



**August
2023**

MONTHLY BRIEF

Tunisia Risk Environment



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POLITICAL RISK

SUMMARY

Political risk remained low throughout August, which is traditionally a time of the year that many political bodies, unions, and public sector offices are working limited hours or closed entirely.

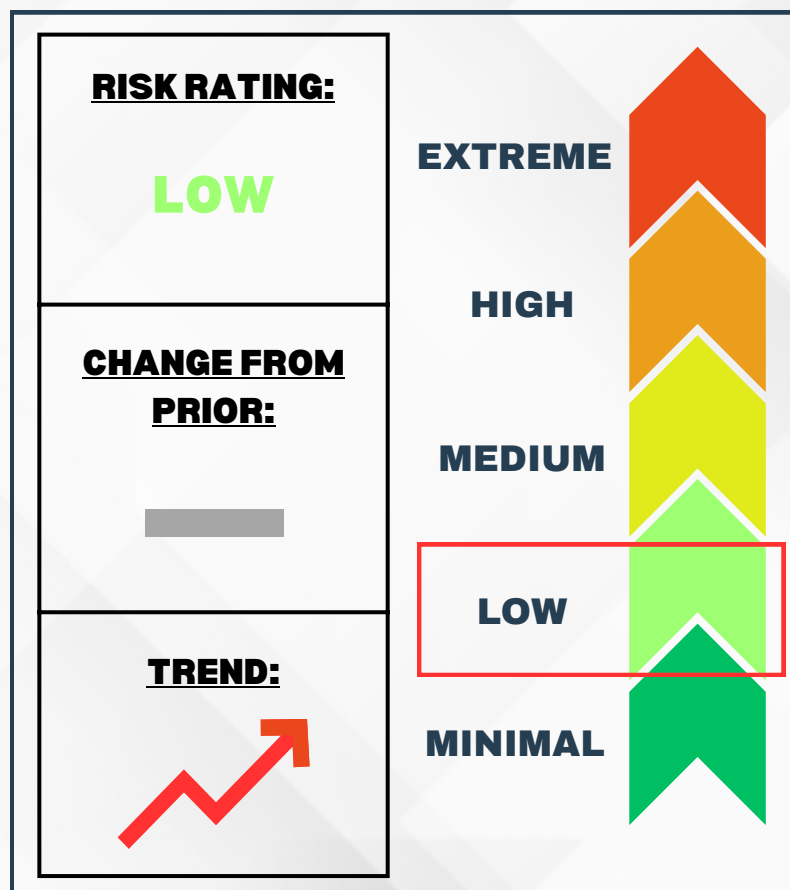
Despite some efforts by opposition parties such as the National Salvation Front (NSF) and Ennahdha to build momentum for their causes, political dialogue in the summer months predictably cooled.

However, opposition and union leaders promised that pressure will resume on President Saied's administration as many core concerns remain unaddressed.

RATING

Political risk in Tunisia remained **Low** in August with a trend toward increased political risk heading into the fall.

While many issues between President Saied's administration and his union and political opponents have gone unaddressed, the summer is historically a period of limited political activity in Tunisia.



POLITICAL RISK

TOP HEADLINES

President Unceremoniously Replaces Prime Minister

On 1 August 2023, President Kais Saied dismissed Prime Minister Najla Bouden and appointed her replacement, Ahmed Hachani, without explanation. Hachani had a relatively low-profile career in government service with the Central Bank of Tunisia.

While in office, Bouden's most high-profile portfolio was managing the country's wheat and bread shortages, which continued and worsened. An unannounced shuffle of senior personnel is not necessarily surprising as President Saied has likely felt growing pressure to demonstrate progress on key issues and has not hesitated previously to dismiss senior officials when such progress is not forthcoming.

Ennahdha Plans Congress as Political Pressure Continues

Ennahdha remained under pressure from President Saied's administration. In mid-August, an Ennahdha spokesman was arrested and released two days later. Additionally, opposition elements continued to raise concerns about the conditions of Ennahdha detainees. The National Salvation Front (NSF) held a protest on 24 August calling for the release of political detainees. Despite ongoing political pressure, Ennahdha's acting head, Mondher Ounissi, promised in August that the party's 11th congress will be held in October.

