

## AFRICA

# Tunisia Seeks Foreign Investment to Cement Democratic Gains

By CARLOTTA GALL NOV. 30, 2016

TUNIS — The emir of Qatar came in person with a pledge of \$1.25 billion. Saudi Arabia, Kuwait, France and other European partners promised substantial amounts, too.

The show of support, as the Tunisian government threw open its doors this week at a two-day investment conference, was a measure of the stake the entire region feels in keeping Tunisia's democratic transition on track.

It was also an acknowledgment that the greatest threat to that transition may be Tunisia's weak economy, which is sowing discontent, especially among young people in rural areas.

After a year of political drift and growing social tensions, the conference was a prominent attempt by the government to secure support. It was opened in Tunis on Tuesday by President Béji Caïd Essebsi, who told international partners that Tunisia faced an exceptional situation, a sentiment that other officials expressed.

“We want to show what we have done in the last five years in changing society, in changing mentalities, going through democracy, which is a huge, enormous change,” Tunisia's prime minister, Youssef Chahed, said in an interview before the conference. “It is a call to the world to come and be part of the story.”

The country has been buffeted by civil unrest, terrorism and full-fledged war with its neighbor Libya, once a major trading partner and source of employment, in the five years since the popular uprising that overthrew President Zine el-Abidine Ben Ali and set off the Arab Spring.

The Tunisian economy has been in decline since 2011, and the government is struggling with a growing budget deficit. Investors fled the post-revolution disarray and have been further scared off by terrorism since 2013.

Four large-scale terrorist attacks over the last 18 months left more than 70 people dead, many of them foreign tourists. The tourism industry, which contributed 7 percent of gross domestic product, and more indirectly, collapsed to half its former level.

Successive governments have been absorbed with the democratic transition — and their own political divisions — and economic reforms have largely been delayed or neglected. Annual economic growth has averaged only 1.5 percent since the revolution.

Government spending, meanwhile, soared as the government sought to ease social tensions — poverty, inequality and joblessness were the main grievances that incited the revolution — by creating 200,000 public-sector jobs and raising wages.

A growing terrorism threat forced the government to triple its security budget, to buy new equipment and upgrade army and police forces, according to the prime minister.

At 41, Mr. Chahed is Tunisia's youngest-ever prime minister. Only three months into the job, he faces the urgent task of rescuing the economy.

"We succeeded in the political transition," he said. "Most Tunisians agree on the model we are following, there is a national consensus about that, which is very important. Now we are moving to the economic and social side."

Mr. Chahed was plucked from relative obscurity to be prime minister by President Essebsi in the summer, after the predecessor, Habib Essid, lost a vote of confidence. Mr. Chahed represents a new generation of Tunisian politicians that had no part in government before the revolution.

He holds a doctorate in agribusiness — for which he studied partly at Iowa State University — and worked for several years as a consultant for the United States Department of Agriculture at the American Embassy in Tunis.

He says his focus will be on creating jobs, especially for the youths in the disadvantaged regions in the interior of the country. This week, he will embark on a tour of the country to start a \$250 million microcredit program for young entrepreneurs.

“One of the biggest problems in Tunisia is that one in three unemployed is educated, around 33 percent of unemployed people has a higher degree,” he said. “This is one of the biggest challenges. We need to create growth, inclusive growth, equally distributed between the coast and inner area of the country.”

The United States was not among those announcing new funds. But it has been Tunisia’s most important partner in combating terrorism, providing training and technical assistance, including basing drones in Tunisia to help survey the border with Libya, Mr. Chahed said.

Many conference participants praised Tunisia for completing a difficult political transition from dictatorship — drafting a constitution, holding free elections and even winning the Nobel Peace Prize for resolving political differences through a process of national dialogue.

Yet concern for Tunisia’s economic situation was evident. Sheikh Tamim said the conference was “an example of how to support a promising experience and to avoid the worst.”

Western representatives, led by Christine Lagarde, president of the International Monetary Fund, warned Tunisia’s government that it was crucial to overhaul the economy and improve performance or risk failing its population.

“The government needs to act, too,” she said in a video message to the conference. “Keeping public finances healthy, improving the efficiency and effectiveness of public services, and maintaining a steady pace of reforms will be crucial tasks in the months and years ahead.”

Tunisia’s leaders, who have spent much of the time since 2011 engrossed in political turf battles, have delayed economic measures that the I.M.F. and other

financial institutions have called for. Tunisia's powerful unions and business leaders have also resisted change.

It has taken three years for successive governments to pass a new investment code and a law covering public-private partnerships. In a signal of the lack of progress, Moody's Investors Service downgraded Tunisia's credit rating just before the conference.

The country of 11 million is still constrained by a closed system of patronage that benefited a small circle of rich coastal families and left much of the inner regions of the country impoverished and undeveloped. Cronyism and corruption, hallmarks of Mr. Ben Ali's dictatorship, remain problematic, I.M.F. and World Bank analysts have warned.

"We are really aware of the need for reforms, and now we are really engaged on this," Mr. Chahed said.

His government is holding tough negotiations with unions and business leaders to tighten public expenditure, and he plans further legislation to combat corruption and speed up reforms in 2017.

Tunisia remains a good investment prospect, he insists, with its proximity to Europe, a gateway to Africa, and highly skilled manpower.

"What is very important today is to succeed on the economic side to consolidate the political transition," he said, "and to make this democracy definitely in the club of developed, democratic countries."

A version of this article appears in print on December 1, 2016, on page A3 of the New York edition with the headline: Tunisia Seeks Investment to Cement Democratic Gains.