Chapter 4

Cronyism, Corruption, and the Arab Spring: The Case of Tunisia

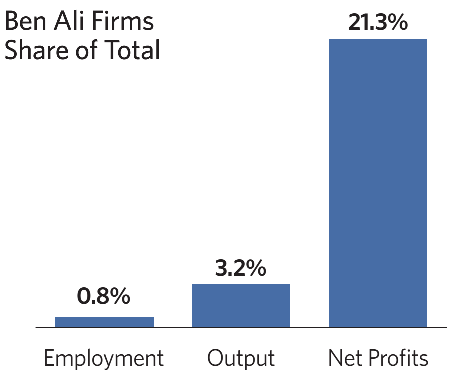
Antonio Nucifora, PhD, Erik Churchill, and Bob Rijkers, PhD[1]

Editor's Note: *Since 2011, the countries of the Middle East and North Africa have experienced a period of economic and political turmoil—the Arab Spring—that holds both great promise and great risk. Such a widespread uprising against autocratic rule will have many diverse causes. What began as a protest by a street vendor against, in part, excessive economic regulation in Tunisia has become a wide-ranging movement challenging entrenched political, economic, cultural, and religious interests across an entire region. An empirical study presented in the 2012* Index *by Dr. Nahid Anaraki used the techniques of econometric analysis to demonstrate that the motivation for violence in the region is likely to be less about conflict between Islam and Western values and more about revenge against corrupt regimes. This chapter deepens that analysis, looking specifically at the role that cronyism and corruption played in the Tunisian uprising while identifying ongoing problems that must still be addressed if Tunisia is to achieve the full flowering of economic freedom and broad-based development that benefits everyone, not just a politically connected elite.*

The Tunisian Revolution took the world by surprise in January 2011 and unleashed expectations of a transition toward liberal Western-style democracy in the Arab World. Much progress has been made in Tunisia over the past three years on the political front. A new constitution was adopted with a large consensus in January 2014, and the first democratic parliamentary and presidential elections under the new constitution were held in October–November 2014.

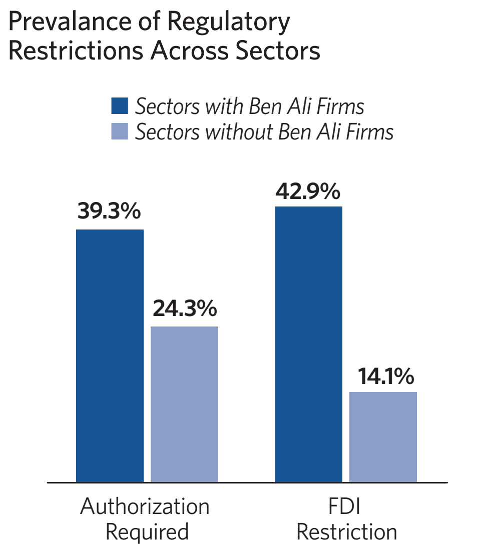
Nevertheless, deep-rooted deficiencies of the socioeconomic system have not yet been tackled. This system, characterized by privileges and cronyism at the expense of competition and performance, is at the root of the Arab Spring and still needs to change if the future of the Tunisian transition is to be secured.[2]

Tunisia's economy was one of the best-performing in the region before 2011. Rapid poverty reduction was accompanied by significant



Source: Bob Rijkers, Caroline Freund, and Antonio Nucifora, "All in the Family: State Capture in Tunisia," World Bank *Policy Research Working Paper* No. 6810, March 2014.

Chart 1 heritage.org



Source: Bob Rijkers, Caroline Freund, and Antonio Nucifora, "All in the Family: State Capture in Tunisia," World Bank *Policy Research Working Paper* No. 6810, March 2014.

Chart 2 heritage.org

improvements in the main human development indicators. On the basis of these achievements, Tunisia was heralded as a role model for other developing countries by the International Monetary Fund and the World Bank. Similarly, the World Economic Forum repeatedly ranked Tunisia as the most competitive economy in Africa.