Election Authority Announces Elections Through 2024

Elections were announced throughout August, including plans to proceed with the next presidential election during the last three months of 2024. The spokesman for the Independent High Authority for Elections (ISIE) assured that the presidential election would happen in accordance with the 2014 electoral law still in force. Local council elections will be held in December 2023. These elections follow President Saied's March 2023 decision to dissolve local councils and re-establish them under a new framework for vetting candidates.

POLITICAL RISK

IN-DEPTH

Conflict with Teachers' Unions Threatens Launch of New School Year

As the summer months come to a close, the unresolved tensions in Tunisia's education system are rising again to the surface, potentially setting the stage for a challenging start to the school year. With only a few weeks remaining until Tunisia's state schools open their doors for the fall, President Saied's administration has yet to reach an agreement with the teachers' unions over salaries and the filling of positions.

The conflict between Tunisia's elementary school teachers and the Ministry of Education grew increasingly hostile in July with the dismissal of 350 school principals and the freezing of salaries for 17,000 teachers. At that time, teachers' union officials raised the possibility of boycotting the next school year.

Over the summer months, the public dialogue between the administration and the unions quieted. However, the core issues dividing the two parties remain unaddressed. In mid-August, the Education Minister met with the new Prime Minister, promising that measures had been taken to ensure a smooth start to the school year.

However, a leader of the union representing elementary school teachers indicated in late August that as many as 500 school principal positions remained unfilled and over 32,000 teachers were not paid their salaries on schedule over the summer. The unions have called for a boycott against efforts to fill the school principal positions until the administration takes steps to address the concerns of the union.

ECONOMIC RISK

RATING

SUMMARY

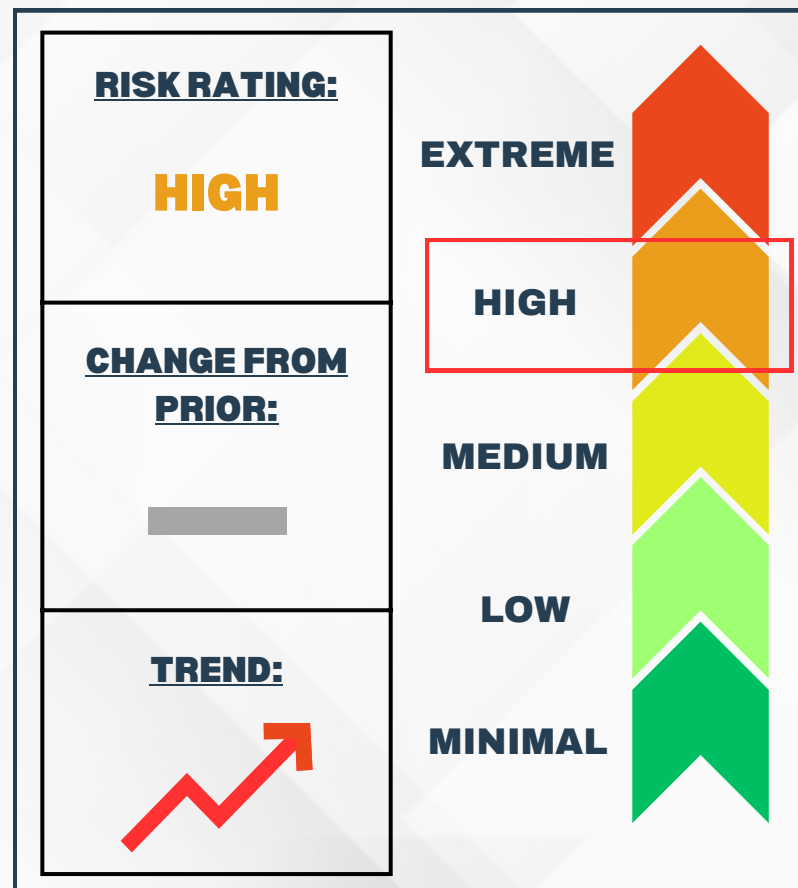
While the tourism sector continued to produce strong numbers, much of the rest of the Tunisian economy staggered through August.

Shortages of staple goods continued to plague markets, with flour shortages rumored to have led to the dismissal of former Prime Minister Najla Bouden.

