

## Summary Report

### *The relevance of the Ukrainian National Reform Council to the Tunisian Transition*

19th – 21st December 2016

#### 1. Overview

Tunisia's political success stands in stark contrast to other states in the Middle East and North Africa that have experienced protest, uprising and transition since 2011. The level of consensus achieved amongst politicians, the forging of a new constitution, and the alternation of power through democratic elections are all without precedent in the region. Ensuring the long-term success of the transition in Tunisia remains a vital interest for the international community to create both an anchor of stability in North Africa and the symbol of a functioning democratic polity that could stand as a model for other states in the region.

Over the past year, during our regular visits to Tunisia, we have sought to identify and explore ways to help Tunisian policymakers address enduring economic challenges which present a mounting threat to the country. During this process, we became increasingly aware of a gap between Tunisian policymakers and the international community in terms of what support Tunisians' perceive they need and what international partners understand they are providing. These challenges are not unique to Tunisia, and, we felt, the experience of other countries that have confronted similar issues is arguably of relevance for Tunisian policymakers today.

Accordingly between the 19<sup>th</sup> to 21<sup>st</sup> December we brought two economic experts who played a central role in Ukrainian reform initiatives after the 2014 revolution – Erik Berglof, Director of the London School of Economics Institute for Global Affairs and former Chief Economist at the European Bank for Reconstruction and Development, and Vladyslav Rashkovan, former Deputy Governor at the National Bank of Ukraine – to meet with key Tunisian interlocutors, including: the Minister of Trade, the Minister of Development, Investment and International Cooperation, the Secretary of State for Employment, economic advisors to the Prime Minister and the Minister of Finance, a former Finance Minister, parliamentarians, and leading political party members. Meetings with representatives of the international community in Tunisia were also arranged, including a representative of the EU Delegation to Tunisia.

The focal point of discussions was exploring the potential relevance of a mechanism developed in Ukraine – the National Reform Council (NRC) – for the Tunisian transition. The NRC, formed in 2014 and still operating, meets every three-to-five weeks to provide a forum bringing together key political parties, the different branches of the government, including the President, Prime Minister, Ministers, parliament and the Central bank Governor, as well as key representatives from civil society to meet on a regular basis to discuss the agenda of agreed reforms, improve their delivery and coordinate bilateral support from the international community. The NRC is widely acclaimed for its role in expediting the reform process in Ukraine, and already achieving notable successes in key sectors in just its two years of operation.

The purpose of meetings was not to offer a prescriptive model for Tunisia to follow but to spark a genuine debate around the successes and failures from the Ukrainian experience and explore how they could potentially complement Tunisian initiatives to deliver sustainable solutions. From these initial discussions, there appeared to be considerable appetite amongst Tunisian policymakers for further discussion on the NRC and how elements of this mechanism could be adapted for the Tunisian context.

## 2. The challenge in Tunisia today

Despite Tunisia's considerable political progress, many of the factors which drove the revolution of 2011 remain unaddressed. High unemployment; limited career prospects for young graduates; wealth disparities between coastal and internal areas; a sizable informal economy; and a sense of disengagement of large swathes of the population from the political and economic life of the country all remain prevalent. Public frustrations are mounting, with demonstrations, strikes and sit-ins increasingly common, threatening already fragile stability.

While Tunisia's elite recognise the pressing need to conduct systemic reforms, they face numerous impediments, not least a lack of capacity within existing state structures. Change makers in government are confronted by institutions that are conservative and which can be resistant to reforms which they perceive to be a threat to their understanding of Tunisia's best interests. Furthermore, even when agreement on reforms and projects is reached, the state's capacity to effectively deliver projects and disperse resources is limited. Nationally, the absorption capacity of Tunisia – the extent to which the government is capable of effectively and efficiently spending funds, expressed as a percentage of the total allocation – is estimated to be extremely limited by the IMF and other international bodies.<sup>1</sup> Therefore, while the recent pledges made at Tunisia's International Investment Conference in November 2016 are important, the Tunisian government now must develop its strategy to co-ordinate support effectively in order for these pledges to be translated into concrete projects.

Several attempts have been made to improve reform delivery within Tunisia, but either in their infancy or have had limited success to date. Similarly, while there are efforts to develop a delivery unit within the Prime Ministry to help enact reforms, these need to be tied into wider mechanisms that help identify and formulate the reform agenda, as well as provide a space for the coordination of bilateral support. Ultimately the creation of such mechanisms will be an essential element in reinforcing Tunisia's transition.

## 3. The National Reform Council – lessons for Tunisia?

Ukrainian policymakers after the 2014 revolution faced many similar pressures and impediments to realising an effective reform agenda. Recognising these challenges, leading figures in Ukraine developed a mechanism – the NRC – to improve the co-ordination and delivery of reforms.

The NRC convenes every three weeks and brings together the key national decision-makers, including the president, the prime minister, the speaker of the parliament, ministers and chairs of parliamentary committees, leaders of the coalition parties, representatives of the Central bank and representatives of civil society, to:

- ❖ Agree on the broad reform agenda
- ❖ Set reform priorities
- ❖ Coordinate reform actions
- ❖ Monitor reforms implementation and ensure they achieve their intended goals
- ❖ Coordinate bilateral support from the international community.

