million in additional funds for bilateral assistance[59]—policymakers took a series of steps demonstrating their increased determination to support Tunisia’s transition. Policy discussions saw parallels with the U.S. response to the fall of the Soviet Union and the support for democratization in Eastern Europe in the late 1980s and early 1990s. Proposals for programs to enhance bilateral support to Tunisia, transmitted to Washington in cables from the U.S. embassy in Tunis, included reviving a Peace Corps program,[60] creating a Tunisian American Enterprise Fund, and opening American franchises through the Overseas Private Investment Corporation.[61] Embassy staff encouraging Washington to dedicate more resources to Tunisia found a receptive audience. Although Egypt consumed most of Washington’s attention, officials were increasingly eager to find "quick wins" in Tunisia. This was particularly true between early 2011 and mid-2012, before the political crisis surrounding the constitution-writing process deepened.[62]

In September 2011, following a meeting between Secretary of State Hillary Clinton and interim Tunisian Foreign Minister Mouldi Kefi, the two countries announced a Joint Political and Economic Partnership to reframe ties in the context of Tunisia's revolution. The partnership identified, among other pledges for enhanced cooperation, numerous actions meant to "reinforce our mutual commitment to creating broad-based economic opportunity for Tunisia's citizens."[63]

To institutionalize support to Tunisia and the other Arab countries in transition, the Office of the Special Coordinator for Middle East Transitions (SCMET) was created within the State Department, modeled on the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE)—itself created in 1991 to support democratic transitions in former Soviet countries. The new entity was headed by William B. Taylor, a former ambassador to Ukraine, and offered further evidence of the U.S. priority placed on supporting the Arab uprisings. Tunisia carried outsize importance in this effort given that it was considered the most likely country to succeed.

U.S. officials working on Tunisia shared their feeling at the time that SCMET reflected the translation of ideas into action.[64] Led by an effective diplomat with high-level backing,[65] SCMET sought to match priorities with U.S.-facilitated steps for implementation.[66] Resulting programs such as the Tunisian American Enterprise Fund aimed to generate private sector growth,[67] showing that like its IFI counterparts, Washington recognized that addressing economic issues would be crucial for empowering Tunisia's political transition.

In October 2011, interim Prime Minister Béji Caïd Essebsi—who would later be elected president—came to Washington to meet with President Barack Obama. This Oval Office visit signified the rise in importance of the tiny Mediterranean country in the eyes of Washington, and symbolized the stakes of its transition. Later that month, Tunisia would experience its first-ever free and fair election in voting for the National Constituent Assembly, whose delegates would form an interim government to manage daily affairs as they drafted a new constitution. These remarkable steps heralded the potential for Tunisia to become the first Arab democracy and no longer just "Europe's problem," as viewed by Washington.[68] As time went on, hopes would only grow surrounding Tunisia's relatively peaceful transition away from authoritarian rule.

Loan Guarantees

In early 2012, Secretary Clinton announced a $100 million cash transfer to Tunisia, intended to help the country meet its external debt obligations.[69] Meanwhile, the Obama administration persuaded Congress to implement a loan guarantee program under which Tunisia would receive U.S. backing for two $500 million loans between 2011 and late 2014 taken out on international financial markets. In so doing, the United States allowed Tunisia to borrow at comparably lower rates because "of the validation U.S. loan guarantees would give them."[70]

The two loan guarantees are notable for several other reasons.[71] First, as with Essebsi's White House invite, the U.S. administration was extending to Tunisia a program typically reserved for key allies—again, reinforcing the country's sudden rise in importance.[72] Second, because it required congressional authorization, the program reflected a trend toward unusually strong bipartisan support from Congress. In material terms, the loan guarantees could help Tunisia meet a critical need for immediate financing and serve as a U.S. instrument to reinforce IMF conditions by incorporating reform-oriented steps into the agreement.[73]

Perhaps most important, the loan guarantees appealed to U.S. policymakers because they were cheap. As one official described it, the "headline" $500 million figure offered Tunisia a Band-Aid as it navigated the tumult of its transition, but only required America to put aside a small amount.[74] As will be discussed, this was reflective of a more general contradiction characterizing U.S. official attitudes: extreme eagerness for Tunisia to democratize versus reluctance to commit significant resources.[75] Although the Obama administration would provide a third loan guarantee (see chapter 4), this tool became less important once the IMF arrived in 2013.[76]

Other Programs

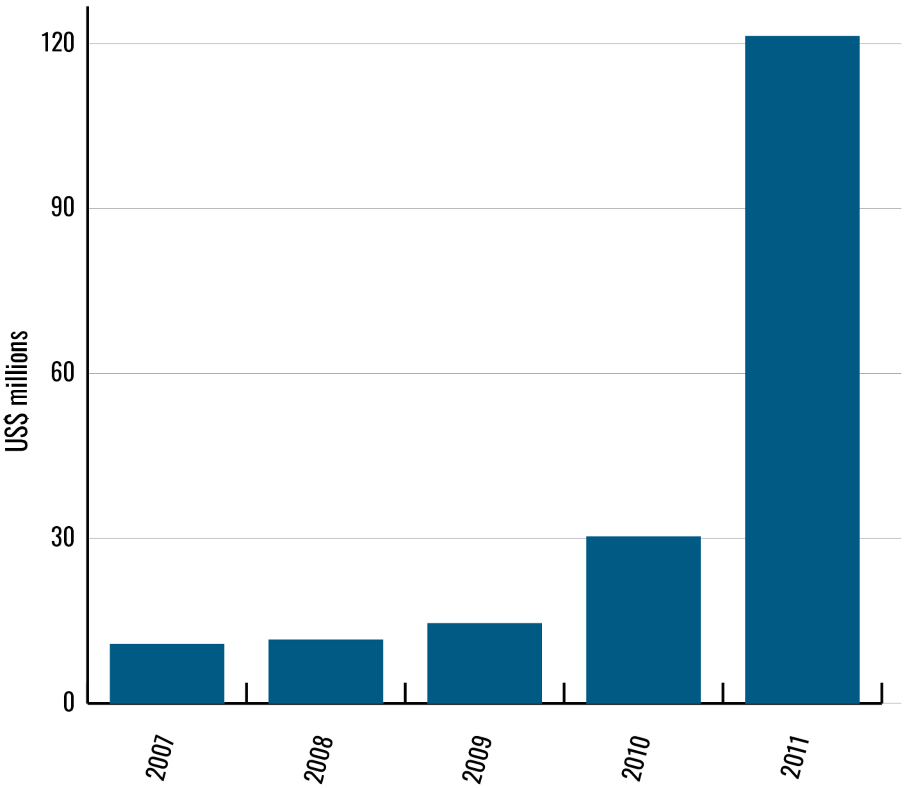
Other developments indicated U.S. enthusiasm for supporting Tunisia's economic and broader transition, among them congressional delegations to the country and support for a U.S.-Tunisia free trade agreement expressed by Secretary Clinton and later Republican Sen. Lindsey Graham (SC), who served on the Foreign Affairs Committee.[77] Although such an agreement would not come to pass—FTAs are relatively rare and typically reserved for much larger trading partners—even the casual mention among top officials was notable. Finally, the Millenium Challenge Corporation (MCC), a U.S. development agency, had begun to assess Tunisia for eligibility for a compact, determining it eligible for a "threshold program" in 2013 (see figure 3.3 for official visits to Tunisia).[78]

This growing bipartisan support for Tunisia was felt throughout the U.S. government, creating a rare "harmonious partnership" across the interagency.[79] By 2014, America's intent to support

Figure 3.3. Select Dignitary Visits to Tunisia

the Tunisian transition—through robust programs and enhanced bilateral assistance—was clear. Altogether, observers noted a striking shift in the relationship, indicated by the spike in bilateral assistance, with congressional allocations for Tunisia between FY 2011 and FY 2013 reaching $510 million, more than seven times that of the preceding three fiscal years (see figure 3.4).[80]

Figure 3.4. U.S. Bilateral Assistance to Tunisia, 2007–11



Source: "U.S. Foreign Assistance by Country," https://foreignassistance.gov/cd/tunisia/2012/obligations/0.

EU

The European Union is even more institutionally dispersed than the U.S. government. In terms of foreign policy, key institutions include the European Commission—which is divided into directorates-general that operate similarly to ministries within an individual country's government—the European Parliament, and the European External Action Service, which operates as the EU's foreign service and sends delegations to other countries, including Tunisia. In terms of economic assistance, the EU operates through financial institutions such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). Each of these arms, along with relevant institutions from various member states, became more involved in Tunisia following its 2011 uprising.

Like the United States, the EU and its member states were motivated to support Tunisia because of the potential ramifications of its success or failure.[81] But Tunisia's proximity to Europe meant there was more at stake—indeed, the 2011 revolution led to a huge surge of Tunisians seeking to migrate illegally to Europe.[82] Additionally, certain European countries—particularly Italy and France—shared historical relations with Tunisia and thus were also motivated based on their existing economic and social ties.[83] Thus, European attempts to support Tunisia's economic transition were characterized by enthusiasm similar to that of America, but within constraints.

Two Frameworks for Postrevolutionary Engagement

Like the IFIs, the European Union quickly acknowledged how it had failed the Tunisian people by sustaining assistance to Ben Ali despite the corruption and repression perpetuated by his rule. Speaking at the European Parliament in March 2011, Štefan

Füle, the European commissioner for enlargement and European neighborhood policy, explained: “We must show humility about the past. Europe was not vocal enough in defending human rights and local democratic forces in the region. Too many of us fell prey to the assumption that authoritarian regimes were a guarantee of stability in the regions.”[84] Likewise, a French official spoke of a “sea change,” a meaningful acknowledgment given France’s initial reluctance to support protesters in late 2010 and early 2011 and the EU’s past failures to hold the Ben Ali regime accountable.[85]

Thus, like the IFIs, the EU sought to restore its reputation in support of a stable, democratic post–Ben Ali Tunisia. In March 2011, the European Commission issued a framework for supporting its neighbors in North Africa called the Partnership for Democracy and Shared Prosperity.[86] The PfDSP was intended to “reframe and reinvigorate” existing understandings,[87] in which the EU would engage with Tunisia as a “neighborhood” country whose stability was integral to European stability itself.

In May 2011, the EU revised its European Neighborhood Policy of 2004, presenting a second framework that spelled out in more detail its plans for supporting both southern and eastern neighbors over the 2011–13 period. For Tunisia specifically, the approximately €240 million initially allocated for this period was nearly doubled, ultimately reaching €445 million.[88] This updated ENP also detailed new funding mechanisms, specifically the Support for Partnership, Reforms, and Inclusive Growth (SPRING) fund, the Civil Society Facility, and the European Endowment for Democracy.[89]

At the heart of these two framework documents was a “more for more” approach under which the EU sought to incentivize democratization among southern Mediterranean countries by offering additional assistance if they undertook reforms. Thus, although the EU had long supported liberalizing economic as well as political reforms, it now sought to explicitly tie them to assistance. This was in contrast to its previous support, when it effectively looked the other way while the Ben Ali government tortured and unlawfully jailed Tunisian citizens.[90]

The Privileged Partnership and the DCFTA

These EU trade frameworks explicitly recognized economic reform as integral to political reform.[91] Central to support for economic reform would be the renegotiation of the EU's Association Agreements with countries such as Tunisia. The revised ENP also discussed the three economy-centered "Ms" of engagement with Arab transition countries: (1) a promise of new money for the southern neighbors, including through EIB and EBRD lending;[92] (2) expanded access to *markets*, mainly through upgrading Association Agreements; and (3) *mobility* via migration and people-to-people exchanges, a premise aimed at facilitating economic opportunity.

In the final months of 2012, Tunisia and the EU signed a "privileged partnership" arrangement that essentially upgraded trade relations underlying the Association Agreement. Such an upgrade had already been envisaged before the revolution, but now it took on new importance.[93] Crucially, the privileged partnership arrangement included the goal to negotiate a Deep and Comprehensive Free Trade Agreement (DCFTA)[94]—a level most neighborhood countries had not obtained.[95]

Macro-Financial Assistance

In May 2014, the European Parliament approved a €300 million loan to Tunisia spanning two-and-a-half years. This so-called Macro-Financial Assistance (MFA) package, which effectively boosted the IMF's Stand-By Agreement, was conditioned on progress on the fiscal, monetary, and structural policy reforms spelled out in the SBA.[96] The MFA package was akin to the U.S. loan guarantees in the sense that it sought to swiftly provide Tunisia with much-needed cash. The EU's MFA would also extend into subsequent periods, totaling €800 million by 2020.

Migration and Mobility Partnership

Also in 2014, the EU and Tunisia signed a Joint Declaration on a Mobility Partnership and launched negotiations for a readmission agreement aimed at facilitating the return of Tunisians illegally residing in Europe, border controls, and a visa facilitation arrangement.[97] Having identified mobility, along with enhanced trade, as one of the most important ways it could support Tunisia's transition, the EU was recognizing the history of North African migration to Europe, as well as sub-Saharan migration through North Africa en route to Europe.[98] The partnership also aimed to facilitate educational exchanges and declared an intent to help "redirect remittances to private investments, supporting them by means of public-private partnerships and boosting the contribution of Tunisians abroad to scientific research."[99]

CHAPTER SUMMARY

Tunisia's first transitional period, lasting from 2011 through 2014,[100] was characterized by economic turmoil caused by insecurity, political uncertainty, and social unrest, as well as a tumultuous regional security environment further constrained by fallout from the global financial crisis. Politically, aided by key civil society actors (including unions) as well as foreign funders, the country overcame an acute crisis. Thus, Tunisia had not achieved full stability, but it also had not dissolved into war as had Yemen, Syria, and Libya. And—unlike in Egypt—the country's Islamists and their opponents had reached a compromise. Moreover, Tunisia had held its own (and the region's) first truly democratic elections.

In the October 2014 parliamentary election, voters punished Ennahda for failing to contain the country's economic and security problems, but the Islamist party still finished second in the first postrevolutionary parliament, the People's Representative Assembly (PRA). Finishing first was Nidaa Tounes, whose leader, Béji Caïd Essebsi, had won the presidency. Nidaa also made the remarkable decision to form a coalition (or "consensus") government with Ennahda, a move even more striking given the ferocious nature of their rivalry and the overthrow of the Islamist government in Egypt. Finally, Tunisia's elections were grounded in the region's most liberal constitution.[101]

All these achievements mattered for donor responses. While they continued to see the urgent need for economic reforms, donor decisions were also intimately linked to the country's political trajectory. The World Bank and, soon after, the IMF agreed with the new government on a broad set of critical economic and governance reforms that they intended to support through project loans and technical assistance. For the bank, this occurred on significantly elevated levels compared to its previous engagement. And although Tunisia had never been an especially close partner for the United States—other than in combating terrorism, particularly after 9/11 through the political persecution of Islamists—the events of 2011 and thereafter had changed the thinking in Washington.

Meanwhile, the EU—while traditionally much closer to Tunisia, especially through French and Italian relations—also took steps to demonstrate its commitment to building a more democratic Tunisia founded on a stable, prosperous economy. It did so primarily through upgrading existing frameworks for engagement, increasing bilateral assistance, and substantially deepening trade and people-to-people relations. Successful elections only reinforced the sense of enthusiasm as Tunisia entered its next period.

Notes

1 Under Ben Ali, the police—administered by the Ministry of Interior—had been favored at the expense of the army. Now, given the army's apparently heroic refusal to fire on protesters, the reverse became true.

2 In 2013, for instance, a number of incidents occurred in the Chaambi Mountains near the border with Algeria.

3 "Tunisia: Country Report," Economist Intelligence Unit, February 2011, p. 15; Susi Dennison et al., "After the Revolution: Europe and the Transition in Tunisia," policy memo (European Council on Foreign Relations, 2011), 11, https://ecfr.eu/publication/after_the_revolution_europe_and_the_transition_in_tunisia/. According to Christopher Alexander, *From Stability to Revolution in the Maghreb* (Routledge, 2016), 124, the revolt itself cost $2.03 billion, or 5.2% of Tunisia's GDP.

4 Alexander, *From Stability to Revolution*, 124.

5 See fig. 13, p. 8 of *Tunisia Economic Monitor: Equity and Efficiency of Tunisia Tax System* (World Bank, 2024), https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099450111122440099, and table 3, p. 26 of *Fifth Review Under the Stand-By Arrangement, Request for Modification of Performance Criteria, and Rephrasing of Access—Staff Report; Press Release; and Statement by the Executive Director for Tunisia*, Country Reports 14/362 (IMF, 2014), 20–21, https://www.imf.org/external/pubs/ft/scr/2014/cr14362.pdf.

6 For more detail on Tunisian authorities' struggle to recover investment levels, see Hamza Meddeb, "Tunisia's Achilles' Heel," *Diwan*, Malcolm H. Kerr Carnegie Middle East Center, July 1, 2019.

7 Karen Pfeifer, "Neoliberal Transformation and the Uprisings in Tunisia and Egypt," Economics: Faculty Publications, Smith College, 2016, https://scholarworks.smith.edu/eco_facpubs/25/; fig. 16b shows 5 percent of GDP in 2010, dropping to around 4 percent in 2011.

8 "Tunisia: Country Report," Economic Intelligence Unit, April 2011, 11–12. The massive RCD was hard to uproot overnight from the state administration, including state-owned enterprises. As the International Crisis Group assessed at the time, "The fact that nineteen of 24 governors appointed in early February (2011) has been [sic] with the RCD suggests that [sic] a certain staying power of the political system of the former regime." *Popular Protests in North Africa and the Middle East (IV): Tunisia's Way, Middle East/North Africa Report 106* (ICG, 2011), https://www.crisisgroup.org/rpt/middle-east-north-africa/tunisia/106-popular-protests-north-africa-and-middle-east-iv-tunisias-way.

9 Alyssa Miller, "The Violence of Endurance: Youth Precarity and Social Justice in Inner Tunisia," in *A Fledgling Democracy: Tunisia in the Aftermath of the Arab Uprisings*, ed. Mohamed Zayani (Oxford University Press, 2018), 155.

10 UN Refugee Agency, "Southern Tunisia Weekly Update," no. 5, August 22, 2011, https://www.france-terre-asile.org/images/stories/images/UNHCR_Southern_Tunisia_Weekly_Fact_Sheet_5.pdf. Not all were officially registered as refugees.

11 See Alexander, *From Stability to Revolution*, 124. On the influx of Libyan refugees, see Tasnim Abderrahim and Federica Zardo, "Migration and Mobility: The Challenge of Thinking Outside the 'Crisis Box,'" in *The EU-Tunisia Privileged Partnership—What Next?* ed. Emmanuel Cohen-Hadria, Joint Policy Study 10 (European Institute of the Mediterranean, 2018), 88, https://www.euromesco.net/publication/the-eu-tunisia-privileged-partnership-what-next/.

12 *OECD Surveys 2022: Tunisia* (Organisation for Economic Co-operation and Development, 2022), 55.

13 For more on this period, see Sabina Henneberg, *Managing Transition: The First Post-Uprising Phase in Tunisia and Libya* (Cambridge University Press, 2020), chaps. 2, 3, and 6.

14 For more historical background on this important divide within the Tunisian opposition, see Rikke Hostrup Haugbolle and Francesco Cavatorta, "Will the Real Tunisian Opposition Please Stand Up? Opposition Coordination Failures Under Authoritarian Constraints," *British Journal of Middle East Studies* 38, no. 3 (2011): 323–41.

15 The second- and third-place finishers were the Congress for the Republic and Ettakatol.

16 These descriptions are set in quotations because many parties themselves would not use them. They are simply meant here to capture the divide between those who accepted a role for religion in governing and those who did not.

17 See Karin Brulliard, "In Tunisia, Embassy Attack Tests Fledgling Democracy," *Washington Post*, September 20, 2012, https://www.washingtonpost.com/world/middle_east/in-tunisia-embassy-attack-tests-fledgling-democracy/2012/09/20/19f3986a-0273-11e2-8102-ebee9c66e190_story.html.

18 International researcher, video interview by author, November 2025.

19 Francis Ghilès, *Still a Long Way to Go for Tunisian Democracy*, Notes Internacionals 73 (Barcelona Centre for International Affairs, 2013), and International Crisis Group, *Tunisia: Violence and the Salafi Challenge*

(ICG, 2013), https://www.crisisgroup.org/rpt/middle-east-north-africa/tunisia/137-tunisia-violence-and-salafi-challenge.

20 The other two were the Bar Association and the Tunisian Human Rights League—also respected, prominent organizations representing Tunisia's militant/activist community. For more detail, see Issandr El Amrani, "Tunisia's National Dialogue Quartet Set a Powerful Example," International Crisis Group, October 10, 2015, https://www.crisisgroup.org/cmt/middle-east-north-africa/tunisia/tunisias-national-dialogue-quartet-set-powerful-example.

21 Monica Marks, "Did Egypt's Coup Teach Ennahda to Cede Power?" memo prepared for Transnational Diffusion and Cooperation in the Middle East and North Africa, Project on Middle East Political Science, June 8–9, 2016, Hamburg, Germany, accessed January 20, 2026, https://pomeps.org/did-egypts-coup-teach-ennahda-to-cede-power.

22 Henneberg, *Managing Transition*, 67.

23 Henneberg, *Managing Transition*, 66–67.

24 See Francis Ghilès and Eckart Woertz, "Tunisian Phosphates and the Politics of the Periphery," in *Environmental Politics in the Middle East*, ed. Harry Verhoeven (Oxford University Press, 2018), 69.

25 International Crisis Group, "Tunisia's Way," 2, https://www.crisisgroup.org/rpt/middle-east-north-africa/tunisia/106-popular-protests-north-africa-and-middle-east-iv-tunisias-way.

26 World Bank official, virtual interview by author, June 2024. According to this official, both the Jomaa and troika governments were cooperative. Irene Weipert-Fenner et al., "The Political Economy of Implementing IMF Reforms: Evidence from Egypt and Tunisia," *British Journal of Middle Eastern Studies* (2025), available at https://www.tandfonline.com/doi/full/10.1080/13530194.2025.2473880, also show how in both Tunisia and Egypt compliance with the IMF was forthcoming in some areas and not others.

27 Lisa Spantig, "International Financial Institutions: Business as Usual in Tunisia?" in *Tunisia's International Relations Since the "Arab Spring": Transition Inside and Out*, ed. Tasnim Abderrahman et al. (Routledge, 2018). For more on how these two institutions relate to each other, see Phyllis R. Pomerantz, *Foreign Aid: Policy and Practice* (Routledge, 2024), 60–61, box 3.4.

28 World Bank, "Tunisia Governance and Opportunity DPL," accessed October 4, 2025, https://projects.worldbank.org/en/projects-operations/project-detail/P126094.

29 World Bank, "Implementation Completion and Results Report," ICR2602,

December 10, 2012, https://documents1.worldbank.org/curated/en/252141468311357400/pdf/NonAsciiFileName0.pdf.

30 In addition to the World Bank's $500 million (see Annex 5 of World Bank, "Implementation Completion," https://documents1.worldbank.org/curated/en/252141468311357400/pdf/NonAsciiFileName0.pdf), the EU provided €90 million through the grant and the AFD provided €185 million. The abstract about the DPL (https://projects.worldbank.org/en/projects-operations/project-detail/P126094) also noted collaboration from the Japanese International Cooperation Agency and UN Development Program.

31 World Bank, "Implementation Completion," 14, https://documents1.worldbank.org/curated/en/252141468311357400/pdf/NonAsciiFileName0.pdf.

32 World Bank official, virtual interview by author, June 2024.

33 2011 DPL program information document, https://projects.worldbank.org/en/projects-operations/project-detail/P126094. Note that this document was published before board approval.

34 World Bank, "Implementation Completion," section 1.4, 15–16, https://documents1.worldbank.org/curated/en/252141468311357400/pdf/NonAsciiFileName0.pdf.

35 World Bank, "Implementation Completion," 23, https://documents1.worldbank.org/curated/en/252141468311357400/pdf/NonAsciiFileName0.pdf.

36 World Bank, "Implementation Completion," 25–28, https://documents1.worldbank.org/curated/en/252141468311357400/pdf/NonAsciiFileName0.pdf.

37 See World Bank report 71799-TN, October 26, 2012, available at https://documents1.worldbank.org/curated/en/198181468311667883/txt/717990PGD0P128010701200SIMULT0DISCL.txt.

38 Pomerantz, *Foreign Aid*, 61.

39 World Bank, "Tunisia—Interim Strategy Note for the Period FY13–14" (May 2012), ii, https://documents.worldbank.org/en/publication/documents-reports/documentdetail/786001468173647922.

40 World Bank, "Interim Strategy Note," 1, https://documents.worldbank.org/en/publication/documents-reports/documentdetail/786001468173647922.

41 See "Introduction" to World Bank Group, *The Unfinished Revolution: Bringing Opportunity, Good Jobs and Greater Wealth to All Tunisians* (2014), https://www.worldbank.org/en/country/tunisia/publication/unfinished-revolution.

42 World Bank, *The Unfinished Revolution*, 26, https://www.worldbank.org/en/country/tunisia/publication/unfinished-revolution.

43 As also illustrated, e.g., in remarks by then–IMF managing director Christine Lagarde during her visit to Tunis in February 2012, when she noted that "the 2012 version of the IMF differs from the past…" See "Statement by IMF Managing Director Christine Lagarde at the Conclusion of Her Visit to Tunisia," press release, February 2, 2012, https://www.imf.org/en/news/articles/2015/09/14/01/49/pr1232.

44 The IMF defines a Stand-By Arrangement as "short-term financial assistance to countries facing balance of payments problems that are typically used by advanced and emerging market countries." See https://www.imf.org/en/About/Factsheets/Sheets/2023/Stand-By-Arrangement-SBA.

45 The twenty-four-month period held an interest rate of 1.08%, with higher repayment amounts in the last six months. Among the reforms were better composition of public spending, greater exchange-rate flexibility, prudent monetary policy, as well as other more specific measures such as reforming the investment code. See "IMF Survey: IMF Loan Aims to Help Tunisia Boost Growth, Protect Poor," June 17, 2013, https://www.imf.org/en/News/Articles/2015/09/28/04/53/socar061713a.

46 Pfeifer, "Neoliberal Transformation," https://scholarworks.smith.edu/eco_facpubs/25/.

47 Author interviews with World Bank officials, Washington DC, May 2024; virtually with U.S. government officials, June 2024; and in Washington DC, November 2025.

48 "IMF Executive Board Approves a 24-Month US$1.74 Billion Stand-By Arrangement with Tunisia," press release, June 7, 2013, https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr13202.

