

CORRUPTION IN TUNISIA: Fish rots from the head down wards

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What passes for democratic politics in Tunis has become in the words of one former minister “a swamp”. The dire economic and social consequences of Covid-19 have fuelled popular discontent which provoked sporadic rioting last month on the tenth anniversary of the revolution. Corruption is sinking the Tunisian economy. Twenty five years of hard work have been undone since 2011.

‘**F**ish rots from the head downwards’ is an old Arab saying that well describes the current situation in Tunisia. The head here includes the leaders of the two parties with most deputies in the Assemblée des Représentants du Peuple (ARP), Rachid Ghannouchi, who combines chairing parliament and leading the Islamist Nahda party and the leader of Qalb Tunes, Nabil Karoui, a TV mogul who is in prison on charges of money laundering. It also includes Hichem Mechichi, who betrayed president Kais Saied, whose legal adviser he was at the presidential Palace of Carthage after he was appointed by his boss to the post of prime minister in August 2021. The ARP, where shifting alliances between deputies for reasons of corruption are common is deeply unpopular. What passes for democratic politics in Tunis has become in the words of one former minister “a swamp”.

Kais Saied is a former professor of constitutional law and a social conservative. He often evokes the memory of the second caliph after the prophet Mohamed, Umar Ibn al-Khuttub, a Muslim jurist who was referred to in his lifetime as Al-Farooq (“he who distinguishes between right and wrong”) and became, in the Sunni tradition, the paragon of virtue. The constitution of 2014 was poorly drafted and does not define clearly the prerogatives of the head of state, government and the ARP. The president sees himself as the guardian of the rule of law because the functioning of the constitutional court has been de facto blocked by Nahda since its inception. He also condemns corruption which has spread like gangrene since the revolution of 2011 and is sinking the Tunisian economy in very strong terms. Kais Saied goes on frequent walkabouts in Tunisian towns and is not afraid of making populist speeches telling young people they have no hope of getting jobs so

long as the parties which support the government do not mend their ways. His convictions are shared by western ambassadors in Tunis.

Between the end of 2019 and the end of 2021, average unemployment rose from 15 % to 17.4 %, but young people between 15 and 24 years of age are twice as likely to be unemployed (35.7%), as are young people with university degrees (30.1%). Kais Saied's approval rate remains high as Tunisians know that cleaning the Augean stables is a pre requisite to any hope of economic reform. Nahda for its part has lost votes in every election since 2011 despite playing a key role in government for a decade, first in Alliance with the now defunct **Nidha Tunes** created by the late president Beji Caid Essebsi, and now with Qalb Tunes which is best defined as an ad hoc alliance of opportunists with no policy other than predation. Neither party has the slightest interest in enacting reforms.

As the government has made obfuscation, if not plain lying on official statistics, a tool of government, it has become increasingly difficult to know how bad the economic and financial situation really is: the deficit of state security institutions is thus estimated to be somewhere between Tunisian Dinars 2bn and 6bn.

The situation is made worse by the demagoguery of the powerful trade union, UGTT. It keeps pressing wage claims for the bloated civil service and parastatals: Tunis Air is bankrupt with twice as many employees as its needs (8000), an ageing fleet and no money for spare parts. As the government has made obfuscation, if not plain lying on official statistics, a tool of government, it has become increasingly difficult to know how bad the economic and financial situation really is: the deficit of state security institutions is thus estimated to be somewhere between Tunisian Dinars 2bn and 6bn. The government claims the budget deficit will amount to 7 % of GDP this year, the IMF 10.6 %.

On 25 February, Moody's downgraded the Government of Tunisia's long-term foreign currency and local-currency issuer ratings to B2 from B3 and maintained the negative outlook. It also downgraded the central bank of Tunisia's senior unsecured rating to B3 from B2. The Tunisian central bank is legally responsible for the payment on all government bonds. Moody's wrote that "the downgrade reflects weakening governance in the face of rising social constraints that increasingly inhibit the government's flexibility to implement fiscal adjustment and public sector reforms that would stabilize and eventually reverse a marked increase in its debt burden". Moody's expects "the affordability of the debt stock to decline amid increasing borrowing costs while the high foreign currency share of the debt stock at over 65% exposes the debt trajectory's sensitivity to adverse currency movements". In addition, outstanding guarantees to state-owned enterprises at over 15% of GDP in 2021 add to contingent liability risks. The political dimension of Moody's note was unusual.

A former governor of the central bank Taoufik Bacchar despaired in a recent book, *Miroir et Horizon* of the terrible reversal of roles this endless downgrading of Tunisia's signature by the leading rating agencies since 2011 suggested. Tunisia was a pioneer on the African continent, with South Africa, is seeking to be rated by Standard and Poors, Moody's Fitch and Japan's R&I. In 2007 R&I ranked Tunisia A-, a rating usually reserved for far more developed economies. That rating underpinned Tunisia's attractiveness for international investors and its strong desire to modernise its manufacturing sector and insert itself into the value chains of international trade. Twenty five years of hard work have been undone since 2011. Voodoo economics and the Jasmin revolution have gone hand in hand.

In a broad exchange of views with the 27 EU ambassadors on 22 February, the Tunisian president repeated his conviction that so long as corruption and the government's refusal to reform were not tackled head on, there was no hope of reducing unemployment, growing regional disparities, the ever larger percentage of the economy which was informal (and does not pay taxes), let alone illegal immigration of young Tunisians to Europe. The EU and the IMF appear to share Mr Saied's diagnostic but are constrained by the complexity of the political crisis which is gripping Tunis. They have made clear that further financial aid depends on the Tunisian government coming up with a credible blueprint for reforms. To cut the gordian knot, the president might use the constitutional power he has to dissolve the ARP. Politically speaking, that is a nuclear option which carries risks but it might be unavoidable.