The economy remains in a precarious position with only difficult options available for how the economy could be rescued.

Economic risk in Tunisia remained **High** in August, with a trend toward increased economic risk.

While tourism recovered to pre-COVID-19 levels, the rest of the economy remains on the edge of crisis.



ECONOMIC RISK

TOP HEADLINES

Mid-year Subsidy Report Shows Rise in Fuel Spending

The government released a progress report on the 2023 budget which revealed a nearly 40% increase in expenditures on subsidies compared to the first half of 2022. Much of the overall increase in subsidy spending is attributed to a 60% increase in expenditures for fuel.

In the first half of 2023, fuel subsidies accounted for 77% of all subsidies paid by the Tunisian government. Subsidies remain a controversial subject, with many fearing that changes could result in unrest. President Kais Saied expressed commitment to maintaining subsidies, even as the financially cumbersome system has been widely identified as a core weakness in Tunisia's economic system.

Flour Scarce as Access to Subsidized Supplies Returned

In early August, hundreds of bakers protested as their access to subsidized flour was cut off. On 16 August 2023, Tunisian authorities arrested the leader of the country's bakers union "on suspicion of monopoly and speculation." The government then announced that access to subsidized flour for some bakers would be returned. Bread was available again, but with a limited supply as the government continued to somehow absorb the growing cost of the heavily subsidized flour.

Labor Disputes, Market Shifts Slow Phosphate Exports

Government trade data indicated that challenges in Tunisia's phosphate industry may be worsening as labor disputes and rising production costs hampered exports. Data released in August showed a 43% decline in mining and phosphate exports in July. Late August saw disruptions due to labor disputes that halted transport of phosphate to ships waiting in Sfax. Additionally, phosphate producers reported rising prices for key materials used in the production process, making prices less competitive.

ECONOMIC RISK

IN-DEPTH

Government Looks to Evolve Booming Tourism Sector

Through the summer months, Tunisia's tourism sector boomed, serving as one of few bright spots in the otherwise struggling economy.

In August, both Djerba and Jendouba reported that hotel occupancy rates were hovering near and even exceeding 100%. Both Jendouba and Djerba reported a notable increase in the number of Algerian tourists, while Djerba saw an increase in the number of French visitors.

Tataouine also reported a significant increase in visitors to Tunisia's southern desert areas. French and Italian tourists drove a 5x increase in visitors to Tataouine compared with 2022.

China also announced plans to lift a COVID-19-related travel ban on its own citizens to over 70 countries, including Tunisia. The Chinese government authorized Chinese travel agencies to resume marketing and organizing tours to Tunisia which could lead to a surge in visits from Chinese travelers.

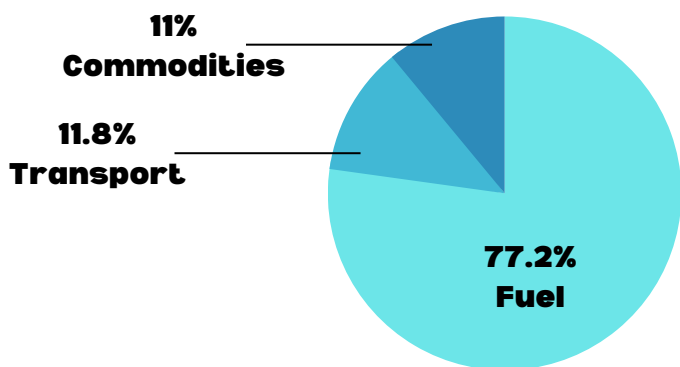
Despite the strong recovery of the tourism sector, President Saied's administration appears intent on making changes to leadership and policy. In mid-August, Saied ordered the dismissal of the head of the National Tourist Office. Shortly thereafter, the Minister of Tourism announced plans to evolve how Tunisia's government manages the various agencies involved in the country's tourism industry.

The plans include the establishment of a "higher council" that will play a coordinating role across government agencies. It will also include efforts to revise legislation to simplify the process for investing in tourism in Tunisia and to consolidate the way proceeds from tourism are collected and tracked.

ECONOMIC RISK

BY THE NUMBERS

Mid-Year Subsidy Report Shows Fuel Dominating Subsidy Expenditures



Public Health Challenges on the Horizon as Non-Communicable Diseases Rise

Research published in August points to a growing public health crisis in Tunisia.