49 IMF Country Reports 14/362, 20–21, https://www.imf.org/external/pubs/ft/scr/2014/cr14362.pdf, and "Tunisia: Request for an Extension of the Stand-By Arrangement—Press Release; and Staff Report," Country Reports 15/135 (IMF, May 2015), https://www.imf.org/external/pubs/ft/scr/2015/cr15135.pdf.

50 Christopher M. Blanchard et al., *Congress and the Middle East, 2011–2020: Selected Case Studies* (Congressional Research Service, 2021), 12, available at https://www.congress.gov/crs-product/R46796.

51 See Alexis Arieff et al., *U.S. Foreign Assistance to the Middle East: Historical, Recent Trends, and the FY2024 Background Request* (Congressional Research Service, 2023), fig. 2, p. 3, available at https://www.congress.gov/crs-product/R46344. For annual amounts committed to Jordan through

an MOU, see Stephen McInerney and Cole Bockenfeld, *The Federal Government and Appropriations for Fiscal Year 2014: Democracy, Governance and Human Rights in the Middle East and North Africa* (Project on Middle East Democracy, 2013), 23, available at https://mideastdc.org/wp-content/uploads/2013/09/FY2014-Budget-Report.pdf.

52 Official then with the State Department, interview by author, Washington DC, September 2024.

53 Cited in Salma Besbes and Tasnim Abderrahman, "The U.S. and Tunisia: From Democracy Promotion to Security Consolidation," in *Tunisia's International Relations Since the "Arab Spring,"* ed. Tasnim Abderrahim et al. (Routledge, 2017), 199.

54 Reuters, "U.S. Calls for G8 to Support Egypt, Tunisia," May 25, 2011, https://www.reuters.com/article/markets/us/us-calls-for-g8-to-support-egypt-tunisia-idUSW1E7GN00M/.

55 Blanchard et al., *Congress and the Middle East*, 13, https://www.congress.gov/crs-product/R46796.

56 Former State Department official, interview by author, Washington DC, September 2024. According to McInerney and Bockenfeld, *The Federal Government and Appropriations*, https://mideastdc.org/wp-content/uploads/2013/09/FY2014-Budget-Report.pdf—quoting Assistant Secretary of State for Near Eastern Affairs Anne Patterson—for 2011–13 the United States committed more than $350 million, drawn from the U.S.–Middle East Partnership Initiative and Overseas Private Investment Corporation.

57 See "Bailleurs de Fonds" (Donors), Education for Employment Tunisia (EFE), https://efetunisie.org/nos-bailleurs-de-fonds-et-partenaires/; for information on the nonprofit, see https://www.efe.org/overview.

58 Former State Department official, interview by author, Washington DC, September 2024.

59 U.S. Department of State, "Joint Statement on the U.S.-Tunisia Joint Political and Economic Partnership," September 22, 2011, https://2009-2017.state.gov/r/pa/prs/ps/2011/09/173787.htm. Although not in itself particularly substantial, this sum is important in the context of identifying unplanned money for Tunisia.

60 According to reports, this idea was vehemently rejected by Tunisian interlocutors, who considered it damaging to their image as a middle-income country that had "graduated" from Peace Corps status. Former U.S. diplomat, interview by author, Washington DC, October 2025.

61 Former U.S. diplomat, interview by author, Washington DC, October 2025. Also see Besbes and Abderrahman, "The U.S. and Tunisia," in *Tunisia's*

International Relations Since the "Arab Spring," ed. Abderrahim, 200; McInerney and Bockenfeld, *The Federal Government and Appropriations*, https://mideastdc.org/wp-content/uploads/2013/09/FY2014-Budget-Report.pdf.

62 By the time of Tunisia's constitution-writing process, a military coup was threatening Egypt's first elected postrevolutionary government, and many U.S. policymakers sensed that Cairo's transition was being rushed. U.S. embassy official based in Tunis, interview by author, Washington DC, October 2025.

63 State Department, "Joint Political and Economic Partnership," https://2009-2017.state.gov/r/pa/prs/ps/2011/09/173787.htm.

64 Former State Department officials and diplomats, interviews by author, Washington DC, September 2024 and October 2025.

65 Including then–Assistant Secretary of State for Near Eastern Affairs Jeffrey Feltman and even Deputy Secretary of State William J. Burns.

66 Former official in the U.S. Office of the Special Coordinator for Middle East Transitions, telephone interview(s) by author, November 2025.

67 "H.R.2055—Consolidated Appropriations Act, 2012," Congress.gov, accessed April 17, 2026, https://www.congress.gov/bill/112th-congress/house-bill/2055.

68 Former U.S. diplomat, interview by author, Washington DC, October 2025.

69 Reuters, "U.S. to Give $100 Mln to Boost Tunisia Finance—Clinton," March 29, 2012, https://www.reuters.com/article/markets/us-to-give-100-mln-to-boost-tunisia-finances-clinton-idUSL2E8ET2SN/.

70 U.S. diplomat, virtual interview with author, June 2024. One former official noted that the goal of acclimating Tunisia (or Egypt) to borrowing on international markets "didn't work out that great…investors viewed it as a U.S. bond…" Former Treasury Department official, interview by author, Washington DC, November 2025.

71 As will be noted in the next chapter, a third loan guarantee was issued in 2016.

72 Previously, the program was used in the region for Israel alone. After 2011, loan guarantee programs were also started in Egypt, Iraq, Jordan, as well as Tunisia, and for Ukraine after Russia's invasion of Crimea in 2014. Loan guarantee programs had also been used for former Soviet bloc countries.

73 Several former U.S. officials and analysts cited these attributes of the loan guarantee program during interviews with the author.

74 Former Treasury Department official, interview by author, Washington DC,

November 2025. Typically, the sum that must be covered in the U.S. budget for a sovereign loan guarantee depends on an assessment of risk. See p. 17, ft. 39, in "Foreign Assistance: An Introduction to U.S. Programs and Policy," Congress.gov, https://www.congress.gov/crs-product/R40213.

75 See Sarah Yerkes, "What Can Tunisia Expect from the Biden Administration?" in *Biden and the Middle East: A Challenging Road Ahead* (Arab Center Washington, 2021), https://arabcenterdc.org/wp-content/uploads/2021/01/Biden-and-the-Middle-East.pdf.

76 U.S. government analyst covering Tunisia, interview by author, May 2024. And see U.S. Embassy in Tunisia, "Tunisia Signs $500 Million Loan Guarantee Agreement with the U.S.," June 3, 2016, https://tn.usembassy.gov/tunisia-signs-500-million-loan-guarantee-agreement-with-the-u-s/.

77 Sarah Yerkes, "What Can Tunisia Expect?" 157, https://arabcenterdc.org/wp-content/uploads/2021/01/Biden-and-the-Middle-East.pdf.

78 See Besbes and Abderrahman, "The U.S. and Tunisia," in *Tunisia's International Relations Since the "Arab Spring,"* ed. Abderrahim, 200.

79 Former White House/U.S. official, interview by author, Washington DC, June 2024.

80 Blanchard et al., *Congress and the Middle East*, 12, https://www.congress.gov/crs-product/R46796.

81 Dennison et al., "After the Revolution," https://ecfr.eu/publication/after_the_revolution_europe_and_the_transition_in_tunisia/.

82 See "EU to Rush Trade Deal with Tunisia as 'Exodus' Continues," Euractiv, February 15, 2011, accessed November 6, 2025, https://www.euractiv.com/news/eu-to-rush-trade-deal-with-tunisia-as-exodus-continues/.

83 For example, as of late 2025, an estimated 700,000 Tunisians were living in France and 160,000 residents of Tunisia were employed by French companies. French Foreign Ministry officials, interview by author, Paris November 2025.

84 Quoted in Niklas Bremberg, "Making Sense of the EU's Response to the Arab Uprisings: Foreign Policy Practice at Times of Crisis," *European Security* 25, no. 4 (2016): 430.

85 For "sea change," see Dennison et al., "After the Revolution," 15, https://ecfr.eu/publication/after_the_revolution_europe_and_the_transition_in_tunisia/. Also see J. N. C. Hill, *Democratisation in the Maghreb* (Edinburgh University Press, 2016), 54. On France, see Laura-Theresa Krüger et al., "Tunisia and the EU: 'More of the Same' or Starting Anew?" in *Tunisia's International Relations Since the "Arab Spring,"* ed. Abderrahim, 107–11.

86 Full text of the framework, accessed April 17, 2026, is available here, https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0200:FIN:en:PDF.

87 Hill, *Democratisation in the Maghreb*, 54.

88 Taken from the 2013–17 action plan summary, p. 7, available at https://www.europarl.europa.eu/cmsdata/124306/plan_action_tunisie_ue_2013_2017_fr.pdf; Youssef Cherif, "Tunisia and the EU: Too Close, Too Far," in *The European Union and North Africa: Prospects and Challenges*, ed. Adel Abdel Ghafar (Brookings Institution, 2019). Krüger et al., "Tunisia and the EU," *Tunisia's International Relations Since the "Arab Spring,"* ed. Abderrahim, 150.

89 Hill, *Democratisation in the Maghreb*, 54.

90 See Bremberg, "Making Sense," 432. Also see "Relations Tunisie–Union Europeenne: Un Partenariat Privilege—Plan d'Action 2013–2017," https://www.europarl.europa.eu/cmsdata/124306/plan_action_tunisie_ue_2013_2017_fr.pdf.

91 European Commission, "Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A New Response to a Changing Neighbourhood," May 25, 2011, 6, available at https://www.europeansources.info/record/joint-communication-to-the-european-parliament-the-council-the-european-economic-and-social-committee-and-the-committee-of-the-regions-a-new-response-to-a-changing-neighbourhood/.

92 See Hill, *Democratisation in the Maghreb*, 55; on the European Investment Bank, see Tasnim Abderrahim et al., ed., *Tunisia's International Relations Since the "Arab Spring,"* 222–23.

93 See Bremberg, "Making Sense," and Dennison et al., "After the Revolution," https://ecfr.eu/publication/after_the_revolution_europe_and_the_transition_in_tunisia/.

94 Also often referred to by its French acronym, ALECA.

95 Abderrahim and Zardo, "Migration and Mobility," 65, https://www.euromesco.net/publication/the-eu-tunisia-privileged-partnership-what-next/.

96 "Macro-Financial Assistance for the Republic of Tunisia Loan from the European Union of up to EUR 300 Million," memorandum of understanding, 2014, p. 1, https://ec.europa.eu/economy_finance/eu_borrower/mou/tunisia_mfa_mou_signed_en.pdf.

97 Abderrahim and Zardo, "Migration and Mobility," 87, https://www.euromesco.net/publication/the-eu-tunisia-privileged-partnership-what-next/. Also see Katharina Natter, "Revolution and Political Transition in Tunisia: A Migration Game Changer?" Migration Policy Institute, May 28, 2015, https://www.migrationpolicy.org/article/revolution-and-political-transition-tunisia-migration-game-changer.

98 A bit of history on how Tunisia related to the EU on this dossier appears at the beginning in Abderrahim and Zardo, "Migration and Mobility, 87–90, https://www.euromesco.net/publication/the-eu-tunisia-privileged-partnership-what-next/.

99 Abderrahim and Zardo, "Migration and Mobility, 89–90, https://www.euromesco.net/publication/the-eu-tunisia-privileged-partnership-what-next/.

100 Not counting the period leading up to the NCA election—mid-January to mid-October 2011.

101 For example, as Marina Ottaway points out, Tunisia's constitution was the only one in an Arab country without a reference to sharia, including the constitution written in Iraq under American occupation: see "Tunisia: Political Parties and Democracy in Crisis," Wilson Center, April 2, 2021, https://www.wilsoncenter.org/article/tunisia-political-parties-and-democracy-crisis.

4

Political Progress amid Institutional Stasis, 2015–19

The second phase of Tunisia's transition began hopefully amid recent political achievements. But it was increasingly marked by signs of trouble, including disruptions caused by security threats and the reemergence of corruption. By the time of the presidential and parliamentary elections in fall 2019, Tunisians' disillusionment with democratic politics was clear.

To help meet Tunisia's funding and debt-payment needs, the international financial institutions continued their lending. Meanwhile, the European Union and United States worked with Tunisia to promote economic stability and reform through both smaller programs such as those funded through the U.S. Agency for International Development and longer-term initiatives such as a Millenium Challenge Corporation compact (see figure 4.1 for a summary of developments).

Figure 4.1. Political Developments, Donor Activity, and Exogenous Events, 2015–19

EXTERNAL/ EXOGENOUS EVENTS	POLITICAL DEVELOPMENTS INSIDE TUNISIA	ACTIONS BY INTERNATIONAL DONORS AND LENDERS
	2015	
	January–February	
	 Formation of consensus government under Prime Minister Habib Essid	
 Terrorist attack at Bardo Museum	March	
 Terrorist attack at Sousse beach resort	June	Extension of IMF Stand-By Arrangement through December
Awarding of Nobel Peace Prize to National Dialogue Quartet 	October	
Rise of Islamic State in region 	**2015–16**	

EXTERNAL/ EXOGENOUS EVENTS	POLITICAL DEVELOPMENTS INSIDE TUNISIA	ACTIONS BY INTERNATIONAL DONORS AND LENDERS

2016

April

First round of Deep and Comprehensive Free Trade Area (DCFTA) talks between EU and Tunisia

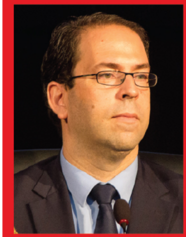
May

Signing of IMF Extended Fund Facility

July

Carthage I agreement to restore consensus government

August



Replacement of Habib Essid with Youssef Chahed as prime minister

December

Defeat of IS in Sirte, Libya

2018

Carthage II agreement (never signed)

May

Second round of DCFTA talks with EU

2019

Mid-year

Final round of DCFTA negotiations (no agreement reached)

September–October

Election of Kais Saied as president, of parliament with an Ennahda plurality

POLITICAL AND SECURITY ISSUES

In late 2014, Béji Caïd Essebsi had become the first directly elected president since Tunisia's revolution. Essebsi had become known to Tunisians after being named interim prime minister in 2011. At least partly in response to events under NCA/troika governance—from the constitution drafting process of 2012 through the political assassinations of Chokri Belaid and Mohamed Brahmi in 2013—he formed a new political party, Nidaa Tounes (Call for Tunisia), that opposed political Islam and vowed to restore security and order to the country.

Nidaa Tounes, which also finished first in the 2014 parliamentary election, formed a "consensus" government with its main rival, Ennahda, along with four smaller parties. This arrangement was meant to allow parties of different ideological persuasions to govern together under the premiership of Habib Essid of Nidaa.[1]

This second round of free and fair elections, following those in 2011, was conducted with significant oversight,[2] and the international community viewed the peaceful transfer of power as a milestone.[3] Indeed, Essebsi's accession to the presidency and the Essid government's formation helped institutionalize democracy in several ways. In addition to forming the constitution, which emphasized power sharing and respect for individual liberties, parliament debated and adopted new laws, including some related to the economy, highlighted by the Start-Up Act and pension reform.[4] The media also operated under a much more democratic system, albeit facing substantial criticism,[5] while newly established institutions such as the Truth and Dignity Commission began to operate.[6]

In 2015, moreover, Tunisia received recognition for its democratic trajectory when four civil society organizations—the General Labor Union (UGTT), the Confederation of Industry, Trade, and Handicrafts (UTICA), the Human Rights League, and the Bar Association—earned the Nobel Peace Prize for facilitating the National Dialogue two years earlier, as discussed in chapter 3. Because civil society is considered a pillar of democratic life, this recognition helped cement the country's reputation as a possible Middle East exception that could respect human rights, honor civic engagement, and check executive power.[7] The award also gave heightened prominence to the country's largest unions, the UGTT and UTICA, both of which would come to impart strong opinions about Tunisia's economic reform process.

Yet the period also saw rising concerns.[8] Continued security threats and terrorist attacks prompted the new government to adopt several controversial laws,[9] and key processes related to transitional justice, judicial reform, and other areas stalled or faced severe criticism.[10] Most important from the perspective of economic reform, the cross-ideological coalition and associated plurality of viewpoints, along with a lack of political experience, hindered movement on priorities like subsidy reduction and civil service reform.[11] Despite modest achievements, overall Tunisia's "consensus model" failed to deliver.

Alongside the political missteps, this period saw grave security incidents tied to the rise of the Islamic State in the region. Specifically, in early 2015, the country was hit by successive attacks on major tourism sites, the Bardo museum in the capital in March and a Sousse beach resort in June.[12] In response, the international community redoubled its efforts in Tunisia, helping combat the immediate problem but also draining resources—as well as channeling them into neighboring countries like Libya, where the jihadist group was also ascendant. Economic reform necessarily received less attention.

Voter dissatisfaction with the political status quo became clear in 2018, when Tunisians chose mostly independents in local elections. Voter turnout was also low (35.6%), indicating potential disillusionment with democratic politics.[13] Meanwhile, the parliament was increasingly revealing itself as ineffective, characterized by nondemocratic features such as corruption.[14] Nidaa Tounes itself had effectively crumbled by 2019 due to internal disagreements.[15] This inability of Tunisia's political system to develop into a functioning democracy would come to frustrate international donors.[16] Nonetheless, they continued to support what on the surface appeared to be the region's one "success story" coming out of the Arab Spring.

The presidential and parliamentary election outcomes of September and October 2019, respectively, were direct results of Tunisia's growing political instability.[17] Kais Saied, a lawyer by profession, had run as an outsider, an independent, and a populist—presenting himself as "clean" and separate from the corrupt political class in place since 2011. He promised to return power to the people, who appreciated his lack of party affiliation. Similarly, seats in the newly elected parliament were spread thinly among a high number of parties, reflecting disillusionment with the parties themselves.[18] Observers at the time noted that this disillusionment stemmed from a failure to improve economic conditions, yet remarked that the results would make improvements even more difficult.[19]

ECONOMIC PERFORMANCE

Tunisia's economic performance in this period—as measured by indicators such as GDP growth, inflation, unemployment, budgetary deficits, and investment levels—was poor.[20] In addition to struggling against the effects of exogenous threats like terrorist attacks and drought on industries like tourism and agriculture, the political context challenged national economic authorities belonging to the Central Bank and the government. On the one hand, the apparent consolidation of the democratic transition, through a new constitution and elected government, fueled donor enthusiasm. On the other, Tunisians' newfound freedom generated high expectations that were not conducive to long-term reforms. For example, workers in the phosphate sector continued to agitate for better conditions. Not only did such actions pressure politicians to respond by increasing public hiring and wages, it also hurt the industry's output.[21] In a larger sense, politicians were confounded by this environment of heightened demands coming both from Tunisians and donors, compounded by a lack of experience operating in a democratic context.

Debt was the most difficult issue to manage. Despite donor efforts to kick-start reforms that would rein in public spending, Tunisia's budget deficit continued to grow during this period without offsetting tax increases. The government was thus continually obliged to turn to various external lenders for help.[22] According to IMF figures, public debt as a share of GDP rose from 54.8 percent in 2015 to 73.3 percent in 2019, while external debt rose from 64.9 percent to 85.5 percent in the same period (see figure 4.2).[23]

Although Tunisia never defaulted on any of its external loans, its political and economic shakiness elicited notice from international lenders.[24] The work of the IFIs, therefore, focused primarily on keeping the government afloat while also pushing for longer-term reforms to support the broader transition. A key event early in the period covered by this chapter was the Tunisian government's adoption of the first postrevolutionary five-year development plan.[25] This plan, aimed at guiding economic programs and international interventions meant to support them, had five pillars: (1) effective public institutions; (2) economic diversification; (3) human development and social inclusion; (4) regional development; and (5) green economic growth.[26] Underneath each fell reforms focused on the tax and subsidy systems, informal economy, and investment climate—thus seeking to demonstrate the government's willingness to conform to the donors' agenda.[27] For much of the international community, this plan sufficed as an indicator that Tunisia's democratic transition was consolidating and therefore merited continued investment.[28]

Figure 4.2. Debt Levels in Tunisia

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public debt as a percentage of GDP	40.4	44	44.5	46.8	51.6	54.8	61.2	71.3	73.1	73.3
External debt as a percentage of GDP		44.5	46	57	61.4	64.9	72.2	80.1	83.7	85.5

Sources: Data pulled from IMF/Central Bank: https://www.imf.org/external/datamapper/DEBT1@DEBT/TUN?zoom=TUN&highlight=TUN; table from Ishac Diwan, *Tunisia's Upcoming Challenge: Fixing Tunisia's Economy Before It's Too Late* (Arab Reform Initiative, 2019), https://www.arab-reform.net/publication/tunisias-upcoming-challenge-fixing-the-economy-before-its-too-late/.

In the period before Saied's election, a few observers began highlighting the failures of economic reform in Tunisia—and the persistence of unemployment and corruption—along with the apparent obliviousness of the donor community to such trends. Instead, donors continued to provide loans at low rates.[29] Meanwhile, inside Tunisia, voices had begun calling for alternative programs such as debt relief, food sovereignty, and increasing taxes on the rich.[30]

DONOR RESPONSES

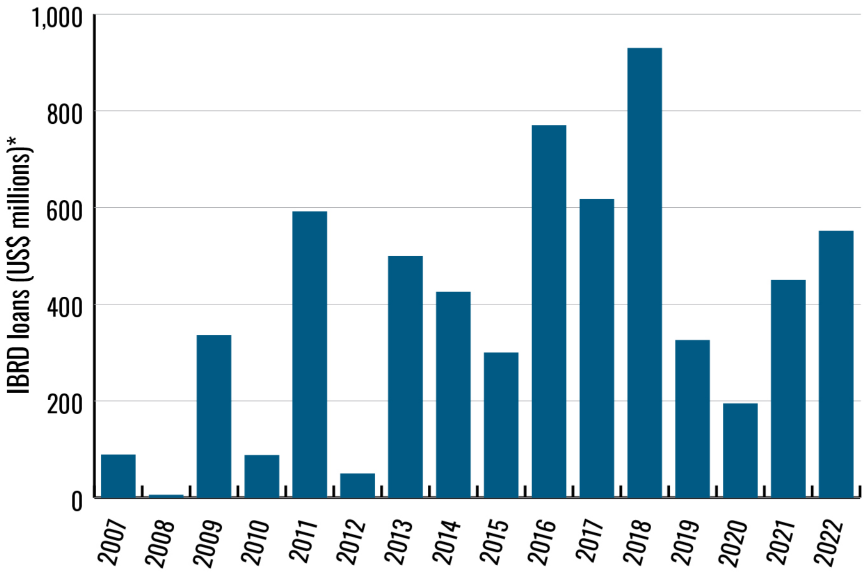
Donor support remained significant during this period—so much so that Tunisia set up a commission for managing foreign assistance. Yet national officials showed an incapacity—or perhaps unwillingness—to absorb this assistance. The reforms promoted by the IMF and supported by the World Bank, the United States, and the EU were largely unachieved.

World Bank

In October 2015, the World Bank issued a draft partnership strategy outlining its plans for improving Tunisia's development over the next five years. As noted earlier, the bank's previous strategy, covering the period 2010–13, had been interrupted by the revolution, causing bank officials to operate on an interim strategy until the first postrevolutionary elections for the presidency and parliament (for World Bank engagements with Tunisia, see figure 4.3).

The new strategy conveyed an intent to reaffirm the bank's support for Tunisia's transition, building on progress since 2011.[31] This meant significantly increasing funds for Tunisia despite the persistence of grievances that fueled the revolution. Between fiscal years 2011 and 2015, the level of bank financing was just above $1.8 billion, whereas the 2015 Country Strategy Partnership set pipelines for FY 2016 and FY 2017 at $1.5 billion and $1.3 billion, respectively.[32] As under the interim strategy, the bank recognized

Figure 4.3. World Bank Engagements in Tunisia



Source: World Bank Group, https://financesone.worldbank.org/summaries/ibrd-ida?countries=TN&startfiscalyear=2007&endfiscalyear=2010&financiers=IBRD.
*IBRD = International Bank for Reconstruction and Development

that supporting Tunisia's economic transformation would require fostering a friendlier investment climate and more transparent governance while espousing principles such as flexibility, selectivity, and inclusiveness.[33]

IMF

The IMF's Stand-By Arrangement, originally signed in June 2013, was extended in May 2015 by seven months, spanning the end of the calendar year. Tunisian authorities justified their extension request by citing the earlier need to focus on constitution writing and management of the political transition. IMF documents also noted that security concerns had forced unexpected delays in fiscal consolidation and restraint.[34]

During the remainder of 2015, IMF reviews found structural reforms to be dragging in areas such as the banking sector and pensions.[35] In May 2016, the IMF and Tunisia thus entered into a new arrangement, called an Extended Fund Facility (EFF),[36] which aimed to address some of Tunisia's continuing "vulnerabilities" despite "good macroeconomic management" amid challenges during the previous years. This $2.83 billion program was meant to last forty-eight months. In some respects, it expanded upon the goals of the IMF's SBA, which had focused more on short-term stabilization and "laying the foundations" for inclusive growth through a mix of fiscal, monetary, and exchange rate policy reforms. Now, the EFF sought to go deeper into reforms of the banking sector, civil service, and fiscal policy, among other areas.

The period saw several ups and downs in Tunisia's progress on the reforms tied to the IMF loan disbursements.[37] In the final review of both programs, the majority of benchmarks were either delayed or "not met."[38] The IMF did in early 2017 tighten the screws on Tunisian officials by withholding the second tranche of funds under the program EFF due to dragging on reforms like cutting the public sector wage bill.[39] Yet by and large, the reforms remained unimplemented anyway.

Two key policy areas in which the Tunisian government made little progress were civil service and subsidy reform. In the civil service, given that Tunisian public sector workers traditionally received good wages and that unions were strong, government spending for public salaries had become a longstanding problem addressed at times by governments under Ben Ali. Other than minor reductions to public sector recruitment and salaries in 2018–19, however, the government failed to withstand union pressure to shrink the government and the public wage bill, partly due to agreements reached prior to the election. Recruitment of additional civil servants, which had increased substantially in the period immediately following the revolution, was also fueled by pressure on the government to expand security forces and raise spending following the attacks on the Bardo Museum in Tunis and a beach resort in Sousse in 2015.[40]

Reducing subsidy spending was also elusive, although Tunisian authorities took initial steps to address the issue. Lowering food and energy subsidies posed challenges because of (1) Tunisian authorities' historical reluctance to reduce them, driven by a fear of social unrest;[41] and (2) the widespread idea that IFIs such as the IMF and World Bank would insist on subsidy reductions despite the harm such measures would bring to the country's poor.[42] In fact, authorities did increase fuel, natural gas, and electricity prices—although they subsequently lowered them again—and implemented other reforms meant to enhance energy efficiency, even as they sought to protect low-income Tunisians.

