Overview

Immediately following the revolution in Tunisia, the Bank quickly prepared and disbursed an US$500 million Development Policy Loan (DPL). The DPL provided budgetary support which helped the Interim Government address the short-term financing needs and meet the demands of the January uprising. The reform measures supported by the DPL marked a clear break from the past and set the foundations of a new Tunisia. A number of reforms have been instituted lifting restrictions on access to information, allowing for greater citizen participation, and increasing transparency and accountability.

Challenge

In January 2011, Tunisia experienced a wave of protests that led to the toppling of the previous regime. These protests were fueled by a lack of social, economic and political opportunities. Young Tunisians were especially frustrated at their lack of voice in the management of public affairs. While macroeconomic policies were sound, the economic environment under the ex-President Ben Ali was characterized by lack of transparency, cronism and related anti-competitive practices that discouraged entrepreneurship and private sector investment, and resulted in growing youth unemployment. A broader lack of transparency, social accountability and citizen participation in government’s affairs further exacerbated a sense of denied opportunities. In meeting the demands of the revolution, and providing a stimulus to the economy, the Interim Government also faced significant short-term financing needs. The uprising interrupted normal business activity leading to production disruptions, and resulted into a substantial drop in tourism and investments, and lower exports. In parallel, the outbreak of conflict in Libya produced an influx of refugees and a loss of remittances, placing an added strain on the economy.

Approach

Following the revolution, the Bank quickly developed, approved and disbursed an IBRD US$500 million DPL. The DPL supported the Interim Government in implementing a set of reforms that signaled a clear break from the past. The thrust of the reforms program
underscores that greater voice, transparency, participation, inclusion, all lead to increased investment and competition, and thereby support sustained economic growth. It aims to provide the building blocks for a strong, more open and inclusive Tunisia, and set the country on a faster, more inclusive, development path. Specifically, the Bank supported the government in adopting legislation to remove the constraints on access to public information, such as basic economic and social data, creating scope for independent analysis and inform the policy debate and public choice; lift restrictions on the internet and ease the registration of Tunisian websites; improve public procurement to accelerate decision-making while reducing discretion and increasing transparency and competition; reduce the red tape in tax administration and customs to reduce cronysim, discretion and arbitrariness; introduce new rules for good governance in the banking sector; reform the National Employment Fund, which was used by the previous regime to reward supporters; introduce programs to assist the unemployed; introduce citizen-voice mechanisms in the provision and evaluation of public services; and adopt a national services outreach policy to expand access to health care, education and social assistance services using participatory approaches in underserved regions.

Results
While most of the reforms will require more time for the population to achieve the full benefits of greater voice and accountability and increased economic opportunities, some immediate results include:

- NGOs, think-tanks and other groups, can now form easily, and indeed there has been a blossoming of such actors across the country.

- The public has greater access to information, including economic and social data. Starting from March 2011, the Ministry of Finance now publishes monthly data on budget execution; the backlog of annual reports of the Supreme Audit Institution have been published online in June 2011; and as of October 2011 the Statistical Office introduced on-line access to key survey databases (Household Budget Survey 2005; Labor Force Survey 2010; a sample of the Population Census 2004).

- Use of the internet has expanded, connecting Tunisians and opening up Tunisia to the world. During the period from end-December 2010 to end-September 2011 there was a 33 percent increase in the number of websites ".tn".

- Sound corporate governance rules have been introduced in the banking sector, and their adoption is being monitored by the Tunisia Central Bank.

- The unemployment support program was launched in March 2011 and as of end-December 2011 approximately 130,000 graduate unemployed were receiving monthly financial support.

Voices

“The program of reforms undertaken by the transition government responds to the key aspirations of the Tunisian people and demonstrates that Tunisia has turned a page in its history. We have many needs in post-revolution Tunisia but as a transition government, we have worked with the World Bank and its partners to find a way to begin to address the most pressing and immediate challenges. The Tunisian people have said they want to see improvements in transparency and governance as well as immediate action to relieve the plight of the unemployed, the poorest and most vulnerable. This loan will help us respond to these demands and help prevent a recurrence of some of the most visible ills of the old regime.”
Bank Contribution
The Bank provided a US$500 million loan which helped leverage another US$800 million in financing (from the EU, African Development Bank, and French Development Agency).

Partners
The operation has been prepared jointly with the African Development Bank (AfDB), the European Union (EU), and the French Development Agency (AFD), and in collaboration with the Japanese Development Agency (JICA) and UNDP. The DPL allowed these institutions to deepen the policy dialogue with the government on key economic issues. The funding was provided through separate financing agreements for each institution on the basis of the same Joint Policy Reforms Matrix.

Moving Forward
The transition in Tunisia will not happen quickly—follow up reforms and consolidation of gains will be needed. In addition, Tunisia is now being affected by the Eurozone crisis, which could destabilize the country and endanger the transition. Financing needs remain high. The Bank remains committed to helping secure the transition and is working with the authorities and development partners on a follow up DPL operation to support the Tunisian economy and consolidate the reforms program.

— Former Tunisian Interim Prime Minister, Mr Béji Caïd Essebsi, said of the DPL program