Percentage of population with Type 2 Diabetes



>50%

of individuals living with Type 2 Diabetes were undiagnosed, unaware of the nature of their condition

Young Tunisians Struggle to Find Stable Employment

A study of issues impacting young people aged 16 - 30 in Tunisia found that many struggle to find or keep legal jobs.

Only 23%

reported having a written work contract



Only 24%

reported that they would be paid in the event of an illness



64%

indicated that they had no pension or retirement savings



SECURITY RISK

SUMMARY

Migration challenges continued to dominate headlines in August.

Despite significant funding and resources from Tunisia's European partners, irregular migration attempts appeared unabated.

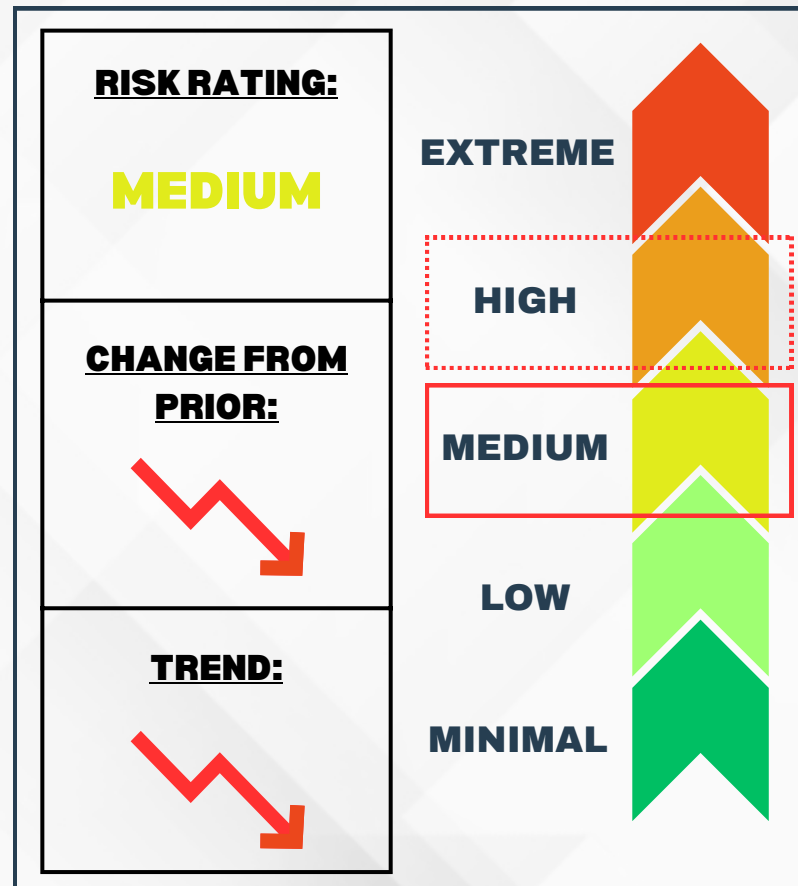
Meanwhile, regional security challenges stemming from instability in Libya and terrorist activity in Algeria highlighted the unpredictable and evolving nature of Tunisia's position in the regional security landscape.

The looting of a flour truck in Hammamet could portend future challenges with frustrated citizens leveraging any available resources to acquire staples as food shortages continue.

RATING

The security risk in Tunisia is **Medium**, with a trend toward less security risk.

Despite ongoing challenges, tensions over migration subsided throughout August with fewer signs of unrest and vigilante violence, particularly in Sfax.



SECURITY RISK

TOP HEADLINES

President Clarifies Plans to Punish Social Media Critics

In August, President Saied's administration took an explicit stance on the use of social media, making it clear that individuals using online platforms to criticize government officials would be prosecuted.

President Saied himself stated that social media is being used by unnamed, organized groups to "create chaos" in Tunisia. Additional information from the administration indicated that efforts are underway to identify the users of anonymous social media accounts and bring legal charges against them under Law 54, which prohibits the spread of false information through technology and media.