Yet Tunisian authorities could not fully resist the influential business interests that opposed energy subsidy cuts. In 2019, an IMF report acknowledged that this was the reason energy prices did not go up as planned.[43] Moreover, because the country's many state-owned enterprises are major employers and also often major consumers of subsidized energy, the government was reluctant to raise prices, an action that could potentially increase unemployment and thereby cause social unrest.[44] Thus, energy subsidy reforms became a prime example of insufficient progress despite an apparent willingness by Tunisian authorities to try to implement them.

On other, less politically sensitive issues, the Tunisian government made greater progress. A key example was the reformed investment code of 2016 and implementing texts of subsequent years.[45] The fundamental aim of this reform was to make investment easier by reducing hurdles, increasing tax incentives, and improving accessibility. For investors, it provided rights and guarantees and opened a one-stop shop,[46] while instituting a "negative list" of sectors requiring government authorization for investment.[47] In 2016, the government also created a Competition Council to "reduce government intervention in the economy, including extensive bureaucratic red tape, and promote competition based on supply and demand."[48] This was seen by some observers as an important, albeit limited, step for reducing government intervention in many sectors.[49]

Another hailed move was the Start-Up Act of 2018, which aimed to incentivize entrepreneurship particularly in the digital sector. The act was not the direct outcome of collaboration with IFIs; rather, it reflected collaboration among legislators and civil society and business groups, suggesting that Tunisia might indeed be moving away from an economic model dominated by a small number of conglomerates in the private sector.[50] The legislation was viewed as an achievement for boosting Tunisia's private sector, reflecting calls by the IFIs.

Yet these limited efforts were insufficient for generating the needed growth and investment. Steps such as creating a new investment code or adopting the Start-Up Act did not fundamentally change the structure of the economy described in *The Unfinished Revolution*. More specifically, they did not solve the problems of the two-track economy launched in the 1970s under Prime Minister Hedi Nouira, which favored "offshore" (usually foreign) firms at the expense of domestic innovation.[51] Nor did they eradicate issues such as excessive regulation, currency inconvertibility, and cronyism.[52] Levels of private investment, which had already been declining since well before the revolution, continued to drop.[53]

United States

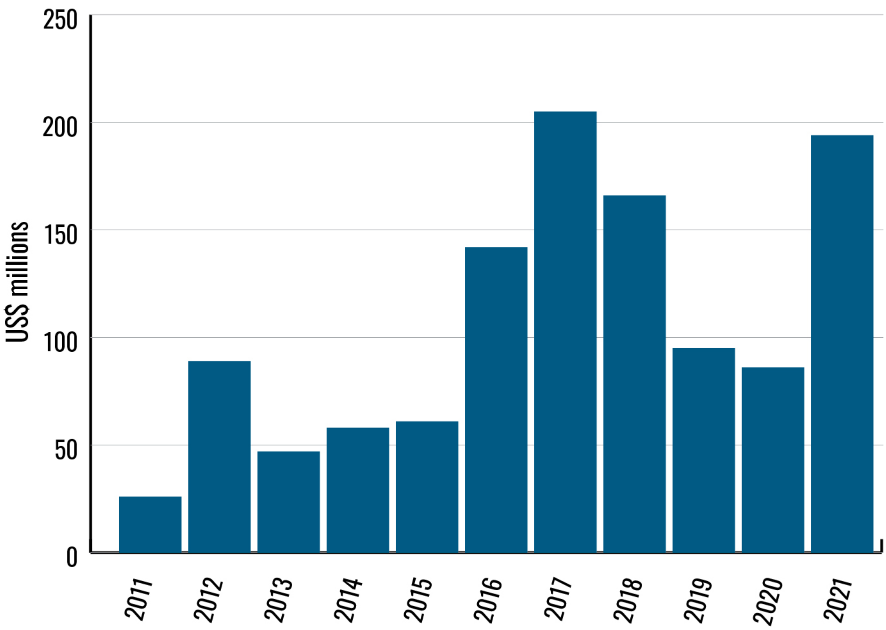
Continued U.S. attention to Tunisia's transition is best captured in its budget allocations, which reached even higher levels after climbing in the immediate postrevolutionary years. Between 2015 and 2019, assistance averaged nearly $200 million, whereas it had not even reached $80 million on average before 2011 (for U.S. bilateral assistance over the full decade, see figure 4.4).

Given that Congress ultimately sets the budget allocations, these levels reflected continued bipartisan enthusiasm for Tunisia's transition.[54] Beginning in FY 2016, Congress set an assistance floor of $141.9 million, "which had the practical effect of ensuring sufficient aid funding for Tunisia in the context of competing economic and security aid priorities."[55] Congress subsequently increased the floor three times, and in FY 2018 it even rejected the first Trump administration's request to cut bilateral assistance by 67 percent.

Policymakers in Washington also built on several steps toward strengthening relations with Tunis taken during the previous period. A key example—as identified in the September 2011 Joint Political and Economic Partnership—was expanded trade and investment. This meant not only supporting the IMF in reforms through discrete projects intended to ease burdensome regulatory requirements,[56] but also directly encouraging Americans to invest in Tunisia. Particularly given the modest costs of such efforts—e.g., supporting the periodic Tunisian Investment Forums[57]—such activities represented a steady form of U.S. engagement over the period.

In 2015, for example, Secretary of Commerce Penny Pritzker visited Tunisia to meet with government officials, business leaders, and entrepreneurs "to better understand the challenges and opportunities facing the country's economy."[58] Two months

Figure 4.4. U.S. Bilateral Assistance to Tunisia, 2011–21



Sources: Congressional Research Service "In Brief" studies on Tunisia, updated October 2, 2024, https://www.congress.gov/crs_external_products/RS/PDF/RS21666/RS21666.74.pdf, updated November 1, 2021, https://www.everycrsreport.com/files/2021-11-01_RS21666_2e2d1c3cbd9d239a9b5582457c5d50715bfb8dd3.pdf, and updated July 5, 2018, https://www.everycrsreport.com/files/20180705_RS21666_dc8a3906fc64182dcc23c86c51278813b420412f.pdf, as well as Alexis Arieff, *Political Transition in Tunisia* (CRS, 2013), https://www.everycrsreport.com/files/20130522_RS21666_4d9b19fd52bf9babf933c431ef7845509f804217.pdf.

later, when President Essebsi visited the White House, Secretary Pritzker hosted him at the historic Blair House for a dinner with representatives of the American business community. U.S. officials tasked with organizing this dinner—reflective of those who believed sufficient American effort could help turn around

Tunisia's economy—remember pouring their heart and soul into the event. One recalls paying from their own pocket for fountain pens, each with a copy of President Obama's signature, for participants from the Tunisian government, in hopes that they would return to their country with the message: *We must create a more welcoming climate for these interested American investors because the opportunity will not last.*[59]

During the previous period, as noted, the idea had also emerged to elevate Tunisia as a U.S. trading partner. Specifically, this would mean transforming the existing Trade and Investment Framework Agreement (TIFA) into a free trade agreement, as in nearby Morocco since 2004. American officials behind this idea evidently believed such an upgrade would be more important for symbolism than economic impact.[60] After all, Tunisia had never been and would never be a major trading partner for the United States. Instead, an FTA would serve as a sort of "international seal of approval" for the country's economy and help attract investment.[61]

Despite high-profile indications of support by U.S. policymakers,[62] the FTA initiative never gained enough momentum to become reality, reflecting Tunisia's fundamentally minor status as a U.S. trading partner.[63] The story of the FTA would thus come to epitomize the overall experience of U.S. assistance to Tunisia's economic reform during this period: although supporting Tunisia in principle had many advocates and few opponents, pragmatism and prioritization of more strategic interests ultimately won out.[64]

All the same, U.S. officials recognized that they needed to help Tunisia economically if its overall transition were to succeed.[65] Simultaneously, even as they still considered Tunis the region's best hope for democratization, they noticed increasing signs of political instability that required attention.

Yet ultimately, this attention mostly came in the form of policy tools that were—to the dismay of some U.S. officials—neither geared toward economic reform nor reflective of the resources the country deserved.[66] For example, on the occasion of Essebsi's visit to Washington in May 2015, the White House announced that it would be granting Tunisia Major Non-NATO Ally status.[67] In theory, although not in practice, this would allow Tunisia to more easily purchase American military equipment—potentially significant given the longstanding and, as many have argued, influential relationship between the American and Tunisian militaries.[68] Observers have suggested that the actual effects were insufficient to help Tunisia weather the storms associated with a democratic transition and economic recovery.[69] Moreover, given the levels of assistance hoped for by the Essebsi government, such dissenting voices argued that the United States was sending a message of disinterest that would further imperil Tunisia's transition.

One proposal dating to 2011 that saw the light of day was an MCC compact. American policymakers involved in the initial proposal knew that to be eligible, countries typically had to meet higher standards of economic and political liberalization than what Tunisia was exhibiting. Nonetheless, by this period, the corporation had begun its long, slow-moving series of assessments that would ultimately lead to the development of a program in Tunisia.[70]

EU

As in the United States, officials in the European Union were increasingly aware by 2018 that Tunisia would need continuing support to achieve a successful transition. As a result, during the Association Council meeting that year—a regular milestone under the Association Agreement meant to frame bilateral engagement for the coming period—many "made a plea for a significant leap in the relationship."[71]

This period also saw a growing recognition among European officials of the gap between "neighborhood" countries, including Tunisia, and "accession" countries, which were motivated by the opportunity to join the EU—and thereby pursue economic growth through enhanced exchange with wealthier Western neighbors. Acknowledging the substantial challenge to the EU contained in this gap, analysts then based in Tunisia recall trying to persuade the European External Action Service of the need for stronger incentives to get Tunisia to reform.[72] Yet the policy tools offered by the EU remained largely consistent with those employed before the revolution.

On top of approximately €560 million in grants,[73] the EU continued to provide Tunisia with Macro-Financial Assistance packages, facilitated by an IMF program—the EFF—and conditioned on the same reforms already required by the IMF. The second €500 million package came through in June 2016, with the memorandum of understanding signed April 27, 2017. The European Commission explained that the MFA-II "was designed to support Tunisia's economic recovery while implementing a wide-ranging and ambitious reform agenda."[74]

In October 2015, negotiations began for a Deep and Comprehensive Free Trade Area, forming the centerpiece of Europe's plan to support Tunisia's markets as part of its broader overall transition. Given that nearly 70 percent of Tunisia's exports were destined for Europe,[75] negotiating a DCFTA would help move the country's exports into higher-value sectors, including within the textile industry, and thereby generate growth. The talks were based on the process endorsed by the EU-Tunisia Task Force in late September 2011 and on scoping work done in earlier years.[76] They were meant to lift the barriers to trade preserved in the 1995 EU-Tunisia Association Agreement and to "gradually integrate

Tunisia into the EU Internal Market on the basis of legislative and regulatory approximation."[77]

But the DCFTA proved extremely unpopular with the Tunisian public. Similar to the deal with the IMF, which many Tunisians believed yoked Tunisia to its wealthy Western stakeholders, many regarded the DCFTA as a form of neocolonialism.[78] Skeptics expressed concerns about "economic sovereignty," fearing the agreement would flood Tunisian markets with European goods and destroy sectors such as agriculture and services (e.g., IT and communications).[79]

Tunisian politicians, facing instability and driven by competing ideologies, were also reluctant to put their full support behind advancing the DCFTA negotiations.[80] For their part, EU negotiators noted an array of hindrances to success, including insufficient resources among the Tunisians. EU participants, for instance, recall wondering why only one Tunisian official with two assistants had been assigned to work on such a massive program.[81] By late 2018, the talks remained "sluggish"; they were effectively paused during the 2019 presidential and parliamentary election year and never resumed.[82]

Others felt the Tunisian leadership should have better communicated to the public the benefits of a more complete free trade agreement. European analysts likewise encouraged clarification to help overcome misperceptions on issues such as harmonizing Tunisian production standards with European environmental and safety requirements, despite Tunisia not being an accession country.[83] (Other European think tanks published papers that took a much more critical perspective, claiming the arrangement actually was unfair for Tunisia.[84]) A major setback occurred when the European Parliament "graylisted" Tunisia, claiming it was at high risk for money laundering and terrorism finance and requiring the enactment of financial reforms to avoid being blacklisted. Observers noted the unfortunate coincidence of this decision in 2018 with the DCFTA talks, with many perceiving it as a tool to pressure Tunisia into more concessions.[85]

Perhaps the most straightforward explanation for the failure of the DCFTA negotiations was resistance from the UGTT and UTICA unions,[86] which also stoked frustration between Tunisia and its donors on issues such as civil service and pension reform. The UGTT understandably also opposed cuts to public sector hiring, salaries, and benefits. Moreover, perhaps partly due to the unions' outsize influence in Tunisia, as well as the post–Ben Ali flourishing of NGOs, the EU established "tripartite consultations" (Tunisian government–EU government–Tunisian civil society) to accompany government-to-government discussions around sectoral issues. EU officials claim that this mechanism, unique to Tunisia, contributed—and still does to an extent—to more productive discussions than with other EU partners and likely helped embolden Tunisian civil society.[87] Thus, the involvement of civil society in the DCFTA negotiations reflects the EU's attempt to reach an agreement with widespread buy-in, but ultimately shows how donors struggled to implement reforms against the wishes of the country's most powerful interest groups.

Finally, like the United States, the EU continued to promote smaller, less controversial programs ultimately meant to stimulate Tunisia's economy. For instance, in 2016 Tunisia became the only Arab or African country to join the EU's Horizon 2020 program, which was aimed at supporting research and innovation globally. By 2020, it had received more than €13 million in direct EU contributions.[88]

CHAPTER SUMMARY

The 2015–19 period followed the election of a new president and parliament under a democratic constitution hailed by the international community as the "consolidation" of Tunisia's transition.[89] These political events were seen as marking the start, or even the deepening,[90] of key processes such as judicial reform, the rooting out of corruption, and transitional justice. Yet the country's democratic transition continued to reckon with security threats along with challenges from outside its borders, while its economic transition generally stagnated. The national debt rose as the country failed to control public spending, and the government relied heavily on external borrowing. Politicians were largely beholden to the heightened public demands spurred by the revolution as well as fears of continued unrest and uprisings that could threaten their power.

Although Tunisia made progress in some areas of reform, economic authorities largely failed to meet IMF benchmarks on measures such as privatization and pensions. The first post–Ben Ali five-year development plan, produced in 2016, remained largely aspirational, and was regarded by many as a reiteration of the IMF program.[91] This suggested that Tunisian authorities were simply telling IFIs what they wanted to hear without any intention of actually undertaking the reforms.[92]

For the United States, support for Tunisia's democratic transition remained strong but was subject to internal debates over whether the country really merited the same treatment as other regional partners and, over time, whether economic reform was as important as security. In Europe, most support came through a second post-2011 MFA package, which sought to bolster the IMF's program, and negotiations for improving trade through the DCFTA. By the end of this period, however, these negotiations had stalled.

Notes

1 The constitution adopted in 2014 established a dual governing system for Tunisia, in which an elected president held responsibility for certain domains—chiefly defense and national security—while a prime minister appointed from the party with most seats in parliament headed a government responsible for all other portfolios (e.g., interior, agriculture, education, finance).

2 Observers included missions from U.S., European, and Tunisian NGOs.

3 Subsequent IMF reports considered Tunisia's democratic transition "completed" after that point. See "2015 Article IV Consultation, Sixth Review Under the Stand-By Arrangement, and Request for Rephrasing—Press Release, Staff Report, and Statement by the Executive Director for Tunisia," IMF Country Report 15/285 (October 2015), 4, available at https://www.elibrary.imf.org/view/journals/002/2015/285/article-A000-en.xml.

4 See additional examples in Robert Kubinec, *Making Democracy Safe for Business: Corporate Politics During the Arab Uprisings* (Cambridge University Press, 2023).

5 The experience of democratizing the media sector exemplifies how politicians tended to revert to authoritarian ways. See Fatima el Issawi, "Media Reform in Tunisia: A Volatile Process," Center for International Media Assistance, October 5, 2022, https://www.cima.ned.org/publication/tunisia-media-reform-a-volatile-process/.

6 The constitution also codified several other new institutions critical for democratization, such as the High Authority for Audio-Visual Communication.

7 For an overview of how Tunisian civil society was perceived, see Sabina Henneberg, "Civil Society's Development in Tunisia's Democratization Process, 2011–2021," *Mediterranean Politics* 30, no. 4 (2024): 731–33, available at https://www.tandfonline.com/doi/full/10.1080/13629395.2024.2361601.

8 As identified in the literature: see Sharan Grewal and Shadi Hamid, *The Dark Side of Consensus in Tunisia: Lessons from 2015–2019* (Brookings Institution, 2020), https://www.brookings.edu/articles/the-dark-side-of-consensus-in-tunisia-lessons-from-2015-2019/; Robert Kubinec and Sharan Grewal, "When National Unity Governments Are Neither National, Nor Unified, Nor Govern," December 14, 2018, available at https://osf.io/preprints/socarxiv/6z74r_v1; Daniel Brumberg and Maryam Ben Salem, "Tunisia's Endless Transition?" *Journal of Democracy* 31, no.

2 (April 2020), https://www.journalofdemocracy.org/articles/tunisias-endless-transition/; Adría Rivera Escartin, "Tunisia's Democratisation Process: When 'Consensus Democracy' Undermines Democratic Consolidation," *Third World Quarterly* 43, no. 2 (2022): 414–31, available at https://www.tandfonline.com/doi/abs/10.1080/01436597.2021.2015315.

9 Human Rights Watch, "Tunisia: Counterterror Law Endangers Rights," July 31, 2015, https://www.hrw.org/news/2015/07/31/tunisia-counterterror-law-endangers-rights; *"They Never Tell Me Why": Arbitrary Restrictions on Movement in Tunisia* (Amnesty International, 2018), https://www.amnesty.org/en/documents/mde30/8848/2018/en/.

10 The Truth and Dignity Commission was severely criticized throughout its existence, and key institutions related to the judiciary, such as the Constitutional Court, were never formed. See Laryssa Chomiak, "What Tunisia's Historic Truth Commission Accomplished—and What Went Wrong," *Monkey Cage, Washington Post*, January 16, 2019, https://www.washingtonpost.com/news/monkey-cage/wp/2019/01/16/heres-what-we-can-learn-from-tunisias-post-revolution-justice-commission/.

11 During this period, this coalition threatened collapse several times, with Essebsi even declaring it "over" in 2018: "Tunisia: Caid Essebsi Ends Alliance with Ennahda, Nidaa Tounes," Al-Monitor, October 2018, https://www.al-monitor.com/originals/2018/10/tunisia-caid-essebsi-ends-alliance-ennahda-nidaa-tunis.html. The "plurality of viewpoints" owed in part to the 2014 electoral law, which encouraged smaller parties to compete but led to more fragmentation within the elected parliament. See Henneberg, *Managing Transition*, 185.

12 For the Bardo attack, David D. Kirkpatrick, "Tunisia Museum Attack Is Blow to Nation's Democratic Shift," *New York Times*, March 18, 2015, https://www.nytimes.com/2015/03/19/world/africa/gunmen-attack-tunis-bardo-national-museum.html?_r=0; for the Sousse attack, Farah Samti and Carlotta Gall, "Tunisia Attack Kills at Least 38 at Beach Resort Hotel," *New York Times*, June 26, 2015, https://www.nytimes.com/2015/06/27/world/africa/gunmen-attack-hotel-in-sousse-tunisia.html.

13 See "Tunisia Country Report 2020," Bertelsmann Transformation Index, 8, available at https://www.ecoi.net/en/file/local/2029498/country_report_2020_TUN.pdf.

14 Sarah Yerkes and Marwan Muasher, *Tunisia's Corruption Contagion: A Transition at Risk* (Carnegie Endowment for International Peace, 2017), https://carnegieendowment.org/research/2017/11/tunisias-corruption-contagion-a-transition-at-risk.

15 For an overview of all these issues, see Daniel Brumberg, "Tunisia's Fragmented and Polarized Political Landscape," Arab Center

Washington DC, March 28, 2019, https://arabcenterdc.org/resource/tunisias-fragmented-and-polarized-political-landscape/.

16 Former U.S. diplomat, virtual interview by author, June 2024.

17 These were advanced slightly by Essebsi's death in July 2019.

18 Marina Ottaway, "Tunisia: Political Parties and Democracy in Crisis," Wilson Center, April 2, 2021, https://www.wilsoncenter.org/article/tunisia-political-parties-and-democracy-crisis. Ennahda won the most with fifty-two; second was Qalb Tounes (Heart of Tunisia) with thirty-eight. Nidaa Tounes won a mere three seats, a plunge from its tally of eighty-six in 2014.

19 See the section on political stability in "Tunisia: Country Report," Economist Intelligence Unit, October 2019, 4.

20 See Ishac Diwan, *Tunisia's Upcoming Challenge: Fixing Tunisia's Economy Before It's Too Late* (Arab Reform Initiative, 2019), https://www.arab-reform.net/publication/tunisias-upcoming-challenge-fixing-the-economy-before-its-too-late/.

21 See "Tunisia Country Report, January 2015," Economist Intelligence Unit, which draws from Tunisia's National Institute of Statistics; and Francis Ghilès and Eckart Woertz, "Tunisian Phosphates and the Politics of the Periphery," in *Environmental Politics in the Middle East*, ed. Harry Verhoeven (Oxford University Press, 2018), 70.

22 See Diwan, *Tunisia's Upcoming Challenge*, https://www.arab-reform.net/publication/tunisias-upcoming-challenge-fixing-the-economy-before-its-too-late/; and the section "IMF Approves Sixth Tranche of EFF Funding" in "Tunisia: Country Report," Economist Intelligence Unit, June 2019; also Amr Adly and Hamza Meddeb, "Why Painful Economic Reforms Are Less Risky in Tunisia Than Egypt," Carnegie Endowment for International Peace, March 31, 2017, https://carnegieendowment.org/research/2017/03/why-painful-economic-reforms-are-less-risky-in-tunisia-than-egypt?lang=en; and Riccardo Fabiani, "Tunisia and the International Community Since 2011: Rentierism, Patronage and Moral Hazard," *Jadaliyya*, January 29, 2018, https://www.jadaliyya.com/Details/35142/Tunisia-and-the-International-community-since-2011-Rentierism,-Patronage-and-Moral-Hazard.

23 See table 1, p. 18, in Diwan, *Tunisia's Upcoming Challenge,* https://www.arab-reform.net/publication/tunisias-upcoming-challenge-fixing-the-economy-before-its-too-late/, who claims these figures come from IMF Article 4.

24 "IMF Approves Sixth Tranche," June 2019.

25 Philippa Wilkinson, "Tunisia Sets Out Five-Year Economic

Plan," MEED, September 16, 2015, https://www.meed.com/tunisia-sets-out-five-year-economic-plan/.

26 See Glenn Rogers and Borany Penh, "The Evolving International Partnership with Tunisia," draft for discussion, U.S. Agency for International Development, August 9, 2017.

27 Maya Yayha, *Great Expectations in Tunisia* (Carnegie Endowment for International Peace, 2016), 10, https://carnegieendowment.org/research/2016/03/great-expectations-in-tunisia.

28 Carlota Gall, "Tunisia Seeks Foreign Investment to Cement Democratic Gains," *New York Times*, November 30, 2016, https://www.nytimes.com/2016/11/30/world/africa/tunisia-investment-arab-spring.html; "Tunisia Country Report 2022," Bertelsmann Transformation Index, 34, available at https://bti-project.org/fileadmin/api/content/en/downloads/reports/country_report_2022_TUN.pdf.

29 Fabiani, "Tunisia and the International Community,", https://www.jadaliyya.com/Details/35142/Tunisia-and-the-International-community-since-2011-Rentierism,-Patronage-and-Moral-Hazard.

30 Amine Bouzaïene, "La Justice Fiscale, un Enjeu de Survie à la Portée de Tunisia," *al-Bawsala*, June 28, 2022, https://www.albawsala.com/en/publications/reports/20225131; Observatory for Tunisian Economy and Max Ajl, both cited in Fadil Aliriza, "Tunisia, the IMF, and Alternatives," Middle East Institute, April 28, 2023, https://mei.edu/publication/tunisia-imf-and-alternatives/.

31 The report opens, "Tunisia is the only country to emerge from the 'Arab Spring' with a democratic state," and throughout uses language such as "progress" and "achievements." See "Country Partnership Framework for Republic of Tunisia for the Period FY 2016–2020," October 19, 2015, https://consultations.worldbank.org/content/dam/sites/consultations/doc/migration/revisedcpftunisiaforconsultations.pdf.

32 "Country Partnership Framework for Republic of Tunisia for the Period FY 2016–2020," World Bank, draft, October 2015, 28, available at https://openknowledge.worldbank.org/entities/publication/edf4d231-ec36-5b42-9e7b-c3097e2250b7.

33 See "Country Partnership Framework," 16, https://openknowledge.worldbank.org/entities/publication/edf4d231-ec36-5b42-9e7b-c3097e2250b7; and World Bank, "Tunisia—Interim Strategy Note for the Period FY13–14" (May 2012), 14, https://documents.worldbank.org/en/publication/documents-reports/documentdetail/786001468173647922.

34 See various IMF country reports from the time, e.g., October 2015 (15/285), https://www.imf.org/en/publications/cr/issues/2016/12/31/

tunisia-2015-article-iv-consultation-sixth-review-under-the-stand-by-arrangement-and-request-43341.

35 See IMF Country Report 15/285, October 2015, 81–88, https://www.elibrary.imf.org/view/journals/002/2015/285/article-A000-en.xml.

36 The IMF defines an Extended Fund Facility as: "[F]inancial assistance to countries facing serious medium-term balance of payments problems because of structural weaknesses that require time to address. These are designed to induce countries to implement medium-term structural reforms. The EFF offers longer program engagement and a longer repayment period." See https://www.imf.org/en/About/Factsheets/Sheets/2023/Extended-Fund-Facility-EFF. In practice, IMF officials have suggested there is not much difference between an EFF and an SBA. IMF official, interview by author, Washington DC, October 1, 2024.

37 See pp. 7–8 in Irene Weipert-Fenner et al., "The Political Economy of Implementing IMF Reforms: Evidence from Egypt and Tunisia," *British Journal of Middle Eastern Studies* (2025), available at https://www.tandfonline.com/doi/full/10.1080/13530194.2025.2473880, for a good overview of how the IMF assessed Tunisia's progress between the conclusion of the EFF agreement in 2016 and its termination in 2020.

