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TUNISIA'S CENTRAL BANK STEADIES THE SHIP OF STATE

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There is little to cheer 12 million Tunisians as they approach the eighth anniversary of the fall of Ben Ali next month. Security it is true has improved a lot since the terrorist attacks which devastated the important tourist sector in July 2015 and foreign visitors are back with a vengeance. The first democratic local elections last May passed off without a hitch. Greater freedom of speech (and insult) prevail, torture has virtually disappeared. Tunisia has escaped the fate of the other Arab countries which revolted against their dictators in 2011 only to sink into more repressive regimes (Egypt) or bloody mayhem (Syria, Yemen and Libya).

But the task of structural economic reform has not yet begun and an immense weariness has set in. Corruption has spread from the few during mafia style rule of the Ben Ali clan throughout the body politic. The justice system remains unreformed and the Tunisians have watched with disbelief as two highly respected ministers, Khaled Kaddour who held the energy portfolio and Fadhel Abdelkefi, the former finance and foreign investment one, bit the dust as a result of what seasoned observers called a judicial cabal whose exact origin remains shrouded in mystery. In neither case did the Prime Minister Youssef Chahed defend ministers well known for their integrity and courage in confronting vested interests.

This lack of support begs the question as to whether the Prime Minister is serious in his stated wish to promote reforms or not. In May 2017 he dared have one of the country's leading mafia barons, Chafik Jaraya arrested, which suggested he was in earnest about fighting corruption which is gangrening Tunisia. Since then, his reformist zeal has apparently cooled which has convinced many Tunisians that he is just holding fire until presidential elections due next year in the hope of standing against the president, Beji Caid Essebsi, with whom he has been at daggers drawn for the past year.

Whether he seeks a second mandate or not, a majority of young Tunisians despair of their country and fail to identify with a 92 year old politician who, whatever his skills in international diplomacy might be, has never shown any sustained interest in economic reforms and the country's poorer regions. The president recently asked the party he created in 2012 and which holds a plurality of seats in parliament, Nidaa, to withdraw its support for Mr Chahed. But the party is hopelessly split and the second largest party, the Islamist Nahda has ridden to the support of the prime minister. The millions who voted for Nidaa in 2014 are dismayed by Mr

Essebsi's behaviour. The myriad smaller parties feud while an increasingly angry public watches the endless contortions of what passes for *politricks* and resembles the Turkish puppets – Karakuz, of yesteryear.

Stepping into the relative political vacuum, the trade union UGTT and its demagogic leader Noureddine Taboubi seem to pour oil on the fire whenever they can, demanding wage increases that a bloated civil service of 634,000 the country can ill afford. The government does not make life easier for entrepreneurs, especially young ones who create most jobs. Fully 92% of net job creation between 1996 and 2010 was in firms less than five years old, notes a recently published World Bank report, aptly named Privilege-Resistant Policies in the Middle East and North Africa. Tunisia has a thick jungle of regulations, many of them useless or out of date.

Likes previous other reports published by the World Bank, this document offers rich evidence on how politically connected firms capture the process of policy formulation and implementation, acquire rents and privileged access to resources and "tilt the playing field in their favour". In 2011, it would have been counterintuitive to suggest that democracy would not see any change in this state of affairs nor in the divisions between a richer coast and a poorer hinterland. But, economically, shallow democratic roots have not altered the fact that the country's assets remain in the same hands as in 2011, except for accommodating Nahda which now has its share of a stagnant pie.

That only 65% of Tunisians entitled to vote should be registered and that only 35% of the latter bothered to cast a ballot in the local polls carries its own warning, particularly at a time when living standards have declined for a majority of Tunisians and new jobs are scarce. All these sum up the current feeling of disenchantment. Shortages of medicine, milk or butter occur with increasing frequency as the rising debt and shortage of foreign currency hit different sectors. Private companies in the formal sector are hit by the ever higher tax burden while the informal sector goes unchecked. Tens of thousands of skilled Tunisians meanwhile flee the country.

The ship of state is in poor condition but one institution is doing its level best to prevent it from drifting further and, to a degree succeeding. Since Marouane El Abassi took over as governor of the Central Bank last February, relations with the IMF and the World Bank have improved as he has coordinated different ministry responses in order to comply with the conditions on loans from international institutions. He has raised interest rates from 5 to 6.7%, which are now, in real terms are less negative than earlier this year and initiated serious cooperation with central banks in the region. He has tightened access to credit and refinancing. He has brought real substance to the independence of the Central Bank which was granted *de jure* by the law of 25 April 2016 according the Hachemi Alaya, the author of *Le Modèle Tunisien: Refonder l'économie politique de la Tunisie pour consolider la démocratie* (Editions Arabesques, Tunis) which has just been published and whose Ecoweek is required reading for observers of Tunisia.

Mr El Abassi has initiated greater cooperation with Tunisia's neighbours. This is particularly important where Libya is concerned as what the governor describes as "the huge amount of money in the cross-border areas" fuel the informal economy. As different foodstuffs and goods are subsidised at differing rates in Algeria, Tunisia and Libya, arbitraging between the three countries has turned into a national sport. The governor points out that Tunisia has "lost the remittances from the tens of thousands of his countrymen who previously worked in Libya and access to dinar-denominated Libyan oil as Tunisia has to support Libyan refugees". He is thus putting great effort into framing an agreement with Libya which would revive the de facto agreement which existed until 2011 and allowed the country to purchase Libyan oil in Tunisian Dinars, thus saving precious foreign currency and sell an equivalent amount of goods.

The governor is uniquely well placed in this regard as, in February 2017, he co-ordinated a World Bank report on The Impact of the Libya Crisis on the Tunisian Economy which concluded that its neighbour's turmoil "may have contributed 24% to the overall drop in growth over a five year period from 2011 to 2015". The security budget has doubled and now amounts to 5% of GDP. Having worked for the World Bank he knows the institution and, as with the IMF has restored a quality of dialogue not in evidence so far. Because of the secular links of family, trade, remittances from Tunisian workers in Libya and Tunisian private investment in its eastern neighbour's manufacturing, not to mention security considerations, better economic and financial relations with Libya are vital. They would help bring into the formal economy what is today informal or illicit. He is also working on improving economic and financial relations with Algeria where over 1000 Tunisian firms operate. But more needs to be done to reduce the disparity in subsidies which the three countries give to certain foodstuffs and oil if smuggling is to be brought under lasting control.

Europe for its part trumpets the great support it lends to Tunisia but, considering the irresponsible manner in which France, the United Kingdom and the US, with NATO backing destroyed the Libyan regime in 2011 without as much as a thought for the consequences, such assistance is meagre indeed. EU aid pales in comparison with the money lent to Greece. The cost of civil service salaries, subsidies on basic foodstuffs and petrol and the debt service swallow up all the government's income. Kick-starting economic growth is thus impossible which begs the question of whether the IMF and the EU should not offer Tunisia a generous rescheduling of its foreign $30.2% foreign debt. Such a decision would not be welcomed by those in Tunisia who believe their country will have to cut its coat according to its cloth. It would have been counterintuitive after the fall of Ben Ali to argue that democracy would hinder reforms rather than help them. But all is not lost and the governor of the Central Bank and the independent institution he runs remain a beacon of light.