The NRC is a non-constitutional body and decisions are adopted by consensus of all participants, to ensure consistency of positions in the reformation process. Although its decisions are not binding, Ukrainian policymakers perceive it to be an invaluable tool at a time of national crisis, bringing several benefits to Ukraine's reform agenda:

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<sup>1</sup> <https://www.imf.org/external/pubs/ft/scr/2015/cr15285.pdf>

1. **Coherence** to the reform process, helping develop a common vision that the government, Parliament and President are working towards, agreement on what the strategy is to realise this vision and the fundamental values by which they are working. Such coherence is important as it enables a clear narrative to form – essential in generating confidence both domestically and amongst those who can help deliver change, including investors and international donors.
2. Improved **policy coordination** across government, ministries, Parliament and industry leaders so as to enable broader buy-in to reforms, which, consequently, helps streamline and expedite change. This is particularly beneficial for effective donor coordination, which relies on good internal competence, as well as a clear vision and strategy.
3. **Improved strategic communication**. As a platform for national dialogue and in the Ukrainian case, “a place where people come to agree”, the NRC provides a vehicle by which the government can clearly communicate the priorities and the status of its reform agenda to both citizens and international community, thereby increasing confidence.
4. By meeting regularly, ideally every three-to-five weeks, the NRC **adds urgency** to the reform agenda and generates a sense of momentum.
5. Clarifying the reform agenda by enabling key stakeholders to identify **what are the priorities** in any given moment.
6. The NRC establishes clear **targets for reforms** against which progress can be measured and that clarify if existing reforms are having the desired outcome or if further changes are necessary.
7. Offering a **unique space** in Ukraine where all key stakeholders – around 50 people – are in the same room to discuss a shared agenda, focused on reforms.

Over the course of its development, the Ukrainian NRC has made mistakes – principal amongst them that it has proved insufficiently inclusive of the country’s political diversity. While broadening participation in such a mechanism may not necessarily lead to all political forces agreeing on the content of specific reforms, there is value in having such a space for informal dialogue, particularly at a time of heightened instability. Tunisia is faced not only with internal instability but is situated within an unstable neighbourhood. Mechanisms need to be established that are inclusive so as to increase Tunisia’s self-reliance, rather than anchoring itself to forces that are outside of its control. A body such as the NRC should not replace other fora for dialogue that exist, but would rather complement other efforts at consensus building whether in parliament, or within the structures of a coalition government.

What form a mechanism to improve reform delivery in Tunisia might take, would require further dialogue amongst government, political parties and wider leaders of industry, Central Bank and civil society. However, these initial discussions highlighted that there is considerable interest in exploring how the principles and achievements of Ukraine’s NRC, which was acknowledged to be addressing a similar set of challenges, could be adapted for the Tunisian context.

#### **4. The importance of vision**

While the NRC was recognised to provide a valuable mechanism for improving the delivery of reforms, it was acknowledged that it could only do so much. Any reform mechanism, regardless of its composition, will only be effective if there is a clear vision for the country, a strategy for implementing this vision, and the political will for this to be achieved. A reform mechanism such as the NRC then provides the means/tools/platform to improve the implementation of this broader vision.

A vision can be simple and clear but at the same time carry enormous guiding implications for the future of the country. Mechanisms such as the NRC can help the country’s elite develop their vision and subsequent strategy by providing a space for where, through discussions, agreement can be forged on the general direction of specific reforms. A space such as the NRC provides the additional benefit of allowing reforms to be looked at holistically, across ministries and parliament, as opposed to the piecemeal delivery of individual pieces of legislation. For example, in Ukraine, reform of the banking sector required over 68 new laws, containing over 200 articles, and 41 major projects with the NRC providing a forum where these could be co-ordinated to maximise impact.

Amongst the Tunisian stakeholders that were engaged there were significant areas of commonality on their vision for Tunisia's future. This was summarised by one leading figure who said the vision for the country over the next 5-7 years should be: *to create a country that represents a rebirth of the Arab World by establishing a leading international safe place for new enterprises and creativity*. This would include embracing new technologies, inviting companies to test out new ideas, and tapping into the enormous human capital of Tunisia by encouraging and enabling the creative abilities of the younger generation. The vision would be an inventive, outward facing, welcoming and trend setting country, attracting those with talent to express themselves and innovate in a free and safe environment. All agreed that Tunisia must also utilise its strategic assets in its development – most notably a geostrategic position as a bridge between Africa and Europe that could enable Tunisia to act as a hub for enterprises seeking to enter African markets. Realising such an expansive vision requires action beyond adjusting the existing system and would necessitate intensive regular dialogue between the country's elites and key institutions on how such change could be practically realised.

Given the increasing pace of global change, it was suggested Tunisian leaders must harness the potential of technological advancement to deliver their vision, and perhaps bring a group of leaders from the world's largest technology companies to act as an informal advisory team for the country. Securing the support of such companies was seen as particularly important at a time of slowing global growth, as such companies could provide some of the few sources of major economic growth in the coming period.

## **5. Conclusion**

This visit illustrated the value of peer-to-peer for leading policymakers from transitioning countries – in this case Tunisia and Ukraine – and its ability to spur new thinking on similar challenges policymakers face. In light of the considerable interest shown by key figures in Tunisia in the experience of the NRC, we will explore potential next steps with relevant policymakers.