38 See comment in executive summary from the 2017 staff report: "Quantitative performance criteria for end-December 2016 were missed and all structural benchmarks through March 2017 were delayed." Cited in Weipert-Fenner et al., "The Political Economy," 7, https://www.tandfonline.com/doi/full/10.1080/13530194.2025.2473880.

39 Tarek Amara, "Tunisia to Accelerate Reforms as IMF Freezes Loan: Minister," Reuters, February 27, 2017, https://www.reuters.com/article/us-tunisia-economy-idUSKBN16508T/.

40 *Tunisia: 2021 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Tunisia*, IMF Country Report 21/44 (February 2021), 17, 62, https://www.imf.org/en/publications/cr/issues/2021/02/26/tunisia-2020-article-iv-consultation-press-release-staff-report-and-statement-by-the-50128. Also see Yahya, *Great Expectations*, 7, https://carnegieendowment.org/research/2016/03/great-expectations-in-tunisia, Mahmoud Ben Romdhane, *Tunisie: La Démocratie en Quête d'Etat* (Sud Editions, 2018), 66–68, tables in annex, as well as Box 5 in the September 2015 IMF review, https://www.elibrary.imf.org/view/journals/002/2015/285/article-A000-en.xml.

41 As had indeed occurred in 1984. Yet according to Adly and Meddeb, "Why Painful Reforms Are Less Risky in Tunisia," https://carnegieendowment.org/research/2017/03/why-painful-economic-reforms-are-less-risky-in-tunisia-than-egypt?lang=en, there were no plans to reduce food

subsidies under these IMF programs. See also T*unisia: Fifth Review Under the Extended Fund Facility, and Requests for Waivers of Nonobservance and Modification of Performance Criteria and for Rephasing of Access*, IMF Report 19/223 (2019), 20, https://www.imf.org/en/publications/cr/issues/2019/07/11/tunisia-fifth-review-under-the-extended-fund-facility-and-requests-for-waivers-of-47106; and Mustapha K. Nabli and Jeffrey B. Nugent, *Tunisia's Economic Development: Why Better Than Most of the Middle East but Not East Asia* (Routledge, 2023), 189–90, which does not mention food subsidies.

42 See Fadil Aliriza, "Perpetual Periphery: IFIs and the Reproduction of Tunisia's Economic Independence," in *The Impact and Influence of International Financial Institutions on the Economies of the Middle East and North Africa*, ed. Tarek Radwan (Friedrich Ebert Stiftung, 2020), 26–42.

43 IMF Report 19/223, 4, https://www.imf.org/en/publications/cr/issues/2019/07/11/tunisia-fifth-review-under-the-extended-fund-facility-and-requests-for-waivers-of-47106. As the report describes, the Tunisian government had made phased fuel-price adjustments, reduced gas and electricity subsidies, and increased electricity and gas tariffs for higher-volume users over the first three quarters of 2018, but later backtracked from these changes.

44 Weipert-Fenner et al., "The Political Economy," 14, https://www.tandfonline.com/doi/full/10.1080/13530194.2025.2473880.

45 "Loi de l'Investissement," Republic of Tunisia, 2018, http://www.alliance-tunisie.com/wp-content/uploads/2019/05/CODE-DINCITATION-AUX-INVESTISSEMENTS.pdf.

46 See "Tunisia," IMF Report No. 18/291, October 2018, 4 et passim, https://www.imf.org/-/media/files/publications/cr/2018/cr18291.pdf.

47 See U.S. Department of State, "2022 Investment Climate Statements: Tunisia," https://2021-2025.state.gov/reports/2022-investment-climate-statements/tunisia/.

48 State Department, "Tunisia Investment Statement," https://2021-2025.state.gov/reports/2022-investment-climate-statements/tunisia/.

49 See "Tunisia Country Report 2018," Bertelsmann Transformation Index, 19, available at https://bti-project.org/fileadmin/api/content/en/downloads/reports/country_report_2018_TUN.pdf.

50 Katrin Sold, "The Tunisian Startup Act," Carnegie Endowment for International Peace, June 26, 2018, https://carnegieendowment.org/sada/2018/06/the-tunisian-startup-act?lang=en.

51 Later reports by the Organisation for Economic Co-operation and Development show that the council was helpful in name only. The OECD

also found that the Start-Up Act was limited by the continuing complexity of the tax system. See *OECD Competition Trends* (2022), 54–55, https://www.oecd.org/en/publications/oecd-competition-trends-2022_a9c9f711-en.html.

52 See "Tunisie: Dépasser le Système Socio-Économique pour Retrouver Démocratie et Etat de Droit," private unpublished paper, 2023 or 2024, p. 12; "Tunisia Country Report 2020," Bertelsmann Transformation Index, 19, available at https://www.ecoi.net/en/file/local/2029498/country_report_2020_TUN.pdf; and U.S. International Trade Administration, "Tunisia: Market Opportunities," accessed April 22, 2026, https://www.trade.gov/country-commercial-guides/tunisia-market-opportunities.

53 "Tunisia Country Report 2020," Bertelsmann Transformation Index, 18, 24, https://www.ecoi.net/en/file/local/2029498/country_report_2020_TUN.pdf.

54 Many interviewees invoked this example: former White House official, Washington DC, June 2024; former U.S. congressperson, virtual, July 2024. See also, e.g., David E. Price, *The Congressional Experience: An Institution Transformed*, 4th ed. (Routledge, 2021), 208–9; and "A Resolution Reaffirming the Strong Partnership Between Tunisia and the United States and Supporting the People of Tunisia in Their Continued Pursuit of Democratic Reforms," S.Res.236, June 5, 2019, available at https://www.congress.gov/bill/116th-congress/senate-resolution/236/text.

55 Christopher M. Blanchard et al., *Congress and the Middle East*, 2011–2020: Selected Case Studies (Congressional Research Service, 2021), 14, available at https://www.congress.gov/crs-product/R46796.

56 See Smart Tunisie and the "Young Leaders Center," as discussed in Salma Besbes and Tasnim Abderrahman, "The U.S. and Tunisia: From Democracy Promotion to Security Consolidation," in *Tunisia's International Relations Since the "Arab Spring,"* ed. Abderrahim (Routledge, 2017), 201. Note also Fiscal Accountability and Sustainable Trade (FAST), although the former USAID webpage is down as of summer 2026.

57 Besbes and Abderrahim "The U.S. and Tunisia," 201.

58 U.S. Embassy in Tunisia, "U.S. Secretary of Commerce Penny Pritzker Discusses Tunisia's Economic and Commercial Future at Business Roundtable Event," May 20, 2015, https://tn.usembassy.gov/u-s-secretary-of-commerce-penny-pritzker-discusses-tunisias-economic-and-commercial-future-at-business-roundtable-event/.

59 Former White House official, interview by author, Washington DC, June 2024.

60 Former U.S. diplomat, interview by author, Washington DC, October 2025.

61 Former U.S. diplomat, interview, October 2025.

62 See Sarah Yerkes, "What Can Tunisia Expect from the Biden Administration?" in *Biden and the Middle East: A Challenging Road Ahead* (Arab Center Washington, 2021), 157, https://arabcenterdc.org/wp-content/uploads/2021/01/Biden-and-the-Middle-East.pdf. This is also referenced in chapter 3 of the current study.

63 For more on the Trade and Investment Framework Agreement, see 200–1 in Besbes and Abderrahim, "The U.S. and Tunisia."

64 In the case of the FTA, it was most likely the U.S. trade representative who argued that America simply lacked enough commercial interests to justify such an arrangement, despite its symbolic value. Moreover, President Obama sought to disentangle the United States from the Middle East and North Africa generally, but even within the region, other objectives were deemed priorities, such as stabilizing Syria, Iraq, and Yemen.

65 More evidence of this can be found in U.S. Agency for International Development programs. The 2016–20 "Country Development Cooperation Strategy," for example, had two development objectives, the first of which was "inclusive private sector employment increase." See USAID, "Tunisia Country Development Cooperation Strategy," September 2016, previously available at https://2017-2020.usaid.gov/sites/default/files/documents/1870/Tunisia_September_2021.pdf.

66 One former State Department official noted, for example, that U.S. decisionmakers seemed not to recognize that Tunisia's transition, albeit promising, would—like other transitions—require extra support given the inherent economic challenges it carried. Former State Department official, interview by author, Washington DC, May 2024.

67 White House, "Presidential Memorandum—Designation of the Republic of Tunisia as a Major Non-NATO Ally," July 10, 2015, https://obamawhitehouse.archives.gov/the-press-office/2015/07/10/presidential-memorandum-designation-republic-tunisia-major-non-nato-ally.

68 See Sharan Grewal, "Norm Diffusion Through U.S. Military Training in Tunisia," *Security Studies* 31, no. 2 (2022), https://www.tandfonline.com/doi/abs/10.1080/09636412.2022.2065925; Rosa Maryon, "The Role of Security Assistance in Reconfiguring Tunisia's Transition," *Mediterranean Politics* 29, no. 4 (2024), https://www.tandfonline.com/doi/full/10.1080/13629395.2023.2183666.

69 Former State Department official, interview by author, Washington DC, May 2024.

70 See *Tunisia Constraints Analysis Report* (Millennium Challenge Corporation,

2018), https://assets.mcc.gov/content/uploads/constraints-analysis-tunisia.pdf. For more on the significant ups and downs of this process, see pp. 200 and 203 in Besbes and Abderrahim, “The U.S. and Tunisia”—and chap. 5 in the current study.

71 Emmanuel Cohen-Hadria, ed., *The EU-Tunisia Privileged Partnership—What Next?* Joint Policy Study 10 (European Institute of the Mediterranean, 2018).

72 Tunis-based researcher, virtual interview by author, November 2025.

73 Inclusive for the period 2015–19; data taken from Team Europe Explorer. Note that in this period, the SPRING mechanism, which had been created to more flexibly provide ENP funds and for which Tunisia was an inaugural country, was replaced by the “umbrella program” for 2014–20 (European Commission).

74 “Tunisia: Economy and Finance,” European Commission, accessed October 27, 2025, https://economy-finance.ec.europa.eu/international-economic-relations/candidate-and-neighbouring-countries/neighbouring-countries-eu/neighbourhood-countries/tunisia_en.

75 In 2024, exports were estimated at 67.2 percent; see “Tunisia: Trade and Economic Security,” European Commission, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/tunisia_en.

76 Cohen-Hadria, ed., *The EU-Tunisia Privileged Partnership*, 73; Susi Dennison, “The EU and North Africa After the Revolutions: A New Start or ‘Plus ca Change’?” *Mediterranean Politics* 18, no. 1 (2013): 119–24, https://www.tandfonline.com/doi/full/10.1080/13629395.2013.764654.

77 For more detail on the Association Agreement and its evolution since being established in 1995, see Cohen-Hadria, ed., *The EU-Tunisia Privileged Partnership*, 60–64; see p. 64 for the quotation.

78 Bettina Rudloff and Isabelle Werenfels, “EU-Tunisia DCFTA: Good Intentions Not Enough—Shift Needed from Deep to Deliberate, Comprehensive to Coherent and from Free to Fair Trade,” *SWP Comment* 49 (Stiftung Wissenschaft und Politick, 2018), available at https://www.ssoar.info/ssoar/handle/document/60963; Anna Khakee and Ragnar Weilandt, “Supporting Democratic Participation Beyond Democracy Promotion? EU Relations with Moroccan and Tunisian Civil Society in the Areas of Trade and Anti-Corruption,” *Mediterranean Politics* 27, no. 4 (2022): 466, https://www.tandfonline.com/doi/abs/10.1080/13629395.2021.1883282.

79 Rudloff and Werenfels, “EU-Tunisia DCFTA,” https://www.ssoar.info/ssoar/handle/document/60963; Cohen-Hadria, ed., *The EU-Tunisia Privileged Partnership*, 74. A good example of such views, including concerns about sovereignty, can be found in Gisela Baumgratz-Gangl

et al., eds., *Development by Free Trade? The Impact of the European Union's Neoliberal Agenda on the North African Countries* (P.I.E. Peter Lang, 2017), https://rosaluxna.org/publications/development-by-free-trade/.

80 Youssef Cherif, "Tunisia and the EU: Too Close, Too Far," in *The European Union and North Africa: Prospects and Challenges,* ed. Adel Abdel Ghafar (Brookings Institution, 2019), 111.

81 European diplomat, interview by author, Brussels, November 2025. Other documentation on the experience reflects a similar dynamic. Cherif, "Tunisia and the EU," 109, for example, notes that Tunisian officials never provided a white paper with their proposals despite promising to do so. Rudloff and Werenfels, "EU-Tunisia DCFTA," 3, https://www.ssoar.info/ssoar/handle/document/60963, list several reasons for Tunisian officials' reluctance.

82 Rudloff and Werenfels, "EU-Tunisia DCFTA," https://www.ssoar.info/ssoar/handle/document/60963.

83 Rudloff and Werenfels, "EU-Tunisia DCFTA," https://www.ssoar.info/ssoar/handle/document/60963.

84 Baumgratz et al., *Development by Free Trade?* https://rosaluxna.org/publications/development-by-free-trade/.

85 Cherif, "Tunisia and the EU," 93.

86 Rudloff and Werenfels, "EU-Tunisia DCFTA," https://www.ssoar.info/ssoar/handle/document/60963; Cherif, "Tunisia and the EU."

87 EU officials, interviews by author, Brussels November 2025; Khakee and Weilandt, "Supporting Democratic Participation," https://www.tandfonline.com/doi/abs/10.1080/13629395.2021.1883282.

88 See "The Republic of Tunisia Joins Horizon Europe, the World's Largest Research and Innovation Programme," European Commission, March 29, 2022, https://research-and-innovation.ec.europa.eu/news/all-research-and-innovation-news/republic-tunisia-joins-horizon-europe-worlds-largest-research-and-innovation-programme-2022-03-29_en.

89 One EU diplomat in Tunis at the time recalled a sense of relief after these elections. Interview by author, Brussels, November 2025.

90 Such as the institutionalization of media and judicial reform processes.

91 Yahya, "Great Expectations," https://carnegieendowment.org/research/2016/03/great-expectations-in-tunisia; Manel Dridi, "Tunisia Facing Increasing Poverty and Regional Inequalities," *Sada*, Carnegie Endowment for International Peace, October 26, 2021, https://carnegieendowment.org/sada/2021/10/tunisia-facing-increasing-poverty-and-regional-inequalities. The IMF's 2015 "sixth review" also makes several references to the plan, reflecting its close alignment with

the SBA; see IMF Country Report 15/285, October 2015, https://www.elibrary.imf.org/view/journals/002/2015/285/article-A000-en.xml.

92 As indicated here and in later chapters, one cannot ignore the intentions of some Tunisian officials—such as, famously, Prime Minister Youssef Chahed, but also many others at lower levels—to introduce and implement reforms. Yet these efforts produced very little progress.

5

Disillusionment and a Return to Authoritarianism, 2019–21

The two-year interval from late 2019 through 2021 began with Kais Saied's election as president, followed by the election of a parliament meant to serve until 2024. The period was also marked by the Covid pandemic, which wreaked havoc on Tunisia's economy, revealed much of its underlying dysfunction, and exacerbated Tunisians' anger over the political chaos and lack of improvement in their daily lives. President Saied ultimately used this situation to justify his own seizure of power in July 2021 (see figure 5.1 for a summary of developments).[1]

Yet the period also saw reasons for optimism. Donors' worries about security abated, and the second round of free and fair elections in 2019 fostered the belief that Tunisia was the main hope for democracy in the Middle East. International financial institutions and bilateral donors thus pushed ahead with their programs. But cracks also began to appear, and at this relatively late stage in Tunisia's postrevolutionary decade, a new source of disruption to reform had become apparent in the form of foreign meddling. The end of this chapter therefore briefly discusses other sources of international support Tunisia received during this decade—outside the four principal donors discussed here—particularly other countries in the region.

Figure 5.1. Political Developments, Donor Activity, and Exogenous Events, 2019–21

EXTERNAL/ EXOGENOUS EVENTS	POLITICAL DEVELOPMENTS INSIDE TUNISIA	ACTIONS BY INTERNATIONAL DONORS AND LENDERS
	2019	
	Late 2019–spring 2020: Formation of new government, eventually with Hichem Mechichi as prime minister	
	2020	
Speaker of Parliament Rached Ghannouchi visits Ankara	January	
Covid-19 pandemic declared	March	
	2021	
	Through mid-2021	Development of Millennium Challenge Corporation compact
	July 25: President Kais Saied dissolves parliament	

MILLENNIUM CHALLENGE CORPORATION
UNITED STATES OF AMERICA

POLITICS UP UNTIL EARLY 2020

The new parliament elected in 2019 was no more competent than its predecessors. The electoral support for its legislators and the new president had reflected a deep discontent with Tunisia's pos-trevolutionary political class, which the public perceived as corrupt and self-interested. Ennahda had won more seats than any other party (52 of 217) but failed to form a government.[2] By summer, the third prime minister in barely six months, Hichem Mechichi, entered office, but he lacked political experience and seemed to have earned his appointment largely through his previous relationship with the president.[3]

Meanwhile, tensions grew between Ennahda, especially parliament speaker Rached Ghannouchi, and President Saied. Ennahda had been represented in both government and parliament since 2011, and Saied blamed such politicians for the country's woes. Ghannouchi took several controversial steps that appeared to challenge Saied's authority, including traveling to Ankara in early 2020 to meet with Turkish President Recep Tayyip Erdogan. Not only did this action throw into question Saied's prerogatives on foreign policy, but it also raised the prospect of overseas Islamist influence in Tunisia's politics. Meanwhile, within Ennahda itself, problems were mounting, while Nidaa Tounes had already begun to implode.[4]

Such political chaos—exacerbated by major protest actions and the dissolution of Mechichi's government—only fueled popular distaste for Tunisian politicians and for democracy.[5] For many observers, an ominous sign was the rise of the so-called nationalists, manifested in the Free Destourian Party (PDL) led by Abir Moussi, which called for a restoration of the strong presidential system under Ben Ali and the complete exclusion of Ennahda and Islamists from politics.

ECONOMY UP UNTIL EARLY 2020

Between roughly September 2019 and March 2020, Tunisia grappled with the same economic volatility and weak performance as in the previous period. Despite a few minor steps toward reducing the public wage bill and liberalizing the exchange rate, key indicators such as budget deficit, public debt, inflation, and employment all dragged strongly on performance. GDP growth, which had averaged 2.2 percent between 2012 and 2018—already low compared to the previous decade, when it averaged more than 4 percent—fell below 1 percent in 2019.[6] Meanwhile, continuing political volatility discouraged investment.[7]

Not only had Tunisian authorities still failed to correct key structural issues predating the revolution—e.g., the corruption and state interference that hampered private sector development[8]—but they were still dealing with challenges such as inflation and decline in key industries like tourism created by the revolution (see figure 5.2 for Tunisia's economic performance over the postrevolutionary decade).

Thanks in part to the surge in security assistance to Tunisia during the previous period, itself spurred by the Islamic State takeover in places like Sirte, Libya, capacity among the Tunisian security forces had improved, helping reduce the risk of terrorist attacks.[9] This aided tourism, which rose somewhat compared to the previous year but did not reach 2010 levels.[10] Yet some analysts assessed that lone wolf attacks were now a greater threat following the return of Tunisians who had joined IS in Syria and Iraq.[11]

Figure 5.2. Tunisia's Economic Performance, 2010–20

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real GDP growth	3	-1.9	3.7	2.4	2.3	1.1	1	1.9	2.6	2.7	-8.2
Unemployment				15.3	15.3	15.4	15.5	15.3	15	14.8	16.2
Inflation	4.4	3.9	5.9	5.7	4.8	4.1	4.2	6.4	6.5	6.7	5.7

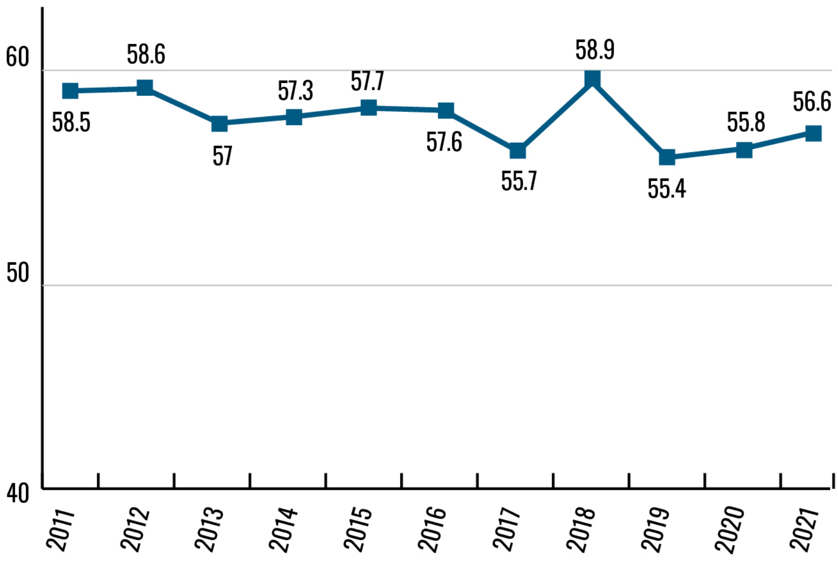
Source: Table 1, p. 18, in Ishac Diwan, *Tunisia's Upcoming Challenge: Fixing Tunisia's Economy Before It's Too Late* (Arab Reform Initiative, 2019), https://www.arab-reform.net/publication/tunisias-upcoming-challenge-fixing-the-economy-before-its-too-late/.

But these security improvements carried costs in terms of fiscal management and improving the state budget. According to IMF reporting, security needs were at least partly responsible for increased government hiring, amounting to approximately 40,000 new employees between 2010 and 2014.[12] During the subsequent period, spending on security sector workers remained substantial, both as a proportion of the civil service wage bill and in absolute terms. Such spending, of course, was part of a larger, worrying trend for donors in which Tunisia's civil service wage bill became unmanageable—consuming "more than half the budget, two thirds of tax revenues, and represent[ing] the equivalent of three times public investment."[13]

Additionally, Tunisia's mismanagement of state enterprises was becoming increasingly clear in the collapse of key industries such as phosphates. In the decade after the revolution, the phosphates industry saw major losses in productivity, largely due to work-site blockages, including at the headquarters of the state-owned Phosphate Company of Gafsa (CPG), as protesters demanded more jobs and higher pay.[14] The CPG was emblematic of the dilemma such inefficient companies created for Tunisia (see figure 5.3 for Tunisia's economic openness). Neglected even before the revolution, the Gafsa mining region and others in the interior needed large employers like the CPG to quell social unrest. Under Essebsi, a number of infrastructure projects in the mining basin had been promised—prerevolutionary governments had never reinvested profits in the region at times of high international phosphate prices[15]—but such promises fell far short of the economic opportunity demanded by the protesters and needed to sustain the inhabitants of the region. In the meantime, officials were caught between angry citizens and an imperative to keep hiring unnecessarily, including through the notoriously unprotected subcontracting mechanism.[16]

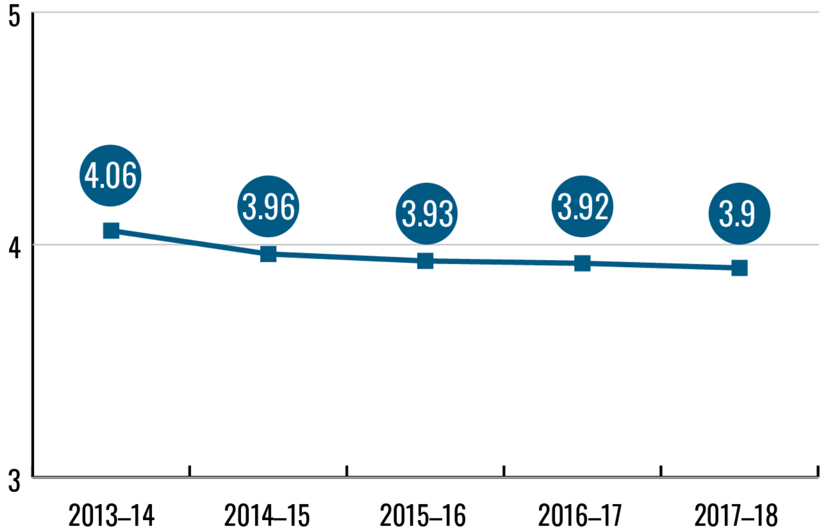
Figure 5.3. Tunisia's Economic Openness, 2011–21

Index of Economic Freedom (Heritage Foundation)
(100=best, 0=worst)



Source: https://economicfreedom.heritage.org/.

Figure 5.3 (*continued*)
Global Competitiveness Index (World Bank)
(7=best, 1=worst)



Source: https://data360.worldbank.org/en/dataset/WEF_GCI.

EFFECTS OF THE PANDEMIC

Covid-19 dealt Tunisia a second consecutive blow. Now, on top of complications to reforms created by the transition, the pandemic would require a uniquely expansive state role that effectively suspended all reforms. Despite the marginal improvements in areas like increased tax revenues and energy price management (discussed in chapter 4), the overall macroeconomic picture in early 2020 was far from promising.[17] In April 2020, the IMF projected GDP growth to fall to –4.3% (from <1% in 2019,[18] significantly lower than pre-2011), noting that sectors such as tourism (7% of GDP, with ample spillover into the 60% GDP services sector) and exports to Europe, notably car parts and textiles, were already suffering.[19]

Tunisia's economy contracted even more than the IMF predicted as a result of Covid. In 2020, real GDP growth plummeted to –9%, and by 2023 inflation climbed above 9%.[20] Also in 2020, unemployment reached 16.2%, while estimated poverty rates increased "from 14 percent pre-COVID to over 20 percent…"[21] In early 2021, a new wave of Covid struck, straining hospital capacity.[22] This coincided with the massive protest in the capital on the ten-year anniversary of the revolution—a clear expression of Tunisians' refusal to further tolerate conditions in the country.

The economic damage created by the pandemic thus made it even harder to continue with reforms, as the government prioritized lifesaving measures. Despite several vaccine campaigns,[23] anger at the government—both for its failure to fix Tunisia's problems before Covid and for the continued perception of an incompetent, corrupt political class—appears to have created an opportunity for President Saied to take dramatic action.[24]

EVENTS OF JULY 25, 2021

On the seventy-fifth anniversary of Tunisia's Republic Day, President Saied announced that he was freezing parliament, dismissing the prime minister, and rescinding parliamentary immunity for legislators. In doing so, he invoked Article 80 of the 2014 constitution, which grants the president power to temporarily close the parliament in case of "imminent danger."[25] Widespread public support for the move underscored the frustrations with the status quo—including deteriorating economic conditions—that had prompted him to act.

