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THE WORLD BANK EATS HUMBLE PIE, But will the West really help Tunisia?

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The World Bank's latest report on Tunisia makes for sober reading. For many years until the fall of Ben Ali, the country was the darling of the WB, the IMF, The European Investment Bank and the Davos World Economic Forum. It is all to the credit of the WB that it should acknowledge its misjudgement of yesteryear but this report begs the question of whether its judgement on neighbouring Maghreb, and more broadly Middle East countries, is more reliable than what it has been on Tunisia. Its conclusions on Tunisia are not too pessimistic which is only fair, as the country's future need not be painted in black. The private sector has held up well through more than three years of political uncertainty but badly needs the stability new general and presidential elections dues in October-December should deliver.

Europe and the US also need to decide whether they want to help Tunisia with serious rather than funny money. Tunisia has paid a heavy economic and security price for the continued turmoil in Libya and the over 1 million refugees it took in. Western leaders should remember that Tunisia is unlikely to recover the bulk of the billions worth of property, shares and gold that the Ben Ali clan salted away in France, Switzerland and the US. The credibility of the West's foreign policy, of the ethical and democratic principles it repeatedly proclaims, would be greatly strengthened were it to decide to support Tunisia's economy to the tune of $5-6bn annually over the next few years with a mixture of loans, investment and debt write off.

The report acknowledges that corruption has grown rapidly in Tunisia, and not simply since the downfall of Ben Ali in January 2011; that the social security system fails to protect the poorest and "paradoxically largely benefits the better off, thus exacerbating inequality and social tension"; that untargeted fuel and food subsidies are expensive and socially inequitable. Fuel subsidies which increased from 1% to 5% of GDP between 2000-2004 and 2012, are particularly inequitable, with 70% of the benefits accruing to the wealthiest 20% of the population; that the "onshore-offshore dichotomy was initially helpful in the 1970s but is now contributing to keep both sides of the economy trapped in low productivity"; that the generous incentives offered to attract investment in exporting companies (offshore) are "largely ineffective, and paradoxically have accentuated regional disparities"; that many barriers to competition and abundant distortions impair the country's structural transformation "ultimately resulting in stunted growth and lower quality jobs creation.

In an unusual fit of candidness the authors of the report admit that "although the perception in Tunisia is that the economy is open and relatively well integrate, in fact compared to benchmark countries Tunisia remains less open (as measured by the share of exports and imports in GDP) and quite protected. The latest report, more than two years in the making, admits that while previous World Bank reports regularly detailed the regulatory failures, the barriers to entry, and the privileges of the old system "these were often masked in bureaucratic language that did not get to the heart of what was clearly a system asphyxiated by its own corruption."

It took the revolution for the World Bank to recognise "the critical importance of the right to access to information, transparency and accountability as part of a pro-poor development agenda, in Tunisia and everywhere else". It took the five months revolt and brutal repression of the uprising of the phosphate miners of Metlaoui in 2008, followed three years later by the bloody revolt of the young unemployed of the poorer hinterland of Tunisia to bring to the world's attention the deeply flawed nature of this much vaunted economic development model; for the World Bank to dare write "beyond the shiny façade often presented by the former regime" and to pay – belated but well deserved tribute to the French academic Béatrice Hibou who in 2006 and 2007 wrote two damming reports of Tunisia[1] (2). The World Bank says that corruption was not a "mystery" but that begs the question of why its reports and those of other international organisation remained deaf mute for so long.

Its past misjudgement on Tunisia in no way detracts from the very thorough analysis it has produced of Tunisia's economic shortcomings. It concludes that the Tunisian economy has been "unable to efficiently reallocate resources from low-return to high-return activities"; that "manufacturing is not much more productive than agriculture", which is a very unusual state of affairs; that unemployment among university-educated young people constitutes a major challenge. It was clear to some seasoned observers well before Ben Ali fell that domestic private investment was focused on real estate because it was considered safe from predation by the former president's family; that domestic indebtedness had reached alarming proportions; that non-recoverable loans made some Tunisian banks "technically bankrupt" and that the much praised levels of Foreign Direct Investment were essentially focused in the energy sector, one of the few which were run with competence and integrity.

For those who wish to understand why Tunisia's growth has been stunted, chapter 3 of the report on "Cronyism, Economic Performance, and Unequal Opportunity" offers an excellent guide to practises which are common, in varying degrees, to every country in the region. It offers a "best practice" guide to corruption which is invaluable. By 2010, it notes that firms belonging to Ben Ali's extended family accounted for 3.2% of all private sector output and "a striking 21.3% of all net private sector profits" which amounts to 0.5% of GDP. More important are the report's recommendations on the need for a thorough reform of the civil service. Private entrepreneurs are stifled by the endless list of permits they need from civil servants often ill equipped to understand, let alone judge what a private company requires. All this consumes time which the private sector, operating in a cut-throat international environment, cannot spare. The present system stifles innovation and growth.

1. *Surveiller et Réformer, Economie Politique de la Servitude Volontaire en Tunisie*, Béatrice Hibou, Paris La Découverte 2006

A general election is due on 25 October and will be followed by presidential elections before the end of the year. No government since the fall of Ben Ali has been able to broker major reforms though the new legislation on renewable energy offer a sensible example of law making by a National Assembly noted for its dogmatism. Of the 40 candidates standing for the presidency, the one likely to succeed will need to be acceptable to the Tunisian people. He will also need the blessing, in disguise of Algeria, France and the US. The changes afoot in Algeria where the Saudi *wahabist* version of Islam is being officially denounced and where bold steps are being taken to modernise education and avoid the politics of identity are encouraging for Tunisia.

The leader of the Islamist *Ennahda* party, Rachid Ghannouchi seems to have discarded the very divisive politics of identity which he promoted when Ennahda governed for two years until last January. The ousting of president Morsi in Egypt, the successes of ISIS in Iraq and Syria and the growth of a form of terrorism which combines radical Islam and drugs is acting as a catalyst to major changes in North Africa. Many local power brokers have finally understood that moderate forms of Islamic politics are moderate in words, not in acts. The result has been a huge growth of Salafist terrorism usually tied to smuggling -of oil in Iraq, of cocaine and weapons in North Africa and a loss of control of national borders. The months ahead will tell whether the audacity young Tunisians showed when they overthrew Ben Ali is rewarded with serious reform of the state. The sooner Tunisia shies away from identity politics which have not created a single job in industry, the better. The sooner the West decides to put its money where its mouth is, the better.