Agreement with Libya to Accept Relocated Migrants Following Weeks of Criticism

In early August, the UN Secretary General Antonio Guterres drew international attention to the fate of several hundred sub-Saharan African migrants who were forcibly relocated from Sfax to desert areas along Tunisia's borders with Algeria and Libya. Following multiple weeks of increasing criticism and the highly publicized death of a mother and daughter from thirst, Tunisia and Libya announced an agreement to accept the migrants. However, criticism continued after reports that a large group of migrants were being held in poor conditions in a high school.

Flour Truck Looted as Flour Shortages Continue

On 24 August 2023, several individuals in Hammamet looted a truck that was delivering flour to a wholesale flour distribution facility. Several individuals simply took sacks of flour and left with them. Follow-up reports indicated that arrests were made and some of the flour was recovered. While not necessarily an expression of violence, it is possible that similar events will continue as shortages persist.

SECURITY RISK

IN-DEPTH

Security Challenges Loom at Borders, Threatening Regional Instability

Regional security challenges along Tunisia's borders with Algeria and Libya continue to pose a threat, as migration, political instability, and terrorism remain evolving, trans-regional threats. Tunisia's economic and social stability is inevitably linked to its neighbors with whom significant trade as well as social exchange happens regularly.

Throughout August, security in Libya deteriorated significantly as a tense peace between rival militias controlling different sections of Tripoli broke down, leading to open fighting that killed dozens of Libyans. Fighting between two militias - the 444 Brigade and al-Radaa - followed the detention of the 444 Brigade's leader by al-Radaa. The detained leader was eventually released.

Libya continues to operate with what are functionally two governments: one based in Benghazi under Khalifa Haftar and another in Tripoli under an increasingly embattled Prime Minister, Abdul Hamid Dbeibah. With rival militias wielding significant influence and military power throughout the country, Libya is in a perpetual state of instability that can easily devolve into violence.

To the west in Algeria, terrorism remains a challenge with both the Tunisian and Algerian governments tracking and occasionally taking action against terrorist cells operating in the mountainous region along their shared border.

In August, Algerian forces identified a terrorist cell operating near Mount Chaambi in Kasserine. Tunisia also charged a shepherd in Kasserine with provisioning a terrorist group with food and supplies - charges the shepherd did not deny, though he claimed he acted under physical threat.

EXTERNAL RISK

SUMMARY

External risk in August was on the rise as pressure grew over the highly controversial issues of irregular migration and diplomatic normalization with Israel.

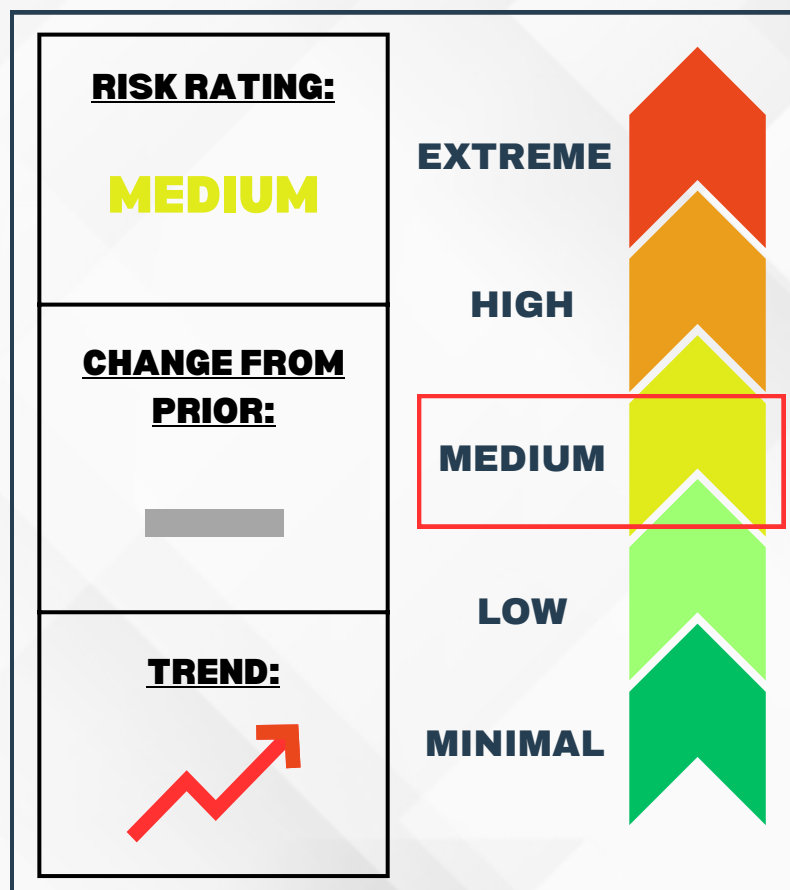
Tunisia was thrust into the midst of both challenges with much wider, regional implications while actively seeking external financial benefactors to alleviate its economic woes. External risk is likely to continue to rise as Tunisia is forced to navigate a series of difficult decisions related to its economic future.