Saied's actions on July 25 thus spotlighted the gap between outsiders' hopes and Tunisia's reality. In focusing their attention on political developments—e.g., the new constitution, elections, efforts at decentralization—they had failed to appreciate the country's continued economic challenges, including structural challenges.[26] Despite some adjustments by donors in response to growing concerns about authoritarianism, particularly beginning in September 2021 when Saied further consolidated power,[27] they had been shortsighted in the period following his election.

DONOR RESPONSES

However ominous the results of the 2019 presidential and parliamentary elections in Tunisia, and however ill participation levels boded for Tunisians' faith in democracy, they were at least free and fair.[28] This allowed the international community to continue supporting the country's transition, although now with an apparently adjusted focus on "improv[ing] security and rebuild[ing] the economy."[29] Nonetheless, concerns emerged about a "moral hazard" wherein international lenders continued to believe their investments in Tunisia were paying off, when in fact they were enabling further delays in reforms and effectively deepening the country's economic problems.[30]

This creeping doubt was evident in a loss of confidence among investors. Tunisia's Fitch credit rating, for example, which had been at BBB in 2011, by 2019 had dropped several grades to a B+.[31] The signs of national strain were great enough to draw worry from the IMF, World Bank, United States, and EU. The IMF's fifth review under the EFF, dated to mid-2019, noted that "risks to the program objectives remain very high."[32] Meanwhile, other actors, many of which had been engaged in Tunisia since the revolution, were beginning to more openly pursue their interests in the country.

World Bank and IMF

In 2022, the World Bank published a "Systematic Country Diagnostic" for Tunisia, aimed at assessing the country's economic development over the previous decade with the goal of setting a new five-year strategy. The document recognized the high vulnerability of Tunisia's transition, given the persistence of economic challenges outlined in the *Unfinished Revolution* report, including burdensome regulations that discouraged competition and a "dual economy" that favored exporting businesses in the coastal regions.[33] It also recognized the risks posed by rising public discontent and associated support for Saied's blatantly undemocratic actions, even as World Bank commitments to Tunisia were sustained during the first three years of Saied's rule (2019, 2020, and 2021).

The IMF's May 2016 Extended Fund Facility agreement with Tunisia was set to expire in May 2020, yet the previous month, the IMF executive board approved $745 million in emergency assistance through its Rapid Financing Instrument (RFI) to support the Tunisian government as it navigated the pandemic.[34] Moreover, after the EFF was canceled,[35] Tunisia's newly appointed finance minister and others dealing closely with the IMF "reiterated their strong intention to request a successor arrangement as soon as possible."[36]

The RFI program acknowledged that while the Tunisian government had indeed taken some measures under the EFF toward reducing the deficit—including by taking advantage of low global energy prices to reduce energy subsidy costs—the pandemic would nonetheless require heavy public spending.[37] The IMF (through the RFI), along with other donors, thus declared its intent to support Tunisia in covering its resource gap.[38] Yet in its assessment one year later, the IMF noted that "Tunisia is likely to remain in a vulnerable setting for years to come, in light of structural weaknesses, high financing needs, reliance on external funding, and risk of domestic and external shocks."[39]

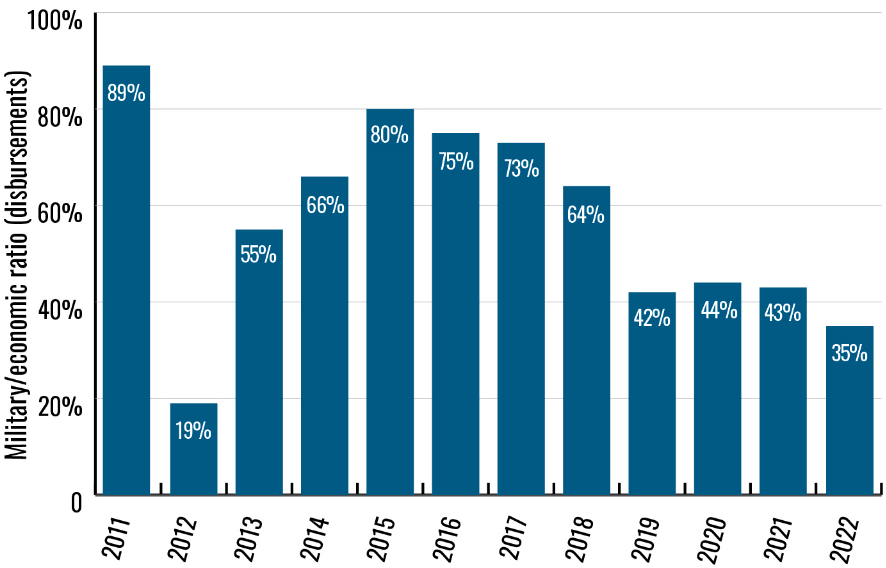
United States and European Union

Meanwhile, U.S. lawmakers continued to favor dedicating high levels of bilateral assistance to Tunisia in hopes of empowering its democratic transition. Previous allotments were therefore largely sustained, reaching $241.4 million for fiscal year 2020, up from 191.4 million for 2019.[40] Also notable was that between FY 2018 and FY 2021 Congress declined the Trump administration's proposals to cut aid.[41]

The security-to-economic-assistance ratio offers another lens for analyzing American aid (see figure 5.4). Security assistance constituted 89 percent of the total in 2011, then plummeted to 19 percent in 2012 before steadily increasing until 2015, when it reached 80 percent. The figure declined thereafter, averaging about 40 percent between 2019 and 2022.[42] Such fluctuations track more or less with the rise and effective defeat of the Islamic State in Libya, Syria, and elsewhere.

Such a pattern suggests that even into the post-2019 period, when Tunisia's transition was increasingly being called into question,[43] U.S. assistance was driven by both security challenges and a sense that the country remained on a trajectory to become the region's first democracy. Further supporting this notion was that USAID—after years of operating programs out of Washington, regional offices, or through the U.S. embassy—opened a full bilateral mission in Tunis in 2019 "and pledged up to $352 million in assistance over the next five years."[44] This expanded activity would include programs focused on economic reform, such as through

Figure 5.4. U.S. Security vs. Economic Assistance to Tunisia, 2011–21



Source: ForeignAssistance.gov. Note that the graphic reflects U.S. assistance only.

direct support to small- and medium-size enterprises.[45] As with the IMF, the absence of meaningful economic changes—whether measured by structural reforms or overall performance—did not seem to deter U.S. assistance.

Moreover, during this period, the Millenium Challenge Corporation reached the final stages of preparation for a "development aid compact" for Tunisia. Following extensive consultations,[46] the MCC in June 2021 gave final approval to a $499 million compact focused on strengthening Tunisia's transportation, trade, and water sectors.[47] This compact—despite reported delays, temporary congressional restrictions on MCC funding,[48] and intense frustration among American staff[49]—symbolized Tunisia's success in meeting program criteria by showing sufficient promise toward liberalization given the right economic incentives.

But the final approval was ill timed. Implementation and the associated flow of funds required ratification by the Tunisian parliament, and weeks after the approval, Saied suspended the legislative body, thereby also suspending the compact itself. According to the MCC, as of October 2021, the compact had not been signed "due to governance concerns following the events of July 25."[50] In this sense, that day marked a rude awakening for the United States, which had failed to see or acknowledge the underlying flaws in Tunisia's transition.

Assistance from the European Union paralleled that from other donors. Its second Macro-Financial Assistance package, which was tied to the IMF's Extended Fund Facility, was interrupted by the Covid-19 crisis, which itself prompted an emergency MFA package of €300 million.[51] Meanwhile, the EU continued providing €150 a year in budget support, through grants extended "in the context of a reform agenda,"[52] making Tunisia one of the largest recipients of EU funds under the European Neighborhood Policy.[53] In short, Covid prompted a spike in otherwise high, stable levels of EU lending and official development assistance to Tunisia.

Other Sources of International Support

Besides the four primary donors discussed throughout this study, others were active in Tunisia, in many cases since the Deauville summit in 2011, but their roles became more pronounced during the 2019–21 period. In addition to the Arab transition countries themselves (Egypt, Jordan, Libya, Morocco, and Tunisia), the partnership launched at that summit included the G8 members

(Canada, France, Germany, Japan, Russia, the United Kingdom, the United States, and the EU) as well as Italy, Kuwait, Qatar, Saudi Arabia, Turkey, and the United Arab Emirates. The summit also included several multilateral institutions beyond the IMF and World Bank: the African Development Bank, the Arab Fund for Economic and Social Development, the Arab Monetary Fund, the European Investment Bank, the European Bank for Reconstruction and Development, the International Finance Corporation, the Islamic Development Bank, and the OPEC Fund for International Development.[54]

These additional actors are important for two reasons. First, their smaller size and lesser prominence may have allowed them to act more nimbly and thus effectively in supporting Tunisia's economic development. For example, the AfDB—which was headquartered in Tunis from 2003 to 2014—was described as "quick off the mark" with small projects like road construction.[55] Such projects—typically meant to complement the World Bank's larger initiatives, including in more rural areas—were thus critical in helping Tunisians believe democracy could deliver. Second, donors outside the traditional Western cohort, especially the Gulf states of Qatar, Saudi Arabia, and the UAE, were not necessarily aligned with the IMF—or, by extension, the World Bank, United States, or EU—on causes such as economic reform.[56]

Qatar emerged early on the scene. In April 2012, the small Gulf state provided Tunisia with "a drawdown line of credit of $500 million" and pledged an additional $1 billion in loans. Doha also reportedly sought to offer 20,000 jobs for Tunisians in Qatar, although it is unclear whether this intention was ever realized.[57] Over the following years, Qatar offered assistance to two housing projects as well as investments in Tunisia's energy, tourism, banking, and telecommunication sectors.[58] Moreover, the country's development agencies and funds financed several projects focused primarily on assisting Tunisia's unemployed youth."[59]

Saudi Arabia and the UAE, as well as Bahrain and Kuwait, soon stepped in with the stated aim of stabilizing Tunisia's economy.[60] Riyadh and Abu Dhabi also provided humanitarian assistance and relief materials, support for Tunisia's healthcare system, and funding to help cover debt as well as finance rural infrastructure projects.[61] These two Gulf powers were joined by Qatar during the Covid era in providing medical equipment, vaccines, ventilators, and other equipment to help Tunisia respond to the pandemic.[62] As polarization around political Islam grew, the Islamist-friendly Qatar and the Islamist-wary UAE strengthened ties to their respective Tunisian allies, Ennahda and Nidaa Tounes.[63]

Turkey joined these countries in responding to appeals from Tunisia's leaders to invest in their "start-up democracy."[64] Tunisia made similar appeals to its Maghrebi neighbors, Algeria and Morocco, based on the premise of shared interests and potential benefit from an investment in Tunisian stability.[65] Algeria particularly became an important source of financial support for Tunisia beginning in 2014.[66] Yet taken together, these interventions mostly did not help Tunisia's economic independence, even as they sought to drum up investment during the Jomaa years.

Finally, on top of the loans from the main international donors, Tunisia received investment after 2011 from external entities similarly eager to support Tunisia's attempted democratic transition.[67] Such financing can be traced to a series of investment conferences begun in June 2013 and organized by successive Tunisian governments.[68] For instance, the November 2016 conference—through which Tunisia sought investments for its development plan, which proposed a roadmap for sustainable economic development during the coming five-year period—"gave an important psychological boost to Tunisia…and was generally regarded as a success." It resulted in pledges of up to $15 billion, about one-third of which consisted of foreign direct investment or loans to private entities (and several of which were backed by multilateral donors).[69] The role of private investment during these years was thus twofold: it boosted the financing available to Tunisia for meeting its immediate- and medium-term needs,[70] and it contributed to the belief that the world was helping Tunisia become the first Arab democracy.

CHAPTER SUMMARY

The 2019–21 period of Tunisia's first postrevolutionary decade was as tumultuous as the others. Turbulence in parliament and within the parties ultimately triggered what appeared to be a total rejection of democratic politics by the populace. Growing cynicism was fed by economic weakness in most sectors, including critical exports such as phosphates.[71] By the time Covid-19 struck, President Saied, who remained relatively popular due to his outsider positioning, faced what some have called a triple crisis: political, economic, and public health.[72] This paved the way for his seizure of power on July 25, 2021.

Despite increasing warning signs, donor support continued in response to Tunisia's apparent stability, joined by contributions from outside actors, including smaller multilateral development banks and private investors. Most notably perhaps, wealthier states in the region allowed Tunisia to elude reforms while receiving financing and to ultimately scapegoat Western donors for its problems.

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34 See press release for IMF Report 20/103, https://www.imf.org/en/publications/cr/issues/2020/04/14/tunisia-request-for-purchase-under-the-rapid-financing-instrument-press-release-staff-report-49327.

35 IMF Report 20/103, 7, https://www.imf.org/en/publications/cr/issues/2020/04/14/tunisia-request-for-purchase-under-the-rapid-financing-instrument-press-release-staff-report-49327.

36 IMF Report 20/103, 9, https://www.imf.org/en/publications/cr/issues/2020/04/14/tunisia-request-for-purchase-under-the-rapid-financing-instrument-press-release-staff-report-49327.

37 For more detail, see IMF Report 20/103, 36, https://www.imf.org/en/publications/cr/issues/2020/04/14/tunisia-request-for-purchase-under-the-rapid-financing-instrument-press-release-staff-report-49327.

38 For example, the World Bank provided an emergency loan of $4 million in early 2020; other donors listed included the European Union, African Development Bank, European Bank for Reconstruction and Development, Japanese government, UNICEF, UN Office for Project Services, and World Health Organization. See IMF Report 20/103, 12, https://www.imf.org/en/publications/cr/issues/2020/04/14/tunisia-request-for-purchase-under-the-rapid-financing-instrument-press-release-staff-report-49327. Many of these donors had already been active in Tunisia.

39 IMF Report 21/44, 12, https://www.imf.org/en/publications/cr/issues/2021/02/26/tunisia-2020-article-iv-consultation-press-release-staff-report-and-statement-by-the-50128.

40 See the U.S. government's foreign assistance web page, www.foreignassistance.gov.

41 Alexis Arieff, *Tunisia: In Brief* (Congressional Research Service, updated November 1, 2021), 10, https://www.everycrsreport.com/files/2021-11-01_RS21666_2e2d1c3cbd9d239a9b5582457c5d50715bfb8dd3.pdf.

42 See www.foreignassistance.gov.

43 See Daniel Brumberg, "Tunisia's Fragile Democracy After Essebsi," Arab Center Washington DC, August 2, 2019, https://arabcenterdc.org/resource/tunisias-fragile-democracy-after-essebsi/.

44 Arieff, *Tunisia: In Brief*, 10–11, https://www.everycrsreport.com/files/2021-11-01_RS21666_2e2d1c3cbd9d239a9b5582457c5d50715bfb8dd3.pdf.

45 See U.S Embassy in Tunisia, USAID information previously available at https://tn.usembassy.gov/embassy/tunis/usaid-tunisia/.

46 See Nick M. Brown, *Millenium Challenge Corporation: Overview and Issues* (Congressional Research Service, 2019), available at https://www.congress.gov/crs-product/RL32427, and Habib Zitouna et al., *Tunisia: Constraints Analysis Report 2018* (Millenium Challenge Corporation, 2018), https://assets.mcc.gov/content/uploads/constraints-analysis-tunisia.pdf. The former document actually outlines a much shorter process than what Tunisia experienced.

47 Arieff, *Tunisia: In Brief*, 11, https://www.everycrsreport.com/files/2021-11-01_RS21666_2e2d1c3cbd9d239a9b5582457c5d50715bfb8dd3.pdf.

48 See Stephen McInerney and Cole Bockenfeld, *The Federal Government and Appropriations for Fiscal Year 2014: Democracy, Governance and Human Rights in the Middle East and North Africa* (Project on Middle East Democracy,

2013), available at https://mideastdc.org/wp-content/uploads/2013/09/FY2014-Budget-Report.pdf; Salma Besbes and Tasnim Abderrahman, "The U.S. and Tunisia: From Democracy Promotion to Security Consolidation," *in Tunisia's International Relations Since the "Arab Spring,"* ed. Tasnim Abderrahim et al. (Routledge, 2017).

49 Implementing official, U.S. Agency for International Development, virtual interview by author, January 2026.

50 Arieff, *Tunisia: In Brief*, 11, https://www.everycrsreport.com/files/2021-11-01_RS21666_2e2d1c3cbd9d239a9b5582457c5d50715bfb8dd3.pdf.

51 A second tranche of €300 million was issued in 2022.

52 See June 2023 infographic published by European Commission, available at https://ec.europa.eu/commission/presscorner/detail/en/fs_23_3205.

53 European Commission, "Tunisia Trade and Economic Security," https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/tunisia_en.

54 U.S. Department of State, "Deauville Partnership with Arab Countries in Transition," https://2009-2017.state.gov/e/eb/ecosum/2012g8/deauville/index.htm.

55 U.S. diplomat, interview by author, Washington DC, October 2025. Also see Lisa Spantig, "International Financial Institutions: Business as Usual in Tunisia?" in *Tunisia's International Relations Since the "Arab Spring,"* ed. Abderrahman et al., 226.

56 See Phyllis R. Pomerantz, *Foreign Aid: Policy and Practice* (Routledge, 2024), 45–51.

57 "Interim Strategy Note," https://documents.worldbank.org/en/publication/documents-reports/documentdetail/786001468173647922; Anna Jacobs, "Regional and Global Power Competition Deepens Fault Lines Across the Southern Mediterranean," Arab Gulf States Institute, October 21, 2020, https://agsi.org/analysis/regional-and-global-power-competition-deepens-fault-lines-across-the-southern-mediterranean/; and Sally Khalifa Isaac, "Explaining the Patterns of the Gulf Monarchies' Assistance After the Arab Uprisings," *Mediterranean Politics* 19, no. 3 (2014), available at https://www.tandfonline.com/doi/abs/10.1080/13629395.2014.959759.

58 See Table 1, p. 417 in Isaac, "Explaining the Patterns of the Gulf Monarchies' Assistance," https://www.tandfonline.com/doi/abs/10.1080/13629395.2014.959759.

59 Jacobs, "Regional and Global Power Competition Deepens Fault Lines," Arab Gulf States Institute, https://agsi.org/analysis/regional-and-global-power-competition-deepens-fault-lines-across-the-southern-

mediterranean/. Doha's institutions include the Qatar Friendship Fund, the Qatar Fund for Development, and Silatech (Education Above All Foundation).

60 For Gulf intervention after the Arab Spring more generally, see Radwan Masmoudi, "How the International Community Failed Tunisia," in *Democratic Transition in the Muslim World: A Global Perspective*, ed. Alfred Stepan (Columbia University Press, 2018),152–53.

61 Isaac, "Explaining the Patterns," https://www.tandfonline.com/doi/abs/10.1080/13629395.2014.959759; also see Assem Dandashly, "Gulf Donors in the MENA Region: Unravelling Motivations, Aid Strategies and Geopolitical Objectives in the Case of Tunisia (2011–24)," *International Spectator,* January 24, 2025, available at https://www.tandfonline.com/doi/full/10.1080/03932729.2025.2453695.

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64 See Tasnim Abderrahim and Mootaz Ghothbani, "The Jomaa Government (2014–2015): Tunisia as a 'Start-Up Democracy,'" in *Tunisia's International Relations Since the Arab Spring*, ed. Abderrahim et al., 76–99.

65 See Abderrahim and Ghothbani, "The Jomaa Government."

66 Sabina Henneberg, "Global Ambitions and Tunisia's Crisis Could Spur Algeria to Rethink Its Non-Intervention Policy," *Just Security*, June 27, 2023, https://www.justsecurity.org/87055/global-ambitions-and-tunisias-crisis-could-spur-algeria-to-rethink-its-non-intervention-policy/.

67 Fabiani, "Tunisia and the International Community Since 2011," https://www.jadaliyya.com/Details/35142/Tunisia-and-the-International-community-since-2011-Rentierism,-Patronage-and-Moral-Hazard.

68 "Assessment of TIF 2013," blog post, June 25, 2013, http://blog.tunisiainvestmentforum.tn/2013/.

69 *First Review Under the Extended Fund Facility, Request for Waivers of Nonobservance of Performance Criteria and Rephasing of Access—Press Release; Staff Report; and Statement by the Executive Director for Tunisia*, IMF Report 17/203, July 2017, 48, available at https://www.imf.org/-/media/files/publications/cr/2017/cr17203.pdf. Note that such conferences typically produce nonbinding pledges usually greater than what is ultimately invested.

70 IMF Report 17/203, 48, https://www.imf.org/-/media/files/publications/cr/2017/cr17203.pdf. Apparently, another purpose of these conferences was to "continue coordination among participants of the Deauville Partnership and other donor initiatives such as the EU-Tunisia Council for Entrepreneurship."

71 Phosphates are used for fertilizers and thus were both exported and used domestically for Tunisia's agricultural sector.

72 State Department official, interview by author, Washington DC, May 2024.

6

What Went Wrong with International Economic Assistance to Tunisia?

Tunisia's struggle to democratize between 2011 and 2021 can be explained in three interrelated narratives: (1) domestic transition and political economy ("the Tunisian side of the story"); (2) support and pressures from international donors and lenders ("the international side of the story"); and (3) external or exogenous events. The associated challenges for international lenders were not unique to Tunisia, and they remain unsettled in the field. Any attempt to treat each of the three narratives separately should be regarded as at least somewhat artificial.

This analysis is aimed at identifying the roadblocks to economic reforms defined as necessary by Western donors and lenders for a sustained democratic transition in Tunisia. Even today, an extensive debate persists in the country about whether the IMF-led reforms promoted by the international community were appropriate, or whether they actually hindered the welfare of Tunisians.[1] This chapter acknowledges such skepticism, but focuses its discussion on discrete barriers to progress.

BUT FIRST, WHAT WENT RIGHT?

Before discussing why Tunisian economic performance since 2011 has not improved, and in fact has worsened—and also why the prerevolutionary structural problems persist—it is important to acknowledge the economic successes notched by the international community between 2011 and 2021.

First, as discussed in chapter 4 (2015–19), the international community cooperated to achieve certain reforms, particularly in less politically sensitive areas like overhauling the investment code and increasing tax revenue, including through a 1 percent value-added tax increase in 2018.[2] Similarly, as acknowledged in IMF program reviews, the government took important steps toward expanding social protections. Specifically, this involved shifting away from universal subsidies and toward more targeted social transfers and use of digital tools to reach vulnerable groups.[3] At the end of March 2019, for example, a social database of low-income households managed by the Tunisian government was covering "some 600,000 households (about 20 percent of total households), half of which with [*sic*] validated income and expenditure data."[4]

More controversially, also in 2019, parliament adopted a pension reform measure that raised the retirement age from sixty to sixty-two and increased contributions by 1 percent for employees and 3 percent overall.[5] The government also introduced new contributions for private employees into a pension fund, known by the French acronym CNSS.[6] These reforms indeed exemplified how the government could withstand public opposition, including from powerful interest groups,[7] to manage unsustainable deficits. Nonetheless, the CNSS in particular met with such fierce public resistance, including through misinformation, that according to some observers it may have cost then–Prime Minister Youssef Chahed his political career.[8]

Thus, on several occasions Tunisian governments after 2011 did comply with IMF conditions and—more important—address what they saw as unsustainable budget deficits.[9] In broader terms, IMF officials involved at the time note that a simple benchmark count may not fully capture the impact of IMF and other donor-supported programs in Tunisia or elsewhere. For instance, the World Bank found in 2022 that poverty in Tunisia had decreased since 2011.[10]

Additionally, posing counterfactuals such as what the Tunisian government might have achieved without the shocks of terrorist attacks in 2015 (severely detrimental to tourism) or Covid-19 (harmful to tourism as well as trade and other sectors) helps illuminate the scale of the challenges that faced Tunisia. One can only speculate how grim the picture would have been had Tunisia received less or no international support.[11] Especially early in the postrevolutionary period, international actors such as the World Bank, EU, and United States provided unprecedented assistance to Tunisia, including through rarely enlisted programs like loan guarantees. The absence of a follow-on EFF program since 2022 or of improved economic performance suggests that despite the massive shortcomings during the 2011–21 period, the donor community's presence in Tunisia may have indeed been a stabilizing factor economically.[12] Nonetheless, the massive donor efforts to grow Tunisia's economy were largely ineffective.

TUNISIA'S TRANSITIONAL AND POLITICAL ECONOMY CHALLENGES

Tunisia's efforts to accommodate economic support from donors to help form a new, democratic government faced several challenges, among them (1) a lack of capacity and experience among political leaders; (2) the need for political compromise; and (3) influence and resistance from interest groups occupying all strata of Tunisian society.

Lack of State Capacity

To begin with, Tunisian authorities trying to undertake reforms faced a problem of implementation. Partly, this was because the government confronted outsize demands from a population just coming off a revolution. As successive governments struggled to retain control, the instability continued to make reforms more challenging.[13]

The transition also created downstream effects that would hamper the implementation of economic reforms. First, the heavy civil service recruitment under the troika government (2011–15) admitted many inexperienced workers into the ranks of state administration. It also complicated lines of authority and communication,[14] and may have led some more-seasoned civil servants to quit in frustration.[15] The deterioration of state capacity was further exacerbated by ballooning opportunities outside the state created by the influx of international NGOs implementing projects across a broad range of sectors, which drew away some of the most qualified and competent individuals.[16]

Second, the steps taken after 2011 to liberalize the political system spawned many new parties, including small ones with very little experience, permitting political disarray to further cloud reform efforts.[17] One Tunisian official recalled, for instance, that during a near-resolution to the political crisis within the consensus government under Béji Caïd Essebsi in 2018,[18] wherein the Islamists and secularists simply could not work together, an announced agreement listed sixty-three "urgent" economic proposals. These were augmented at the last minute by a sixty-fourth demanding a change in government—suggesting that the actors behind this agreement had no intention of actually undertaking reforms but instead sought only to oust their enemies.[19]

The Tunisian government also struggled with reforms owing to authoritarian legacies that harmed state capacity. Under the previous dictatorships, economic development had been organized through five-year development plans, encouraging policymaking based on these time intervals rather than relevance. The more skilled Tunisian policymakers tended to have European training, but they were often derided as "golden boys" lacking an authentic connection with ordinary Tunisian experience.[20]

Competence aside, postrevolutionary Tunisian governments were forced to manage foreign assistance estimated at fourfold the amounts Tunis had received under Ben Ali.[21] The corresponding lack of "absorption capacity" prompted questions of whether this sudden influx actually created more problems than it solved. Tunisian authorities were facing a lot all at once—many interlocutors, all of whom brought substantial resources, but with a vast collective reform agenda.[22] Some alleged that lack of coordination among donors complicated matters further.[23] All the while, donor insistence that Tunisia's programs be "homegrown" stirred questions about the extent to which authorities could actually set their own priorities.[24]

Perhaps the biggest barrier donors faced in implementing projects in Tunisia came from the heavy bureaucracy that had served clientelism and corruption under the previous dictatorships.[25] Donor-funded projects were frequently stymied by regulatory burdens such as authorizations,[26] leading donors to estimate that in 2015, fewer than half of official development assistance commitments made by internationals were disbursed.[27] Moreover, the influx of donor funds after 2011 contributed to a sentiment among Tunisians—particularly those farther from the capital, where most donor activity was based—that their country was once again becoming subject to Western dominance, as during the colonial era.[28] Some observers cited such fears in explaining why much post-2011 assistance was given in the form of budget support, or grants meant to help cover budget deficits, albeit conditioned on reforms. Such support—in contrast to project-based aid—would allow Tunisians to “do what they wanted” rather than being dictated to by foreigners, while donors could avoid the frustration of having project funds blocked due to lack of authorizations.[29]

Prioritization of Political Consensus

The first interim authorities in Tunisia, who governed between January and October 2011, enjoyed a general hopefulness that was shared with international actors. Yet they did not have the legitimacy to impose major reforms.[30] After the National Constituent Assembly was elected and the troika government began its tenure in late 2011, the focus turned to constitution writing, which saw a mounting crisis between proponents of political Islam and their secularly minded opponents. One effect of this crisis was to draw political attention away from the economic reforms agreed upon with international donors.[31]

The National Dialogue of summer 2013 and the early 2014 replacement of the troika with the technocratic government led by Mehdi Jomaa heralded change in the sense that the new leaders understood and appeared committed to reform.[32] Because of their apolitical nature and strong credentials, foreign interlocutors generally found them easier to deal with than their predecessors.[33] Several ministers from the Jomaa cabinet—recognizing the need to address the structural economic issues harming their country—even organized an economic dialogue, which included representatives from interest groups such as the labor union and business leaders.

Yet the Jomaa government could not overcome the central problem whereby political leaders sought to prioritize consensus between Islamists and secularists on a constitution. Despite having overcome the political stalemate in 2013, Jomaa officials found that NCA delegates were focused on completing the constitution and, in the final months, holding elections.[34] Legislators espoused the narrative that if they could reach a cross-ideological compromise, adopt a new constitution, and hold democratic elections, then a focus on the economy could come next. Regardless of whether they truly believed this—or whether it was a convenient excuse to avoid tackling challenging economic issues—the logic proved faulty.

Although a new constitution was eventually finalized in 2014, the process included constant squabbling by delegates over a range of governance-related issues. This focus on governance consensus continued even after 2014, when the successor parliament, the PRA, effectively pushed economic reform off the agenda.[35] In demonizing the other side each time a reform was proposed, the legislators indirectly placed politics above economics. Sometimes, they sought more directly to preserve consensus by avoiding hard decisions about economic reform. One World Bank official recalled an Ennahda official explicitly stating that the party was skirting turmoil in order to keep governing.[36] Moreover, because

Nidaa Tounes frequently relied on the UGTT labor union, with its broad-based membership, for political survival against Ennahda, it often failed to adopt reforms unpalatable to the union.[37] Such a dynamic held until after 2016, when the consensus became increasingly unstable.

Indeed, as time went on, this consensus would be understood as a pact meant to preserve elite interests to the exclusion—once again—of the traditionally marginalized populations.[38] The consensus also led to internal divisions within Ennahda. One faction contended that the party should comply with Nidaa Tounes's attempt to protect business interests versus those of marginalized Tunisians, thereby preserving the partnership and the party's authority; another countered angrily that this tactic would alienate the party's base.[39] Such competition fed a vicious cycle in which political leaders would repeatedly invoke the risk of renewed crisis as an excuse for delaying reforms.[40]

Resistance by Interest Groups

Reform-minded Tunisian officials quickly discovered how their country's powerful interest groups would stymie any reforms that challenged their interests. The UGTT, for starters, naturally opposed reductions in public sector hiring, salaries, and benefits. Officials from the Jomaa government (January–December 2014) contended that the union drew on its historical legitimacy and its role during the revolution to effectively shut down the government's economic dialogue and preserve hiring and wage increases. The UGTT also argued that the government's job was to prepare elections, not advance economic reforms.[41]

Because the UGTT had been prominent in resolving the crisis of 2013, and because the union had become a chief adversary of Ennahda—which largely took the blame for the crisis[42]—the union could use its political capital to stifle attempted reforms even once the newly elected Essebsi government was in place. Later buoying the UGTT was the Nobel Prize the union received in 2015, along with UTICA and two other civil society groups, for helping resolve the crisis. By the time the second IMF program, the Extended Fund Facility, was signed in May 2016, a new agreement had already been negotiated with the UGTT for a wage increase of fifty dinars a month (then roughly US$25) for the 2015–19 period.[43] Tunisia's spending on public sector salaries—roughly 14.5 percent of GDP—infamously become one of the highest in the world.[44]

Reforming the country's highly inefficient state-owned enterprises proved to be another enormous challenge for both Tunisian and international officials in part due to organized business interests, mostly manifested in the UTICA employers' union. An Open Skies agreement prepared by the European Union was never signed, for instance, because it would have required the reform of the notoriously inefficient national airline, Tunisair. The EU also failed to achieve the necessary alignment in safety standards for industrial products, which would have facilitated deepening trade, due to the connections between UTICA and the Ministry of Industry. Because a realignment from standards that limited production costs (as under Ben Ali) to those that emphasized environmental and health protections (as in the EU) was perceived to threaten businesses, the changes were ultimately never made.[45]

For many internationals, it was clear that reforms were being blocked by influential parties that feared any change would give rise to new competition. This primarily referred to monopolists, or the handful of elite families who controlled access to much of Tunisia's wealth.[46] EU officials found themselves frustrated, for example, by Tunisia's refusal of a "mini trade package" offered in 2018 to raise quotas on Tunisian bottled olive oil imports conditioned on the opening of Tunisian markets for select agricultural products of Tunisia's choosing. These officials suspected that Tunisian resistance came from wholesalers who feared the quota would hurt revenues.[47]

In the Ben Ali era, the monopolists and conglomerates that dominate Tunisia's private sector benefited from easy access to loans, which in turn crippled the banking sector. The economic reform agenda supported by international actors sought to undo the byzantine system of regulations that protected those who already enjoyed connections and excluded those who did not. Yet precisely because this system had allowed them to retain control—for example, many of these families or business owners were also elected to parliament in 2014—those with connections fought successfully to protect their interests and privileges.[48]

One U.S. official recalled speaking to a representative of these connected business elites during a formal visit to Washington DC focused on the opportunities an improved Tunisian economy would generate:

> I said…so if the pie gets bigger, even if your percent stays the same, you can get more and make room for others. And—I will never forget—he said: I'm ok with things the way they are…[49]

Such mindsets formed an enormous barrier to change.

As for unions, assessing the multifaceted role of the UGTT and UTICA before, during, and after the 2011 revolution renders an assessment of their economic reform role more complicated. For example, UGTT leaders sought to help increase foreign investment in Tunisia, casting themselves as supportive of the reforms being pushed by the international community.[50] Additionally, despite their national image, UGTT leaders had not always protected the most marginalized workers from the state, as in 2008, when miners staged an uprising in Gafsa and the union withheld support. Nor had the union's views aligned with heads of state-owned enterprises under UTICA, who saw the downsides of high wages, prompting divisions between the two. The union's role regarding economic reform was thus marked by "internal contradictions": although many Tunisians viewed its resistance to the IMF's desired public sector wage cuts as heroic, certain segments not represented by the union, such as connected elites and the poorest of the poor, felt differently.[51]

The role of Tunisia's powerful interest groups thus goes a long way in explaining why international assistance to economic reform in Tunisia was so difficult—but it does not tell the whole story.

INTERNATIONAL CHALLENGES IN SUPPORTING TUNISIA'S ECONOMIC TRANSITION

Donors' enthusiasm to support Tunisia after 2011 is uncontested. Yet certain assistance tools, such as direct budget support, sometimes turned out to be counterproductive because they sent the message that Tunisia would receive foreign funding whether or not it met attached conditions for economic reform. Why were donors so inclined to afford Tunisia this flexibility? The following section discusses the gamut of donor-driven challenges.

Tunisia's High Expectations of Donors

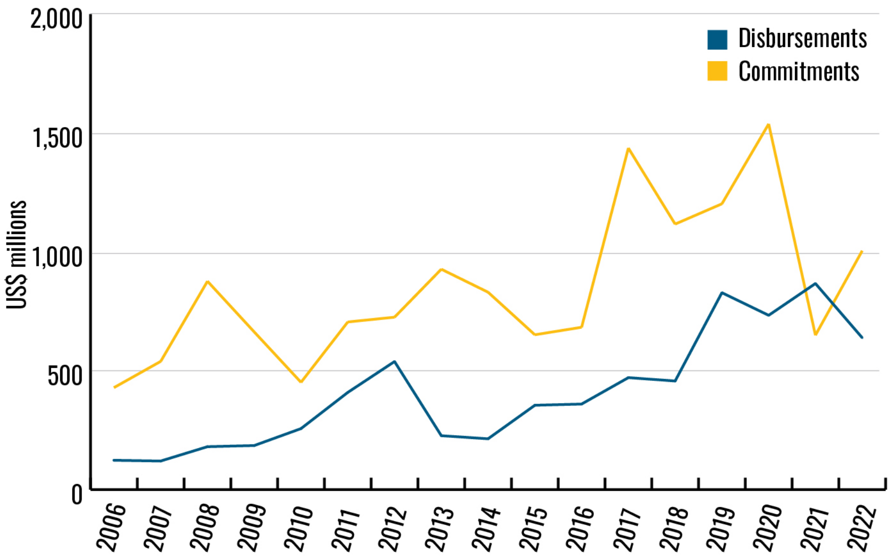
The gap between Tunisia's hopes for support and the reality of what donors would provide constitutes a major theme in the failure of economic reform during the postrevolutionary decade. France in particular drove unrealistic Tunisian expectations by framing the Deauville summit of May 2011 as a great show of international support for Arab transition countries. U.S. officials present at the summit remember being pressured by the French to increase their pledges. They also remember working hard to separate, for instance, expected private sector investments or military assistance from the count toward official government pledges made at the conference to avoid setting false hopes.[52] Yet, as noted, Paris appeared determined to announce as large a figure as possible (see figure 6.1 for pledges vs. disbursements).[53]

Some international actors also remember Deauville as "a misreading on both sides."[54] Despite what the French were trying to demonstrate, for the United States in particular, Tunisia would never be an especially valuable partner worthy of such massive assistance. Yet even U.S. officials were guilty of misleading Tunisians into thinking they might benefit from policy arrangements usually reserved for more strategic partners. Such was the case when Hillary Clinton talked publicly about supporting a free trade agreement.[55]

In an undoubtedly sad irony, initial donor enthusiasm for supporting Arab Spring countries meant Tunisians came to think of their country as more important, especially to the United States, than it ever would be. Throughout the decade, Tunisians argued that they were worthy of a "Marshall Plan" and of preferential U.S. treatment such as that received by countries like Jordan and Israel.[56] Yet the relative unimportance of Tunisia for Washington and the disappointment this caused was exhibited time and again,[57] creating a dynamic in which neither side prioritized Tunisia's economic recovery.

Another effect of donors' enthusiasm was the false perception it created among the Tunisian public. Although officials knew the money was simply not forthcoming, many Tunisians wondered why promised funds were not leading to outcomes on new infrastructure and other projects. One explanation adopted by citizens was that the Tunisian government was stealing it.[58] Instead of helping Tunisians believe that "democracy pays," therefore, international actors were contributing to a growing mistrust between voters and their representatives.

Figure 6.1. Pledges vs. Disbursements to Tunisia



Source: OECD Data Explorer, https://bit.ly/3RryE9W.

Tunisia held a special place for donors, who recall recognizing that its small size and educated population, proximity to Europe, and relatively well-developed infrastructure could augur success in democracy building, even as the country lacked the size or strategic value of Egypt or Libya.[59] Donor representatives in Tunis remember hearing discussion of how Tunisia might compare to other "successful" cases of democratic transition such as Spain or Poland, with the latter in particular driven by a vibrant civil society. This attribute, along with a relatively high proportion of women in the workforce and historical absence of political violence, also applied to Tunisian society.[60]

Donor enthusiasm only grew with time, and Tunisia became a candidate for several programs for which it might otherwise never have qualified, such as a privileged partnership with Europe and loan guarantees along with a Millennium Challenge Corporation compact from the United States. Other indications were growing bipartisan support and the eagerness of high-level officials such as Secretary of State Clinton and her deputy William J. Burns to support Tunisia.[61] The country also welcomed a stream of high-level visitors immediately after the revolution, including EU High Representative for Foreign Affairs and Security Policy Catherine Ashton, IMF President Christine Lagarde, World Bank President Robert Zoellick, Secretary Clinton and her successor, John Kerry; and several U.S. senators and EU parliamentarians.

Beginning with the 2014 election and the formation of a new consensus government, the donor community and Tunisian society allowed themselves to believe the hard part might be over.[62] Unlike in Egypt, Tunisia had shown itself capable of peaceful inclusion of Islamists in politics, further stirring enthusiasm among donors.[63] Meanwhile, civil society continued to thrive and promising efforts around transitional justice and other such processes were underway.[64] Donors recall a uniquely hopeful moment in 2016 when President Essebsi replaced Habib Essid as prime minister with Youssef Chahed, a young, apparently dynamic French-educated figure who seemed to recognize—as encapsulated in the donors' new G7+EU Tunisia Economic Partners Group processes[65]—the need to balance Tunisia's economic and security needs.

Enthusiasm also found form in the EU's "more for more" approach and Congress's establishment of a floor for bilateral assistance. In both cases, actors justified their support for Tunisia by citing it as a model for other countries in the region.[66] In hindsight, some donor representatives wondered if key decisionmakers perhaps had "emotional expectations" or had "put their name" on Tunisia's success. They had visited the country, seen the politicians capable of speaking to a Western audience, and now struggled to let go of the idea of turning this country into a democracy.[67] High levels of support from all donors thus continued into 2017, 2018, and 2019 even as aspects of Tunisia's transition—including its political development—started to falter.[68]

Language emerged suggesting that Tunisia was "too nice to fail," or sometimes "too small not to succeed."[69] In other words, success should not arise from the country's strategic importance but from its own merits. Still, a disconnect existed between such rhetoric and donors' reluctance to commit extensive resources, either because they did not think Tunisia needed them, or because Tunisia was not their priority, or both. This was particularly true of the United States. Obama administration officials recall "really, really [trying] to make time" for Tunisia as the conflicts in Libya, Yemen, Syria, and the tightening authoritarian grip in Egypt dominated the agenda.[70] Others pushing for "bigger" policy tools in Tunisia—especially given that its economy was suffering simply by virtue of being in transition—found themselves in the minority. Instead, for U.S. policymakers, Tunisia "was always the good-news story,"[71] and its economy especially would continue to be an afterthought.

This paradox also extends to the question of whether economic reform should take priority over other areas, given the limited resources designated for Tunisia. Although donor views were not uniform, policymakers by and large followed their Tunisian counterparts' insistence that economic reform would follow a successful political compromise; the interim success of such a compromise, where Tunisia's neighbors had failed, reinforced this thinking. As a result, even once a consensus government had been formed, the internationals "[gave] Tunisia a pass" after it failed to implement the needed economic reforms.[72] Among EU member states, France—the largest contributor of bilateral assistance—consistently pushed for more "flexibility" with Tunisia (see figure 6.2 for Tunisia's transition ratings over time).[73]

Such flexibility largely supplanted donors' initial focus on economic reform. In Washington, criteria for assistance were subject to a classic divide between the Treasury Department, where policymakers argued for more stringency, and the State Department, where they counseled lenience. Because the State Department disbursed the money, at least in the case of loan guarantees, its views won out.[74] Even between the EU and the United States, differences arose over whether to condition assistance on political transition versus management of migration to Europe, but ultimately neither actor sought very tough conditions—again, out of a hope that giving Tunisia space to "succeed" would inspire "success" across the whole region.

Even the IMF and World Bank set relatively lenient conditions to undergird their multibillion-dollar lending programs over

Figure 6.2. Tunisia's Transition Ratings over Time

	2006	2008	2010	2012	2014	2016	2018	2020
Political transformation score/ index	3.83	3.95 (#92)	3.78 (#102)	3.85 (#100)	5.8 (#64)	6.3 (#54)	6.5 (#43)	6.55 (#49)
Economic transformation index	6.5	6.79 (#35)	6.18 (#51)	6.11 (#52)	5.68 (#62)	6.00 (#49)	6.04 (#47)	6.21 (#45)
Governance/ Management index	4.42	4.77 (#73)	4.32 (#87)	4.34 (#87)	4.58 (#77)	5.33 (#54)	5.33 (#51)	4.43 (#49)

Note: This graphic (ratings/rankings) is meant to show that Tunisia's political and governance ratings improved during this period while its economic ratings stagnated or got worse. The BTI indices used here evaluate "whether and how developing countries and countries in transition are steering social change toward democracy and a market economy." See https://bti-project.org/en/reports/country-dashboard/TUN.

the decade. The political scientist Irene Weipert-Fenner and her coauthors note in their analysis that much IMF reporting from the EFF discussed the watering down of lending conditions, while a World Bank official explained that "internationally all eyes were on the constitution…and we were being lenient, especially because the political spotlight was on Tunisia."[75] On the occasions when the IMF did try to enforce compliance, this action appeared to harm Tunisia's rating and ability to obtain other loans.[76] Once again, Tunisia's transition appeared hopeful enough to prevent donors from pushing harder for the reforms truly required for success.

Security Concerns

While they did not want Tunisia's democracy to fail, donors—especially the United States—were unwilling to dedicate more resources, and while they wanted Tunisia to reform economically, they feared jeopardizing its political transition. These paradoxes were further complicated by security-related challenges. Even during the more promising years between 2011 and roughly 2016–17, Tunisia experienced numerous violent incidents that threatened both its internal political stability and the security interests of its international partners. These included the 2012 attack on the U.S. embassy and school; the two political assassinations of 2013, combined with numerous other incidents of extremism (discussed in chapter 3); the twin attacks on tourist sites in the first half of 2015; and the rise of the Islamic State in neighboring Libya, which was finally stemmed in late 2016.[77]

Such events appeared to reinvigorate the U.S. and European determination to support Tunisia, although coupled with an even stronger inclination to overlook the economy. After the U.S. embassy attack, for instance, major embassy staffing cuts and the priority placed on Tunisia's security needs undermined any economic focus.[78] Indeed, security concerns remained paramount as extremist movements, notably IS—to which Tunisian nationals constituted the highest proportion of foreign fighters[79]—grew stronger in nearby Libya and Syria. As discussed earlier, amounts of U.S. security assistance exceeded economic assistance during these critical years. Today, Tunisia's counterterrorism capabilities are considered vastly improved compared to 2011–12 thanks to American support, but this support appears to have come at a clear cost to economic reform.[80]

Meanwhile, from a European perspective, the rise in IS activity in the Middle East forced a shift in priorities from democratization to containing migration—which surged in 2015—and terrorism.[81] Over the following years, the EU took significant policy steps to manage migration, such as creating a Directorate-General for the Middle East and North Africa and launching the Emergency Trust Fund for Africa,[82] for which "project typologies range from protection assistance to migration governance and integrated border management" and through which €22.8 million was eventually allocated for programming in Tunisia.[83] Despite the range of activity types, the EU approach—often called "externalization" of border control—has been criticized as an attempt to buy off Maghreb countries like Tunisia.[84] This took the form of agreements in which the EU offered financial aid, training, and other economic incentives for Tunisia to stop migrants, through "stricter border enforcement and readmission commitments," from entering European waters.[85] For critics, such policies not only ignored the underlying issues—namely, weak migration management and lack of economic opportunity within departure countries such as Tunisia—but also supported human rights abuses.[86]

Policy Tool Appropriateness

The lack of effective policy tools for helping stabilize and grow Tunisia's economy amid the country's political transition constituted a significant hindrance to success. Tunisia was not the first country where donors and lenders promoted certain reforms that were unpopular with a government and its people. Thus, bilateral donors in particular used various other policy tools to support the country's transition, including fostering people-to-people ties and promoting trade. Tunisia's transitional context, however, proved uniquely difficult for introducing these tools, in part because new lawmakers would be disinclined to risk their jobs by backing difficult reforms. The United States and EU found that as much as they sought to support Tunisia's economic transition beyond major reform-conditioned loans, the tools available to them—again, partly because of the transitional context—were inherently limited.

Moreover, even as the United States and EU followed the lead of IFIs in terms of policy programs, these bilateral donors recognized the acute need to support Tunisia in other ways as well. The people-to-people ties falling within this rubric, viewed as creating opportunities in the economic transition, included the 2011 Joint Political and Economic Partnership signed between Tunisia and the United States. This compact sought to "strengthen research and development capacity of Tunisian higher education institutions" and "build institutional and human capacity among Tunisian students and workforce on a technical level through vocational training and other means," establishing a variety of programs toward this end.[87] The EU, for its part, included Tunisian researchers and research entities in its Horizons Europe program "under the same conditions as entities from the EU member states."[88]

Yet both U.S. and EU policymakers became frustrated by their lack of appropriate policy tools. In Washington, lawmakers lamented an emphasis in the State and Commerce Departments on "comprehensive" programs such as a free trade agreement—which requires lengthy planning and congressional approval—rather than more nimble tools.[89] And although EU policymakers were generally more willing to embrace the comprehensive tools compared to their U.S. counterparts—plans to negotiate a DCFTA had been introduced even before 2011—they could not escape the accusations within Tunisia of being essentially harmful neocolonialists.

EU policymakers in particular saw how support was complicated because Tunisia was not an "accession" country. Since the 1990s, the EU had acquired experience in supporting countries as they sought to transition to democracy. Yet for many of its

Eastern European neighbors, unlike in Tunisia, the prospect of EU accession strengthened a mutual commitment to reform.[90] Many observers felt that the frameworks upon which EU interventions in Arab Spring countries were based—primarily, the Partnership for Democracy and Shared Prosperity (PfDSP) and the revised European Neighborhood Policy (ENP)—rehashed the EU's pre-2011 approach, reflecting a seeming inability to effectively support democratic transitions in non-accession countries.[91] Perhaps as a result, not only did EU policymakers fail to help transform Tunisia through tools such as expanded trade arrangements, but many experienced waning enthusiasm for Tunisia's democratic transition altogether by mid-decade.

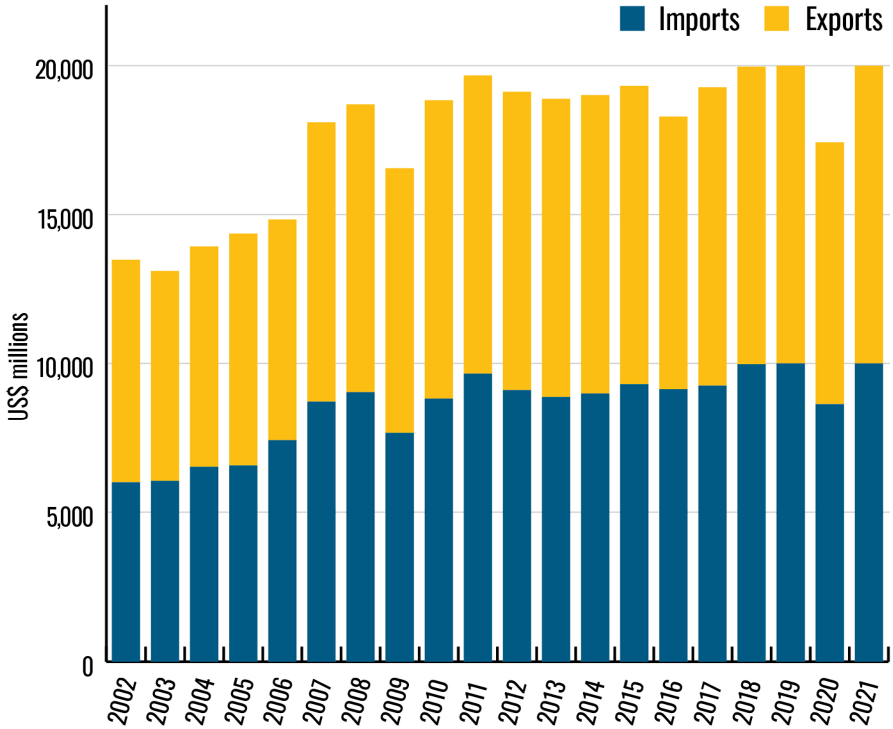
A Squandered Window of Opportunity?

Despite Tunisian officials' openness to reform, the revolutionary fervor and high uncertainty of the decade made it difficult if not impossible to advance these efforts. The prevailing excitement mixed with the chaos of transition created a conundrum for international donors and lenders. On the one hand, they wanted to take advantage of this window of opportunity, implicitly drawing on the economic theory behind IMF programs wherein implementing the tough measures as early as possible can reduce costs.[92] On the other hand, they lacked the tools to accomplish such an ambitious agenda so quickly. Indeed, the first IMF package—itself not as reform heavy as its successor—did not even begin until mid-2013, essentially halfway through this three-year period. The difficulty of implementing dramatic reforms at the outset was compounded by the sense among Tunisian officials that they lacked the electoral legitimacy to institute such profound changes.

And indeed, IFIs soon found that the window was closing and discussions of instituting such difficult measures were increasingly difficult.[93] This was not helped by the reliance of the newly elected government—for the first time in Tunisian history comprising officials truly accountable to their constituents—on an anti-Ennahda platform, meaning it needed to keep the favor of the anti-Ennahda unions.[94] Additionally, the eagerness of immediate postrevolutionary governments, particularly the troika, to embrace change without fully establishing their own agenda may have created something of a misalignment of incentives, wherein IFI representatives ended up dictating what was meant to be a homegrown program.[95]

Moreover, the window of opportunity may have been even narrower than in other transitional contexts because of a development beyond everyone's control: the global financial crisis that began in 2008. The international community recognized that Tunisia's advantages were its small, diverse economy and its proximity to Europe.[96] This meant that it would still be relying largely on the health of its international partners—particularly Europe—for economic opportunity (see figure 6.3). Yet during the early postrevolutionary years, Europe and the West more broadly were still reeling from the financial crisis, dampening its trade with Tunisia. In short, Tunisia's transitional context made implementation of a spate of already unpopular austerity measures even more difficult than under an authoritarian system, and the difficulty was exacerbated by external conditions.[97]

Figure 6.3. Tunisia-EU Trade



Source: European Commission, "International Trade of EU and Non-EU Countries Since 2002 by SITC," updated July 16, 2026, https://ec.europa.eu/eurostat/databrowser/view/ds-059331__custom_21241494/default/table.