Depending on the source of financial assistance that is pursued, Tunisia may be forced into even more challenging economic and diplomatic decisions in the coming months.

RATING

The external risk rating for Tunisia is **Medium**, with a trend toward growing external risks.

Pressure from Europe over the issue of irregular migration and pressure from other Arab states regarding relations with Israel are continuing to create a challenging diplomatic environment.



EXTERNAL RISK

HEADLINES

Tensions Rise in EU as Migration Surges, Assistance Funds Yet to Arrive

In late August 2023, Manfred Weber, a senior leader within the European Parliament, traveled to Tunisia to discuss the recently agreed-upon assistance program designed to help the country stem the flow of migrants to the EU. Weber's visit comes as far-right European voices have called for increasingly harsh policies to address irregular migration. Recent comments by EU lawmakers and leaders prompted a senior EU commission official to clarify that the assistance funds for Tunisia have not yet been dispersed, making it impossible to gauge the effectiveness of the assistance program at this point.

Agreement with Libya to Modernize "Trade Corridor"

Tunisian and Libyan trade officials announced plans to modernize the Ras Jedir border crossing as part of an effort to establish a "continental trade corridor" connecting North Africa to sub-Saharan Africa. Plans include efforts to meet international border control standards and to explore the integration of the free commercial zones. Any improvements to operations at the border would face the challenge of localized corruption and disruption of smuggling and other illicit cross-border activity.

FM Ammar Courts BRICS as Bloc Expands in Region

In late-August, Foreign Minister Nabil Ammar spoke at a gathering of BRICS states, where he promoted a vision of greater cooperation. The BRICS states, which include Brazil, Russia, India, China, and South Africa, announced that six additional states would join the group: Iran, Saudi Arabia, Egypt, the United Arab Emirates, Argentina and Ethiopia. While the BRICS states have typically been considered a counterweight to Western coalitions, Tunisia will likely need to pursue all potential allies given the severity of the country's current economic challenges.

EXTERNAL RISK

IN-DEPTH

Libya Violence Over FM's Israel Meeting Forces Firm Stance Against Normalization

Potential normalization of relations with Israel by states across the Middle East and North Africa has been hotly discussed throughout the summer, with Israel and the US pushing the region's most powerful states, including Saudi Arabia and the UAE, toward a decision point. Tunisia found itself in the crossfire, hoping for an economic bailout from the Gulf but unwilling to consent to the diplomatic moves toward Israel that Gulf benefactors may be requesting.

Following the announcement that Saudi Arabia would provide \$500 million in assistance to Tunisia, consensus was growing that the deal may have included concessions from Tunisia regarding the country's position toward Israel.

This issue became public when an Algerian official shared with the media that the UAE was pushing for Tunisia to normalize relations with Israel. However, the issue was not officially addressed by a Tunisian official until a secret meeting between the Israeli and Libyan foreign ministers was revealed by Israeli media. This revelation led to a surge in violent protests across Libya as well as the dismissal of the foreign minister who quickly fled the country.

In the following days, President Saied clarified that normalization was not open for discussion. The Algerian Foreign Minister echoed Saied's remarks, confirming that the Tunisian foreign ministry had confirmed to him that there were no plans to normalize relations with Israel.

It remains to be seen what next steps the Gulf states will take to pursue coalition building around the issue of normalization as well as what sort of funding opportunities remain on the table after the exposure of Libya's meetings with Israel forced Tunisia to take a stronger position on the issue.



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A circular image with a blue and grey border showing a large, domed building with multiple arches, likely a historical or religious structure, set against a clear sky.

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