Problems Common to International Support

In addition to the challenges unique to Tunisia, many others encountered by donors and lenders, especially IFIs,[98] in the postrevolutionary country amounted to a familiar story. IFIs in particular had often encountered massive resistance to their programs due to internal politics in places like Egypt. Many were aware of the strong influence of interest groups on Tunisian policy, but involvement at an operational level in Tunisia's political system was beyond the scope of their interventions. Agency policies often forbade them from interfering in politics, even as the implications of such policies were often debated.[99]

IFI officials in countries beyond Tunisia have been criticized for lacking the right training for the programs they seek to implement—not because they are not excellent economists or consultants, but because they are unprepared to navigate the systems within which they operate.[100] Foreign aid workers in a country often note the frustration expressed by IFI representatives when, after appearing to embrace reforms, their counterparts consistently delay and eventually fail to implement them. In Tunisia, as elsewhere, government officials trained in the West maintain a kind of dual persona wherein they speak persuasively to donors in one context while recognizing how things really get done at home (or not) in another.[101]

An additional complaint surrounding donor efforts in postrevolutionary Tunisia was a lack of coordination. The sudden influx of assistance posed a problem in its sheer scale, but several individuals on the Tunisian side felt donors could have done more to reduce the burden, thereby increasing the effectiveness of their efforts. Tunisian officials even spoke of attempting to help donors with such coordination.[102] Donor assistance did sometimes suffer from a lack of cohesion—such as when U.S. officials and their counterparts from EU member states differed on how much to emphasize migration control versus submitting to a larger European agenda.[103] In one unfortunate instance, a small United Kingdom–funded project to support communication around austerity reforms was even hampered by accusations from some parliament members that the Foreign Office was secretly trying to weaken the Tunisian state by helping promote the reforms.[104]

Moreover, Tunisian officials often felt frustrated by the essentially different mandates of the two major IFIs, the World Bank and the IMF. Whereas the World Bank's mandate is to reduce poverty, the IMF seeks to stabilize balances of payments. Although the two mandates do not contradict each other, and indeed balancing payments is central to reducing poverty, they may sometimes be in competition. In Tunisia, this was visible with the initial austerity cuts. Aid experts note that recipient governments can sometimes even exploit these differences in priority, usually to avoid taking any action whatsoever.[105] In short, supporting Tunisia's economic transformation came with challenges that the donor community does not yet appear to have learned how to overcome.

External Events

Between 2011 and 2021, a number of exogenous events undermined economic stabilization and reform in Tunisia. One of the most damaging was terrorism; the rise of IS through 2016 demanded that the Tunisian government as well as donors and lenders shift resources to prevent terrorist incidents at home and abroad. Another external event was the rapid spread of Covid in 2020, which badly affected economic growth in Tunisia. It also constrained tourism—a source of government revenue already harmed by the tumultuous events of the revolution—as well as funds available for loans and grants to Tunisia and other struggling economies.

Other external events and conditions also constrained what donors and lenders could offer. The spread of the Arab Spring to other countries, and later the 2013 military coup in Egypt against the Muslim Brotherhood, drew attention away from Tunisia. In 2011 and after, the rumblings of the global financial crisis still constrained funding. Finally, the awarding of a Nobel Peace Prize to the Tunisian National Dialogue Quartet in 2015, a decision made in faraway Norway, spotlighted the unions that had helped achieve governance compromise but also resisted economic reforms.

Each of these events rendered addressing economic challenges or implementing reforms more difficult. Further, unlike the Tunisian and international sides of the story, these events occurred outside the experience of policymakers themselves. Nonetheless, they had a profound impact on the joint efforts of donors and Tunisians, including by creating a policy dilemma between cuts to government hiring and demands for an expanded security apparatus in response to terrorism threats.

In addition to shocks, Tunisia's decade-long economic reform process was affected by other regional actors, particularly Gulf states, whose motives differed from the main four actors considered in this paper. While the United States, EU, and IFIs sought to achieve economic stabilization and reform for the sake of ushering Tunisia and the other Arab transition states away from authoritarian rule,[106] the Gulf states and Turkey were more mindful of regional effects. Specifically, monarchs in Abu Dhabi and Riyadh worried that Islamist success elsewhere could threaten their own stability by empowering similar movements at home, while more Islamist-oriented states such as Qatar and Turkey tended to support such change.[107] The rivalry between these two camps would deepen over time, with Tunisia—like Egypt, Libya, and elsewhere—becoming a staging ground for but also a beneficiary of their competition.

Another difference between Gulf assistance to Tunisia and the four major actors was its lack of transparency.[108] Observers often suspected but could not verify that Qatari and certain Saudi funds were flowing to Ennahda,[109] thus supporting partisan political outcomes.

The chief concern over this Gulf proxy conflict—other than the problem of unfulfilled pledges and sometimes disengagement[110] —was its role in preventing Tunisia from becoming financially independent. As Tunisia received assistance apparently designed to help the country out of a crisis but unconditioned on reforms, it had little incentive to do the hard work necessary to get its economy back on its feet.[111] In this sense, regional support contained a similar moral hazard to the one faced by Western donors. But unlike the latter, regional donors were not necessarily concerned with helping Tunisia democratize through economic support.

Thus, in addition to both domestic and external obstacles to ultimately changing Tunisia's economy, several external factors undermined the process. These included shocks such as terrorist attacks and the Covid-19 pandemic; the awarding of the Nobel Peace Prize to the Tunisian Quartet and other decisions over which neither Tunisians nor international donors had control; and activity by non-Western-aligned actors.

CHAPTER SUMMARY

Although international support helped the Tunisian government begin to form a democracy, three sets of explanations account for the persistence of major structural barriers to reducing inequalities, alleviating unemployment, and promoting private sector-led growth. These are: (1) the characteristics of Tunisia's political economy and particularities of its transitional context; (2) the approach of the donor community; (3) external events related to security and other matters. With these principles in mind, the final chapter explores how to derive lessons for the international community in supporting future democratic transitions, for which economic reform will almost by definition be a focus.[112]

Notes

1 For a general discussion about this debate, see James Raymond Vreeland, *The IMF and Economic Development* (Cambridge University Press, 2003). For a discussion of IFI reform specifics in Tunisia, see Ayoub Menzli, "Tunisia's IMF Deal: The Country's Subsidies Under Threat," Tahrir Institute for Middle East Policy, December 21, 2022, https://timep.org/2022/12/21/tunisias-imf-deal-the-countrys-subsidies-under-threat/; Fadil Aliriza, "Tunisia, the IMF, and Alternatives," Middle East Institute, April 28, 2023, https://mei.edu/publication/tunisia-imf-and-alternatives/; Alissa Pavia, "Tunisia Was Right to Reject the IMF Deal," *Foreign Policy*, April 19, 2023, https://foreignpolicy.com/2023/04/19/tunisia-imf-loan-bailout-deal-economy-saied/; "Nejib Ayachi: Pour un Developpement Economique Inclusive en Tunisie," Leaders, November 7, 2022, https://www.leaders.com.tn/article/34074-nejib-ayachi-pour-un-developpement-economique-inclusif-en-tunisie; "Wrestling for Debt: Monitoring the Loan Negotiations with IMF in a Highly Indebted Tunisia," *IMF Monitor* 1, Observatoire Tunisien de l'Economie, November 11, 2022, available at https://www.economie-tunisie.org/en/IMF_MONITOR_EN; Kais Attia and Sahar Mechmech, *A Decade of Austerity* (Al Bawsala, 2022), available at https://www.albawsala.com/files/2022/11/A-decade-of-austerity-en-f.pdf; and Jihen Chandoul, *Uncovered: The Role of the IMF in Shrinking the Social Protection [*sic*]; Case Studies from Tunisia, Jordan, and Morocco* (Friedrich Ebert Stiftung, 2022), available at https://collections.fes.de/publikationen/ident/fes/19559.

2 For further discussion of how the Tunisian government overcame resistance to this reform, see Irene Weipert-Fenner et al., "The Political Economy of Implementing IMF Reforms: Evidence from Egypt and Tunisia," *British Journal of Middle Eastern Studies* (2025): 9–10, available at https://www.tandfonline.com/doi/full/10.1080/13530194.2025.2473880. Also see Sahar Mechmech, "Tunisia's 2025 Financial Gambles: Taxes, Loans, and the Central Bank," Tahrir Institute for Middle East Policy, February 25, 2025, https://timep.org/2025/02/25/tunisias-2025-financial-gambles-taxes-loans-and-the-central-bank/. Interviewees note that citizens are generally more amenable to higher taxes than to reduced benefits. IMF official, interview with author, Washington DC, October 2024; and U.S. donor community representative, interview by author, Washington DC, December 2024.

3 See *Tunisia Economic Monitor: Strengthening Social Safety Nets for Increased Efficiency and Equity* (IBRD/World Bank, 2025), https://openknowledge.worldbank.org/entities/publication/c7cd4579-094e-4030-8040-0907dad570dc; also see Weipert-Fenner et al., "The Political Economy," https://www.tandfonline.com/doi/full/10.1080/13530194.2025.2473880.

4 *Tunisia: Fifth Review Under the Extended Fund Facility, and Requests for Waivers of Nonobservance and Modification of Performance Criteria and for Rephasing of Access*, IMF Report 19/223 (2019), 15, ft. 8, https://www.imf.org/en/publications/cr/issues/2019/07/11/tunisia-fifth-review-under-the-extended-fund-facility-and-requests-for-waivers-of-47106.

5 IMF Report 19/223, 10, https://www.imf.org/en/publications/cr/issues/2019/07/11/tunisia-fifth-review-under-the-extended-fund-facility-and-requests-for-waivers-of-47106; and IMF, "Tunisia: Letter of Intent, Memorandum of Economic Financial Policies, and Technical Memorandum of Understanding," June 22, 2018, https://www.imf.org/-/media/files/publications/loi/imported-cpid-pdfs/external/np/loi/2018/tun/071118.pdf.

6 Spelled out as Caisse Nationale de Securite Sociale (National Social Security Fund); *Tunisia Economic Monitor* 16, https://openknowledge.worldbank.org/entities/publication/c7cd4579-094e-4030-8040-0907dad570dc.

7 Notably UTICA. See Weipert-Fenner et al., "The Political Economy," 10, https://www.tandfonline.com/doi/full/10.1080/13530194.2025.2473880.

8 Former Tunisian official, email exchange with author, November 2025.

9 Former Tunisian official, email, November 2025.

10 "Tunisia—Systematic Country Diagnostic 2022," xiv, https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099614511092216677.

11 IMF official, interview with author, Washington, DC, October 2024. Maxwell J. Fuerderer also discusses whether IMF programs prevent worse economic situations. See "Presidential Prerogatives, Exogenous Situations, and Sisyphean IMF Loan Arrangements: Examining Fiscal Crises in Post–Arab Spring Tunisia and Egypt," *Third World Quarterly* 44, no. 11 (2023): 2342–43.

12 IMF official, interview, October 2024.

13 Former Tunisian members of parliament and economic officials, interviews by author, Tunis, May 2024, and virtual, September 2024.

14 Glenn Rogers and Borany Penh, "The Evolving International Partnership with Tunisia," draft for discussion, U.S. Agency for International Development, August 9, 2017, p. 6; Mahmoud Ben Romdhane, *Tunisie: La Démocratie en Quête d'Etat* (Sud Editions, 2018), describes recruitment activity during the troika period with much contempt.

15 EU diplomat, interview by author, Brussels, November 2025.

16 EU diplomat, interview, November 2025.

17 Former Tunisian member of parliament, interview by author, Tunis, May 2024.

18 This refers to the Carthage II Agreement—which in the end was never signed.

19 Former Tunisian official, email exchange with author, November 2025.

20 Former Tunisian official, virtual interview by author, April 2024.

21 EU diplomat, interview, November 2025.

22 Former Tunisian officials, virtual interviews by author, April and September 2024.

23 EU diplomat, interview, November 2025.

24 See Christine Lagarde, "Tunisia—A People United, A Destiny Responding," address, IMF, September 9, 2015, https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp090915.

25 Tunisie: Dépasser le Système Socio-Économique pour Retrouver Démocratie et Etat de Droit," unpublished paper, 2023 or 2024, *Tunisie: La Transition Bloquée: Corruption et Régionalisme en Tunisie*, Rapport Moyen-Orient et Afrique du Nord 177 (ICG, 2017), https://icg-prod.s3.amazonaws.com/177-la-transition-bloquee-corruption-et-regionalisme-en-tunisie.pdf.

26 Tunis-based researcher, virtual interview by author, November 2025. Also see Box 1 in Marwan Muasher et al., *Between Promise and Peril: The Role of Broad-Based Reform* (Carnegie Endowment for International Peace, 2016), https://carnegieendowment.org/research/2016/11/capitalizing-on-tunisias-transition-the-role-of-broad-based-reform. Note that the business elites discussed in the previous section also would have benefited from these regulations. See *Tunisie: La Transition Bloquée*, https://icg-prod.s3.amazonaws.com/177-la-transition-bloquee-corruption-et-regionalisme-en-tunisie.pdf; Robert Kubinec, *Making Democracy Safe for Business: Corporate Politics During the Arab Uprisings* (Cambridge University Press, 2023); Bilel Kchouk, "Les 'Anciennes' Elites Economiques et le Changement de Regime en Tunisie: De l'Incertitude vers la Consolidation Politico-Economique des Positions," *Politix* 4, no. 120 (2017): 157–78, available at https://shs.cairn.info/revue-politix-2017-4-page-157?lang=fr.

27 Glenn Rogers and Borany Penh, "The Evolving International Partnership with Tunisia," draft for discussion, U.S. Agency for International Development, August 9, 2017, p. 6.

28 For the EU, see Frederic Bobin, "Face aux Turbulences Régionales, l'Europe Ne Veut Pas Perdre le Soldat Tunisie," *Le Monde*, July 9, 2019, https://www.lemonde.fr/afrique/article/2019/07/09/face-aux-turbulences-regionales-l-europe-ne-veut-pas-perdre-le-soldat-tunisie_5487381_3212.html. For other donors, see various contributions

in Tasnim Abderrahim et al., eds., *Tunisia's International Relations Since the "Arab Spring": Transition Inside and Out* (Routledge, 2017). This perception in recipient countries is not unique to Tunisia. See Phyllis R. Pomerantz, *Foreign Aid: Policy and Practice* (Routledge, 2024), 162–63.

29 Researcher then based in Tunisia, virtual interview by author, November 2025.

30 Sabina Henneberg, *Managing Transition: The First Post-Uprising Phase in Tunisia and Libya* (Cambridge University Press, 2020), 61.

31 Former U.S. diplomat, virtual interview by author, June 2024; former Tunisian official, virtual interview by author, September 2024.

32 Former U.S. diplomat, virtual interview by author, June 2024.

33 U.S. diplomat, virtual interview by author, June 2024.

34 U.S. and Tunisian officials involved in the process, virtual and Paris-based interviews, 2025.

35 Former Tunisian member of parliament, interview by author, Tunis, May 2024; Sharan Grewal and Shadi Hamid, *Tunisia: The Dark Side of Consensus* (Brookings Institution, 2020), https://www.brookings.edu/articles/the-dark-side-of-consensus-in-tunisia-lessons-from-2015-2019/.

36 World Bank official, virtual interview by author, June 2024.

37 IMF official, interview by author, Washington DC, October 2024.

38 Amel Boubekeur, "Islamists, Secularists and Old Regime Elites in Tunisia," *Mediterranean Politics* 21, no. 1, available at https://www.tandfonline.com/doi/full/10.1080/13629395.2015.1081449.

39 *Tunisie: La Transition Bloquée*, 8–9, https://icg-prod.s3.amazonaws.com/177-la-transition-bloquee-corruption-et-regionalisme-en-tunisie.pdf.

40 European diplomat, interview by author, Brussels, November 2025. According to this interviewee, the Tunisian leadership emphasized the need to preserve cross-ideological consensus, as if political polarization were the country's main threat—while evidently ignoring the prospect of another uprising emerging from the interior regions, whose residents were still being marginalized.

41 Former Tunisian official, interview by author, Paris, November 2025. According to Tasnim Abderrahim and Mootaz Ghothbani, the Jomaa government was careful to emphasize that preparation for elections was its ultimate purpose, but was also keenly aware of the need to shore up Tunisia's economy with investments and address underlying problems. See "The Jomaa Government (2014–2015): Tunisia as a 'Start-Up Democracy,'" in *Tunisia's International Relations Since the "Arab Spring."*

42 Several interviewees pointed this out, e.g., American donor community representative, Washington DC, December 2024; former Tunisian official, Paris, November 2025; Tunisian economist, Tunis, May 2024. Also see Francis Ghilès and Eckart Woertz, "Tunisian Phosphates and the Politics of the Periphery," in *Environmental Politics in the Middle East*, ed. Harry Verhoeven (Oxford University Press, 2018), 70–71.

43 Tarek Amara, "Tunisian Government, UGTT Union Sign Deal on Public Sector Wage Hike," Reuters, September 22, 2015, https://www.reuters.com/article/world/tunisian-government-ugtt-union-sign-deal-on-public-sector-wage-hike-idUSKCN0RM1GI/.

44 *First Review Under the Extended Fund Facility, Request for Waivers of Nonobservance of Performance Criteria and Rephasing of Access—Press Release; Staff Report; and Statement by the Executive Director for Tunisia*, IMF Report 17/203, July 2017, 48, available at https://www.imf.org/-/media/files/publications/cr/2017/cr17203.pdf.

45 EU diplomat, interview by author, Brussels, November 2025.

46 See Kubinec, *Making Democracy Safe for Business*; Bob Rijkers et al., "All in the Family: State Capture in Tunisia," working paper, World Bank, available at https://www.imf.org/external/np/seminars/eng/2014/trade/pdf/rijkers.pdf; Kchouk, "Les 'Anciennes' Elites Economiques," https://shs.cairn.info/revue-politix-2017-4-page-157?lang=fr.

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48 Kubinec, "Making Democracy Safe for Business," 85–107, https://icg-prod.s3.amazonaws.com/177-la-transition-bloquee-corruption-et-regionalisme-en-tunisie.pdf.

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50 Interview with representative of American donor community, Dec 2024, Washington DC.

51 See Francis Ghilès and Eckart Woertz, "Tunisian Phosphates and the Politics of the Periphery," in *Environmental Politics in the Middle East,* ed. Harry Verhoeven (Oxford University Press, 2018), 64–70.

52 See author interviews with Treasury Department official, State Department officials and diplomats, Washington DC, September 2024, October–November 2025.

53 Margaret Besheer, “G8 Commits $80 Billion to Arab Spring Democracy,” Voice of America, September 19, 2011, https://www.voanews.com/a/g8-commits-80-billion-to-arab-spring-democracy--130242553/158882.html; Radwan Masmoudi, “How the International Community Failed Tunisia,” in *Democratic Transition in the Muslim World: A Global Perspective*, ed. Alfred Stepan (Columbia University Press, 2018).

54 Former U.S. diplomat, virtual interview by author, June 2024.

55 U.S. diplomat, interview by author, Washington DC, October 2025.

56 Former State Department officials, interviews by author, Washington DC, May 2024, and U.S. diplomats, virtual interviews, June 2024.

57 Masmoudi, “How the International Community Failed Tunisia.”

58 U.S. diplomat, interview by author, Washington DC, October 2025; former Tunisian official, virtual interview, April 2024.

59 Former State Department official, interview by author, Washington DC, September 2024, and Tunisia-based researcher, virtual interview, November 2025.

60 Virtual interview with Tunis-based researcher, November 2025.

61 Former State Department officials, interviews by author, Washington, DC, May 2024, and phone, November 2025. With regard to Capitol Hill, in 2013 a Tunisia caucus was formed “to help keep lawmakers informed about developments in the country and strengthen bilateral relations generally.” See Sabina Henneberg, *U.S. Foreign Policy in Tunisia: Dilemmas and Prospects* (Arab Reform Initiative, 2023), https://www.arab-reform.net/publication/us-foreign-policy-in-tunisia-dilemmas-and-prospects/.

62 European diplomat, interview by author, Brussels, November 2025.

63 World Bank official, virtual interview by author, June 2024.

64 For more detail, see Sabina Henneberg, “Civil Society’s Development in Tunisia’s Democratization Process, 2011–2021,” *Mediterranean Politics* 25, no. 4 (2025), available at https://www.tandfonline.com/doi/abs/10.1080/13629395.2024.2361601; Laryssa Chomiak, “What Tunisia’s Historic Truth Commission Accomplished—and What Went Wrong,” *Monkey Cage, Washington Post*, January 16, 2019, https://www.washingtonpost.com/news/monkey-cage/wp/2019/01/16/heres-what-we-can-learn-from-tunisias-post-revolution-justice-commission/.

65 In 2015 and 2016, the G7+ established new processes under both security (2015) and economic (2016) pillars. Notably, the G7+ EU-Tunisia economic assistance mechanism sought to help Tunisia make better use of the unprecedented levels of international support it was receiving, and “until the November 2016 Investment Conference, the focus was on physical infrastructure and has since that time increasingly focused

on prioritizing and implementing reforms." See Rogers and Penh, "The Evolving International Partnership with Tunisia," p. 3.

66 See Abderrahim et al., *Tunisia's International Relations Since the "Arab Spring,"* 147, 196. Also see EU official, interview by author, Brussels, November 2025.

67 American donor community representative, interview by author Washington DC, January 2025.

68 An internal USAID memo drafted toward the end of 2017 (Rogers and Penh, "The Evolving International Partnership with Tunisia") was optimistic in tone and urged perseverance, indicating that coordination was starting to improve and that high levels of international support were expected to continue (see "Conclusions"). The memo's optimism appeared to draw in part from new frameworks like the G7+ economic assistance mechanism and the 2016–20 development plan.

69 European diplomats, interviews by author, Brussels, November 2025.

70 Former U.S. official, interview by author, Washington DC, June 2024.

71 State Department official, interview by author, Washington DC, May 2024.

72 U.S. diplomat, virtual interview by author, June 2024.

73 EU diplomat, interview by author, Brussels, November 2025; see also French Embassy in Tunisia, "L'Engagement Financier de la France en Soutien a l a Tunisie," January 22, 2018, available at https://www.tresor.economie.gouv.fr/Articles/2018/01/22/l-engagement-financier-de-la-france-en-soutien-a-la-tunisie-janvier-2018.

74 Former U.S. Treasury Department official, interview by author, Washington DC, November 2025; former U.S. diplomat, virtual interview by author, June 2024.

75 See World Bank official, virtual interview by author, June 2024, and former World Bank official, interview, Washington DC, May 2024. Both officials faulted this approach in hindsight; also see Weipert-Fenner et al., "The Political Economy," 9, https://www.tandfonline.com/doi/full/10.1080/13530194.2025.2473880.

76 Former World Bank official, phone interview by author, July 2024.

77 For more detail, see Alia Brahimi and Jason Pack, "Tactical Lessons from the Ejection of ISIS from Sirte," *MENASource*, Atlantic Council, May 23, 2017, https://www.atlanticcouncil.org/blogs/menasource/tactical-lessons-from-the-ejection-of-isis-from-sirte/.

78 U.S. diplomat, virtual interview by author, June 2024. For more on these dynamics, see Salma Besbes and Tasnim Abderrahman, "The U.S. and Tunisia: From Democracy Promotion to Security Consolidation," in

Tunisia's International Relations Since the "Arab Spring," in which the authors conclude that following the "persisting security threats" in the two to three years after the revolution, U.S. assistance focused anew on security.

79 Aaron Y. Zelin, *Your Sons Are at Your Service: Tunisia's Missionaries of Jihad* (Columbia University Press, 2020).

80 See Rosa Maryon, "The Role of Security Assistance in Reconfiguring Tunisia's Transition," *Mediterranean Politics* 29, no. 4 (2024), available at https://www.tandfonline.com/doi/full/10.1080/13629395.2023.2183666.

81 Aldo Liga, *Side Effects: Ukraine and the MENA's Looming Food Crisis* (Italian Institute for International Political Studies, 2022), https://www.ispionline.it/en/publication/side-effects-ukraine-and-menas-looming-food-crisis-34745; Adel Abdel Ghafar and Anna Jacobs, "Introduction: EU–North Africa Relations in an Age of Turbulence," in *The European Union and North Africa: Prospects and Challenges,* ed. Adel Abdel Ghafar (Brookings Institution, 2019), 9–10.

82 See "Enquête Nationale sur la Migration Internationale Tunisia—HIMS," Tunisia National Institute of Statistics, https://www.ins.tn/enquetes/enquete-nationale-sur-la-migration-internationale-tunisia-hims.

83 Liga, *Side Effects*, https://www.ispionline.it/en/publication/side-effects-ukraine-and-menas-looming-food-crisis-34745. The text notes, "The total amount is even greater, as these numbers do not included [*sic*] funds allocated at a regional level."

84 Liga, *Side Effects*, https://www.ispionline.it/en/publication/side-effects-ukraine-and-menas-looming-food-crisis-34745; in other words, the idea was to pay governments to keep migrants out of European waters.

85 Aldo Liga, *Intertwined Destinies: How (and Why) to Redesign EU-Maghreb Relations* (Italian Institute for International Politics, 2025), 24 https://www.ispionline.it/en/publication/intertwined-destinies-how-and-why-to-redesign-eu-maghreb-relations-205748.

86 See Mark Townsend, "Europe Overhauls Funding to Tunisia After Guardian Exposes Migrant Abuse," *Guardian*, January 24, 2025, https://www.theguardian.com/global-development/2025/jan/24/eu-human-rights-tunisia-migrant-security-forces-migration; also see "Tunisian Organizations Condemn the Prime Minister's Incitement Against Migrants" (in Arabic), press release, Tunisian Forum for Economic and Social Rights, December 23, 2012, https://ftdes.net/ar/des-organisations-tunisiennes-condamnent-lincitation-du-premier-ministre-contre-les-migrants/.

87 U.S. Department of State, "Joint Statement on the U.S.-Tunisia Joint Political and Economic Partnership," September 22, 2011,

https://2009-2017.state.gov/r/pa/prs/ps/2011/09/173787.htm.

88 “The Republic of Tunisia Joins Horizon Europe, the World’s Largest Research and Innovation Programme,” European Commission, March 29, 2022, https://research-and-innovation.ec.europa.eu/news/all-research-and-innovation-news/republic-tunisia-joins-horizon-europe-worlds-largest-research-and-innovation-programme-2022-03-29_en.

89 U.S. congressperson, virtual interview by author, June 2024.

90 European diplomats, interviews by author, Brussels, November 2025.

91 See Andrea Teti, “The EU’s First Response to the ‘Arab Spring’: A Critical Discourse Analysis of the Partnership for Democracy and Shared Prosperity,” *Mediterranean Politics* 17, no. 3, (2012): 266–84, available at https://www.tandfonline.com/doi/full/10.1080/13629395.2012.725297; Federica Bicchi, “The Politics of Foreign Aid and the European Neighbourhood Policy Post–Arab Spring: ‘More for More’ or Less of the Same?” *Mediterranean Politics* 19, no. 3 (2014): 318–32, available at https://www.tandfonline.com/doi/full/10.1080/13629395.2014.959758; and Niklas Bremberg, “Making Sense of the EU’s Response to the Arab Uprisings: Foreign Policy Practice at Times of Crisis,” *European Security* 25, no. 4 (2016): 423–41, available at https://www.tandfonline.com/doi/full/10.1080/09662839.2016.1236019.

92 IMF official, interview by author, Washington DC, October 2024.

93 U.S. Treasury Department official, interview by author, Washington DC, November 2025. This official drew parallels between the events of 2011 in Arab countries and the fall of the Soviet Union in 1989, wherein U.S. officials perceived a unique opportunity to introduce reforms that would improve the economy of the newly liberalized countries. It is unclear how long this “window” lasts, but the interviewee alluded to “the first couple years” and the prospect that subsequent administrations would blame their predecessors for not doing more.

94 IMF official, interview by author, Washington DC, October 2024.

95 Former World Bank official interview by author, Washington DC, May 2024.

96 See World Bank Group, *The Unfinished Revolution: Bringing Opportunity, Good Jobs and Greater Wealth to All Tunisians* (2014), https://www.worldbank.org/en/country/tunisia/publication/unfinished-revolution.

97 See Bernhard Reinsberg et al., “Unimplementable by Design? Understanding (Non-)Compliance with International Monetary Fund Policy Conditionality,” *Governance* 35, no. 3 (2022): 689–715. One author interviewee attributed such overambition to necessity, calling it “textbook…It was like: if you want to build a house, here’s what you need to do…”

98 Reinsberg et al., "Unimplementable by Design?" list a number of explanations for failed implementation, with the most significant being number of reforms, which they attribute to institutional factors within the IMF.

99 For example, internal debates at the World Bank have for decades explored whether its Articles of Agreement—forbidding interference with politics despite close links to economics and poverty—are a help or a hindrance. Foreign aid expert, virtual interview by author, November 2025.

100 Former World Bank officials, virtual interviews by author, June 2024 and November 2025.

101 See former World Bank official, interview by author, June 2024. "I couldn't understand it!" is how this former official put it. Also see Pomerantz, *Foreign Aid*, 178.

102 Interviews with former Tunisian officials (April 2024, virtual). The internal USAID memo from 2017 (Rogers and Penh, "The Evolving International Partnership with Tunisia," p. 2) acknowledged that donors struggled in the first postrevolutionary years to synchronize their efforts.

103 For the United States, see Mieczyslaw P. Boduszynski, *U.S. Democracy Promotion in the Arab World: Beyond Interests vs. Ideals* (Lynne Rienner, 2019); chap. 4 discusses institutional differences within the U.S. government on approaching the Arab Spring countries. For the EU, see Susi Dennison et al., *After the Revolution: Europe and the Transition in Tunisia* (European Council on Foreign Relations, 2011), 127–28, https://ecfr.eu/publication/after_the_revolution_europe_and_the_transition_in_tunisia/.

104 Ben Quinn, "UK Ministers to Fund Saatchi Campaign for Tunisian Government," *Guardian*, July 2, 2018, https://www.theguardian.com/politics/2018/jul/02/uk-ministers-to-fund-saatchi-campaign-for-tunisian-government.

105 Former World Bank official, virtual interview by author, November 2025.

106 See "Declaration of the G8 on the Arab Spring," Deauville, France, May 26–27, 2011, available at https://obamawhitehouse.archives.gov/sites/default/files/uploads/declaration_of_the_g8_on_the_arab_spring_final.pdf.

107 Anna L. Jacobs, "Regional and Global Power Competition Deepens Fault Lines Across the Southern Mediterranean," Arab Gulf States Institute, October 21, 2020, https://agsi.org/analysis/regional-and-global-power-competition-deepens-fault-lines-across-the-southern-mediterranean/; Sebastian Sons, "The Gulf and Tunisia: Low-Cost Engagement in Times of Regional Reconciliation," Italian Institute for International Political

Studies, July 22, 2022, https://www.ispionline.it/en/publication/gulf-and-tunisia-low-cost-engagement-times-regional-reconciliation-35863.

108 Youssef Cherif, "Tunisia and the EU: Too Close, Too Far," in *The European Union and North Africa: Prospects and Challenges*, ed. Adel Abdel Ghafar (Brookings Institution, 2019).

109 Sally Khalifa Isaac, "Explaining the Patterns of the Gulf Monarchies' Assistance After the Arab Uprisings," *Mediterranean Politics* 19, no. 3 (2014), available at https://www.tandfonline.com/doi/abs/10.1080/13629395.2014.959759; also see Masmoudi, "How the International Community Failed Tunisia," 152.

110 Sons, "The Gulf and Tunisia," https://www.ispionline.it/en/publication/gulf-and-tunisia-low-cost-engagement-times-regional-reconciliation-35863.

111 Riccardo Fabiani, "Tunisia and the International Community Since 2011: Rentierism, Patronage and Moral Hazard," *Jadaliyya*, January 29, 2018, https://www.jadaliyya.com/Details/35142/Tunisia-and-the-International-community-since-2011-Rentierism,-Patronage-and-Moral-Hazard.

112 Stephan Haggard and Steven Benjamin Webb, *Voting for Reform: Democracy, Political Liberalization, and Economic Adjustment* (World Bank, 1994), 2.

7

Conclusions

This monograph has described the economic context of an attempted transition from authoritarian rule in Tunisia, covering the enthusiasm of international donors and the reasons their actions ultimately yielded only minimal reforms. Although prescriptions from international financial institutions had previously been applied under the authoritarian presidency of Zine al-Abidine Ben Ali—albeit only partially—conditions on the eve of the 2011 revolution were inadequate for a truly competitive economy. After the revolution, the World Bank, IMF, United States, and European Union sought to support Tunisia's economic and political transitions through a wide range of programs meant to reduce inequality and corruption and alleviate unemployment. Yet by 2021, these efforts instead paved the way for a populist president to suspend parliament and consolidate power. This development can be attributed to three sets of causes: (1) issues stemming from Tunisia's transitional context and political economy; (2) the international community's mismanagement of expectations, prioritization of other issues like security, and lack of appropriate policy tools; and (3) exogenous or external events.

AFTER JULY 2021

This short history of Tunisia's economic development following its revolution in 2011 ends in July 2021, when President Kais Saied invoked Article 80 of the 2014 constitution to freeze parliament and rule by decree, albeit with popular support. That same year, the IMF began to negotiate with Tunisia for a new Extended Fund Facility program, given that the benchmarks of the 2016–20 EFF had been largely unmet, and a staff-level agreement was announced in October 2022. Yet that December, ahead of the IMF board of directors' monthly meeting at which the program was to be approved, the Tunisian loan reportedly vanished from the agenda. Reports soon emerged that President Saied had rejected the loan.[1] The following April, he stated in reference to this decision that Tunisia "would not accept foreign diktats." Saied was effectively accusing Western donors of trying to keep Tunisia dependent in order to rob the country of its resources.

This incident suggests that just as he had capitalized on anger toward the country's domestic political class, Saied was scapegoating foreign donors—given Tunisia's pitiful economic performance over the supposedly democratic decade—to convince Tunisians of his right to unilaterally govern.[2] He also took advantage of economic support from Gulf states, which were less interested in democratization and thus less often perceived as neocolonial interlopers. As of this writing, Tunisia still has not indicated a willingness to receive a new IMF loan package and has meanwhile continued to receive funding from non-Western actors.[3] In short, not only did the international community have little to show for its support to Tunisia's economic transition ten years on, it was now being openly blamed.

Despite Saied's promises to protect Tunisia's economy from foreign interference as well as internal saboteurs,[4] economic growth continued to stagnate as of 2025, a year into his second term.[5] The Tunisian government has meanwhile continued to cooperate selectively with international partners, particularly the World Bank and EU.[6] International media, moreover, has continued to report extensively on human rights abuses, regular—if small and fleeting—protest movements, and growing social and economic challenges, including migration, high energy prices, and unemployment.[7]

WHAT DID THE INTERNATIONAL COMMUNITY LEARN FROM TUNISIA?

International policymakers and promoters of economic reform in Tunisia struggle to identify clear points of failure in their post-2011 efforts. Many, when asked what they might have done differently, respond that they simply do not know.[8] A few suggest that perhaps the international community should have focused more on generating investment, given the widespread optimism that Tunisia would blossom into a prosperous democracy.[9]

Would more money have helped? Some observers believe that because Tunisia is a small country, a little more assistance could have gone a long way.[10] Others insist that the amount was not the issue, and that in some cases more money could even have created additional problems by giving competing government factions opportunities to thwart democratic arrangements.[11]

Should donors have pushed harder, i.e., by holding to tougher loan conditions? Maybe, given how badly they wanted to succeed in Tunisia. Yet, as this analysis has shown, the ability of donors and lenders to promote reform in Tunisia was inherently limited. To succeed, they would need Tunisian ownership.[12] Precisely because Tunisia was attempting to transition from an authoritarian environment that excluded the right to freedom of expression,[13] such ownership was impossible without broader support for the international actors' reform agenda. One IMF representative suggested three elements to the notion of "support":

> First, you need support with your direct counterparts—the government needs to own [the reforms]. This was the smallest of our problems. Second [comes] the political system—you need this kind of support broadly. That's not something we achieved. Third, the population needs to understand the needs of the country and broadly accept [the reforms]. We were far away from this—the level of sophistication in terms of understanding the economic discourse, cause and effect, etc...[14]

The story of Tunisia has shown that while donors and lenders have a key role in facilitating the economic changes that must undergird a democratic transition, they alone cannot force those changes. At the same time, the nature of democratic transition would make it nearly impossible for Tunisians to implement difficult reforms without international intervention. This is both because reform requires politically unpopular measures and because a country like Tunisia lacks the resources to stabilize a weak economy and an indebted government. So however challenging it may be, both sides need each other.

Nonetheless, international donors and lenders are responsible for certain causes of the failure of economic reform in Tunisia—particularly bilateral donor states. Tunisia presented a paradox for these donors: it simultaneously held the potential to transition definitively from authoritarian rule, thereby spurring democratic reform elsewhere in the region, but did not merit the same attention as its war-torn or otherwise more influential yet authoritarian neighbors. The more difficult supporting democratic change elsewhere became, the more hope was placed in Tunisia—despite the latter consistently demonstrating an absence of economic reform while confronting political crisis. Yet even where adequate resources were devoted to Tunisia's transition, the available policy tools for meaningful economic reform often fell short.

POLICY RECOMMENDATIONS FOR INTERNATIONAL DONORS AND LENDERS

Given the experience of 2011–21 and the conditions it created, what steps can international donors and lenders take now to support Tunisia's economy? Moreover, how can they apply lessons from the postrevolutionary decade to support future transition attempts in Tunisia and elsewhere?

First, donors and lenders seeking to promote economic reform in a country transitioning from authoritarian rule must **think collectively and long term about their objectives.** Even under the best of circumstances, a decade is barely sufficient for enacting a dramatic economic overhaul. Moreover, even in apparently promising cases—as donors perceived Tunisia to be—transitions take time and face regular setbacks. In both Tunisia and other future cases, enthusiasm for supporting reform such as that expressed by the G8 and other partners at Deauville must be accompanied by mechanisms for sustained commitment beyond a few years. This could involve, for example, pledging assistance over a longer timeframe or dedicating the resources for working groups to meet over ten, fifteen, and twenty years.

Second, in such instances, donors need to **be clear-eyed about performance when it comes to economic reform.** Treating Tunisia as a "success story" merely because it had not devolved into civil war or been overtaken by military rule like its neighbors afforded no help to donors' economic reform project. The donor community also would have done well to systematically consider the impacts of the continual, harmful exogenous events experienced over the decade considered here. For example, the Deauville partnership could have called emergency high-level meetings to deal with incidents such as the 2012 attack on the U.S. embassy in Tunis aimed at considering the effects of the attack and how donors should respond without undermining their collective reform agenda. Such an approach would require space within coordination mechanisms—including the Deauville partnership as well as the G7+EU Tunisia Economic Partners Group—for frank dialogue about Tunisia's political and economic progress toward transition away from authoritarian rule.

Third, international donors and lenders must be prepared to **try new strategies when they perceive their support to be falling short of its desired effects.** Although multilateral development banks like the IMF and World Bank may not have the flexibility to quickly shift course mid-loan, they can undoubtedly collaborate with other donors and lenders to address a key cause of government resistance to change: profound skepticism among the public. This requires the early adoption and regular and frequent evaluation of communication mechanisms (e.g., local dialogues, Facebook campaigns) aimed at persuading Tunisians that donor-backed reforms are not secretly meant to impoverish the country. Similarly, in their planning around trade agreements, bilateral donors should incorporate education programs that can enhance popular support and understanding about the benefits of private-sector-led growth.

Fourth, the international community can **look for opportunities to impose stricter conditionality on a transitioning country**. In the case of Tunisia, donors' consistent inclination toward flexibility did not pay off, and they might instead have considered tactical shifts at key moments. Specifically, the IMF's belated withholding of the second tranche of EFF financing in 2017 might have been more appropriate earlier—for example, after the election of the troika government in 2011 or the Essebsi/Essid government in 2014. Given that both those governments formed a cross-ideological coalition as a means of demonstrating their commitment to transition, donors could have seized the opportunity to insist that the government must address Tunisia's structural economic constraints in meaningful ways if it wanted additional funding.

Finally, international donors and lenders in Tunisia **should build on the progress made since 2011, however minimal it appears.** This includes continuing to engage with Tunisian authorities on projects that reduce energy costs and revive once-thriving industries, such as phosphates, thus improving the country's financial health and economic outlook. Relationships established during the hard work of the postrevolutionary decade—despite President Saied's harsh rhetoric around foreign interference—have not been completely severed.[15] Although Tunisia's current environment discourages innovation within high levels of government, in-depth training for Tunisian civil servants in skills related to effective economic management—e.g., policy analysis, intergovernmental cooperation—should continue. Such support for Tunisians in both the civil service and the private sector could facilitate economic progress when political opportunity opens up in the future.

Notes

1 “Tunisia, President Saied: ‘The International Monetary Fund Cannot Impose Solutions on Us,’” Nova.news, December 16, 2022, https://www.agenzianova.com/en/news/tunisia-il-presidente-saied-il-fondo-monetario-internazionale-non-puo-imporci-soluzioni/.

2 Saied also employed xenophobic rhetoric against African migrants, for example, as well as the West.

3 In recent years, Algeria’s economic influence has received attention. See Sabina Henneberg, “Global Ambitions and Tunisia’s Crisis Could Spur Algeria to Rethink Its Non-Intervention Policy,” *Just Security*, June 27, 2023, https://www.justsecurity.org/87055/global-ambitions-and-tunisias-crisis-could-spur-algeria-to-rethink-its-non-intervention-policy/.

4 See YouTube video (in Arabic), 51:27, posted by “Presidence TN,” April 6, 2023, https://www.youtube.com/watch?v=ZZi9rLVbBM4; “Tunisian President Pays Tribute to Legacy of Former Leader Bourguiba,” *Arab Weekly*, April 7, 2022, https://thearabweekly.com/tunisian-president-pays-tribute-legacy-former-leader-bourguiba; and Agence Tunis Afrique Presse, “President Saïed on Criminal Reconciliation: Last and Final Chance to Return People’s Stolen Money,” March 12, 2024, https://bit.ly/4e34rGH.

5 The year 2025 was better, but improvements appeared to be “driven mainly by favorable weather conditions that boosted agricultural production and a revival in construction and tourism.” *Tunisia Economic Monitor: Strengthening Social Safety Nets for Increased Efficiency and Equity* (IBRD/World Bank, 2025), https://openknowledge.worldbank.org/entities/publication/c7cd4579-094e-4030-8040-0907dad570dc.

6 The United States dramatically reduced assistance to Tunisia at the start of President Trump’s second term in early 2025.

7 Sabina Henneberg, “Tunisia’s Growing Protests Open a Door for Low-Cost U.S. Initiatives,” PolicyWatch 4148, Washington Institute for Near East Policy, December 17, 2025, https://www.washingtoninstitute.org/policy-analysis/tunisias-growing-protests-open-door-low-cost-us-initiatives.

8 Former World Bank and EU officials, interviews by author, Washington DC and virtual, June 2024; Brussels, November 2025.

9 EU diplomat, interview by author, Brussels, November 2025.

10 IMF official, interview by author, Washington DC, October 2024; former State Department official, interview by author, Washington DC, May 2024; observer of Tunisian affairs, discussion with author, Washington DC, November 2024.

11 Tunis-based researcher, virtual interview by author, and EU diplomat, interview by author, Brussels, November 2025.

12 Discussed in Phyllis R. Pomerantz, *Foreign Aid: Policy and Practice* (Routledge, 2024), 164.

13 For several years following the revolution, many Tunisians claimed freedom of expression as their biggest gain.

14 IMF official, interview by author, Washington DC, October 2024.

15 One of the most famous examples is the EU-Tunisia memorandum of understanding signed in July 2023, which—while nonbinding—offered the potential for Tunisia to receive nearly €1 billion from the EU. See European Commission, "Memorandum of Understanding on a Strategic and Global Partnership Between the European Union and Tunisia," press release, July 15, 2023, https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3887.

Appendix

Tunisia's Progress on IMF Stand-By Arrangement Benchmarks
Financial Sector

Benchmark	Original deadline	Jun 2013	Feb 2014	May 2014	Sep 2014	Dec 2014	Oct 2015
2013: Approval of a new reporting system covering bank-related accounting, financial, and institutional functions	Aug 2013	BM est.	Met, with delay	✓	✓	✓	✓
2013: Adoption of strategic vision on future government's role in banks	Sep 2013	BM est.	Not met	Not met			
2013: Conduct of one general onsite bank inspection and four credit risk inspections	Dec 2013	BM est.	Met	✓	✓	✓	✓
2013: Presentation to the Central Bank Transparency Code (CBT) board a study of the impact on banks of liquidity-ratio changes along international standards	Dec 2013	BM est.		Met, with delay	✓	✓	✓
2014: Submission to the management of the Central Bank of Tunisia of a banking resolution framework in line with international practices	Jun 2014		BM est.		Met	✓	✓

BM est. = benchmark established

Benchmark	Original deadline	Jun 2013	Feb 2014	May 2014	Sep 2014	Dec 2014	Oct 2015
2014: Submission to the Central Bank board of a draft central banking law in line with international practices	Jun 2014		BM est.		Met	✓	✓
2014: Development and implementation of the new reporting system and bank classification system	Dec 2014		BM est.				Not met
2014: Completion of the financial audit of the Banque Nationale Agricole (BNA)	Jul 2014			BM est.		Met with delay	✓
2014: Government adoption of retructuring plans for the BH Bank and Société Tunisienne de Banque (STB)	Aug 2014			BM est.			Not met
2014: Creation of Asset Management Company (AMC) through the publication in the *Official Journal of the Law*	Sep 2014			BM est.			Re-formu-lated/reset Not met
2014: Government adoption of the BNA restructuring plan	Nov 2014			BM est.			Re-formu-lated Not met
2014: Hiring of double the number of Directorate General of Banking Supervision (DGSB) supervisors from 2013 and revision of CBT hiring criteria to facilitate the hiring of qualified personnel	Nov 2014			BM est.		Not met	Not met

Benchmark	Original deadline	Jun 2013	Feb 2014	May 2014	Sep 2014	Dec 2014	Oct 2015
2014: Compliance by all banks, including public banks, with minimum solvency ratio required by the existing regulations (10%)	Dec 2014			BM est.		Not met	Not met
2015: Designation of fit and proper board members for the three public banks, with private sector experience	Jan 2015					BM est.	Met, with delay
2015: Adoption of recapitalization plans, in line with sound international practices, by the general assembly of the three public banks, following the criteria outlined in Annex 1 to the Memorandum of Economic and Financial Policies (MEFP) and based on audit results	Mar 2015					BM est.	Not met
2015: Approval by the board of directors of performance contracts in line with norms included in the bank restructuring plans for the STB, BH, and BNA and subordinated to the approval of the respective recapitaliza-tion plans	Mar 2015					BM est.	Not met
2015: Adoption by parlia-ment of the banking law, to include a banking resolution framework, in line with sound international practices	Mar 2015					BM est.	Not met

Benchmark	Original deadline	Jun 2013	Feb 2014	May 2014	Sep 2014	Dec 2014	Oct 2015
2015: Publication in the *Official Gazette* of the law governing the functioning of the AMC, in line with sound international practices, as well as government adoption of the related implemetation decrees	Apr 2015					BM est. re-formulated	Not met
2015: Compliance by all banks, including public banks, with minimum solvency ratio required by the existing regulations (10%)	May 2015					BM est. re-formulated	Not met
2015—*Prior action.* BH bank to comply with minimum solvency ratios required as of March 2015 (10%) and STB to complete first phase of capital subscription process							Prior action est.
2015—*Prior action.* Issuance of explicit sovereign guarantees for STB and BH loans to state-owned enterprises that support the lower provisioning, accounted for when determining the reduced re-capitalization amount							Prior action est.

Tunisia's Progress on IMF Stand-By Arrangement Benchmarks

Budget Policy and Reforms of Public Institutions

Benchmark	Original deadline	Jun 2013	Feb 2014	May 2014	Sep 2014	Dec 2014	Oct 2015
2013: Approval by the Council of Ministers of a convergence of the corporate taxes for the year 2014	Jul 2013	BM est.	Met, with delay	✓	✓	✓	✓
2013: Adoption of new automatic fuel-pricing formula	Aug 2013	BM est.	Met, with delay	✓	✓	✓	✓
2013: Submission to the Council of Ministers of a new targeted household support program	Aug 2013	BM est.			Met, with delay	✓	✓
2013: Merging at the level of the large taxpayer unit the management, collection, and control of large enterprises	Sep 2013	BM est.	Met, with delay	✓	✓	✓	✓
2013: Finalization of audit of the electricity company (STEG) and the petroleum products distribution company (STIR)	Dec 2013	BM est.		Met, with delay	✓	✓	✓
2014: Implementation by Finance Ministry of a plan to modernize tax administration	Mar 2014		BM est.		Met, with delay	✓	✓
2014: Unification of government accounts into a single treasury account (formulation to be revised for project loans)	Mar 2014		BM est.	Met	✓	✓	✓

Benchmark	Original deadline	Jun 2013	Feb 2014	May 2014	Sep 2014	Dec 2014	Oct 2015
2014: Preparation of a consolidated balance of twenty main public enterprises (2010–12)	Jun 2014		BM est.	Met		✓	✓
2014: Government approval of a new tax code	Sep 2014		BM est.			Met with delay	✓
2014: Following national consultations on taxation, adoption of a tax reform plan covering direct and indirect taxes by the Council of Ministers	Oct 2014			BM est.			Not met
2014: Parliamentary approval of the 2015 budget						BM est.	Met, adopted on Dec 11
2015: Creation of a new category of public accountants known as "tax collectors"	Jan 2015						Not met
2015: Government adoption of a strategy for improved monitoring of operations and financial performance of public enterprises	Apr 2015						Not met
2015: Signing of performance contracts for five largest state-owned companies	Apr 2015						Not met
2015: Government adoption of a calendar for total convergence of tax rates of onshore and offshore sectors	May 2015						Not met, reformulated, met in 2019

Tunisia's Progress on IMF Stand-By Arrangement Benchmarks

Monetary and Exchange-Rate Policy

Benchmark	Original deadline	Jun 2013	Feb 2014	May 2014	Sep 2014	Dec 2014	Oct 2015
2013: Announcement of a "haircut" for all loans used as collateral for refinancing operations at the central bank	Jul 2013	BM est.	Met	✓	✓	✓	✓
2013: Implementation of an electronic bank interlinking platform and launch of Market Makers Agreement	Oct 2013	BM est.		Met, with delay	✓	✓	✓
2013: Assurance that proportions of refinancing volumes at CBT are backed by government securities	(10% for end-August 2013; 20% for end-year)	BM est.	Met	✓	✓	✓	✓
2014: Presentation to Central Bank board of impact study for removing upper limit for excessive rates for enterprises and modifying it for consumers	Mar 2014		BM est.	Met	✓	✓	✓
2014: Increasing to at least 25% of the haircut for loans used as collateral for refinancing operations	Mar 2014		BM est.		Met	✓	✓
2014: Establishment of the lender-of-last-resort facility	Jun 2014		BM est.				Not met

Benchmark	Original deadline	Jun 2013	Feb 2014	May 2014	Sep 2014	Dec 2014	Oct 2015
2014: Assurance that at least 40% of refinancing volume at the CBT for each bank is backed by government securities	Dec 2014		BM est.	Met	✓	✓	✓
2014: Implementation of a weekly foreign exchange auction mechanism	Dec 2014		BM est.				Not met

Tunisia's Progress on IMF Stand-By Arrangement Benchmarks

Sectoral Reforms/Private Sector Development

Benchmark	Original deadline	Jun 2013	Feb 2014	May 2014	Sep 2014	Dec 2014	Oct 2015
2013: Adoption of investment code	Jul 2013	BM est.	Met, with delay	✓	✓	✓	✓
2014: Decree for implementing new investment code in line with objectives of protecting market access, reducing restrictions on investments, and rationalizing incentives	Mar 2014		BM est.	Not met	Government withdraws draft law on investment code from parliament, thus decrees not submitted; new measures for investment promotion to be taken and eventually included in the new code.	Not met because of government withdrawal of draft law on investment code from parliament. Revised code to be prepared by May 2015	Not met
2015: Revision of new investment code in line with objectives to protect market access, reduce investment restrictions, and rationalize exemption	Apr 2015					BM est./ reformulated	Not met

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