As the revolution made clear, however, beyond the shiny façade often presented by the former regime, the Tunisian socioeconomic model was (and remains) deeply deficient. Unemployment has remained high, especially among young graduates, and regional disparities have persisted. At the root of these disappointing economic outcomes lies a policy infrastructure put in place during the presidency of Zine al-Abidine Ben Ali (April 1989–January 2011), which results in privileges for an elite few at the expense of those who lack significant political connections.[3]

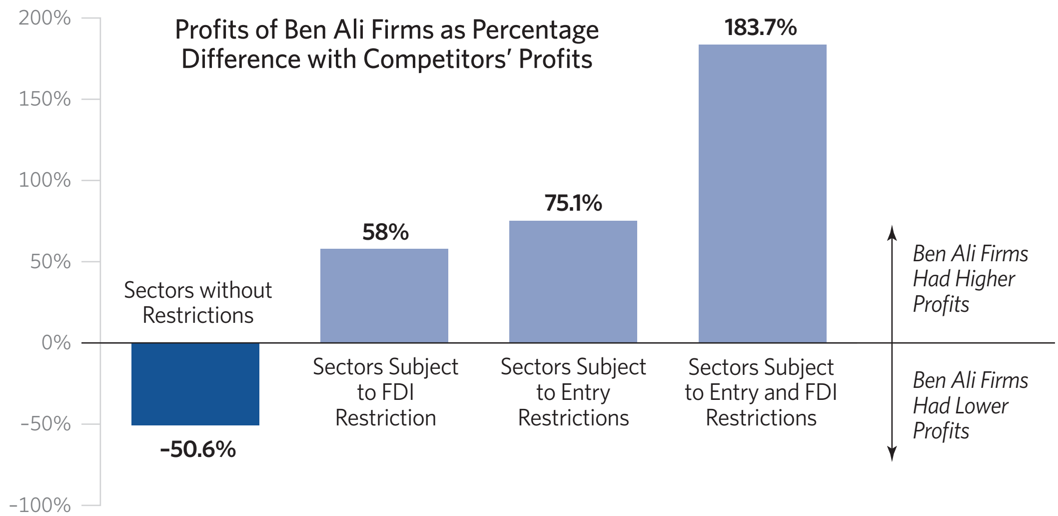
Achieving stability in the region will require transitioning to an open economic system that brings greater economic opportunity.[4] The key policy challenge, therefore, is to identify instruments that will ensure that such a transition is orderly, swift, and sustainable.

CRONYISM, CORRUPTION, AND SOCIAL EXCLUSION IN TUNISIA

Tunisia's economic development model has been predicated on an active role for the state since the 1960s. This model initially accelerated growth and rapid poverty reduction.[5] However, interventionism became increasingly directed by the country's elite for their own benefit. Over the past decade, extensive corruption and abuses were associated with the activities of the cronies and family of former president Ben Ali.[6] Pervasive barriers to competition allowed underperforming firms to survive in spite of low productivity and created opportunities for rent-seeking by cronies of the regime. This evolution of Tunisia's economy into a system of rents and privileges is at the root of its failure.

It is notoriously difficult to demonstrate clearly the impact of cronyism and predation on firms' growth and characteristics because access to relevant data is usually difficult.[7] In Tunisia, we were able to use information on 220 firms confiscated from President Ben Ali

Profits of Ben Ali Firms Compared with Competitors



Source: Bob Rijkers, Caroline Freund, and Antonio Nucifora, "All in the Family: State Capture in Tunisia," World Bank *Policy Research Working Paper* No. 6810, March 2014.

Chart 3 heritage.org

and his extended family (a total of 114 people) in the aftermath of the 2011 revolution and to compare their performance to that of all other firms in Tunisia.[8]

Firms confiscated from President Ben Ali's extended family were important from an aggregate economic point of view. Although they account for less than 1 percent of all jobs, they pocketed a striking 21.3 percent of all net private-sector profits in Tunisia, equivalent to US$233 million in 2010, corresponding to over 0.5 percent of GDP. (See Chart 1.) Considering that we identify only firms with direct links to the Ben Ali family as opposed to all firms with cultivated connections, this number is probably best interpreted as a lower bound on the importance of political connections.

How could connected firms make so much money? The firms confiscated from President Ben Ali's family were concentrated in sectors where profit margins are quite high and close relations with government counterparts is an important determinant of profitability, notably in the real estate and enterprise services sectors (59 firms); personnel services (20); transport (16); wholesale trade (15); automobile trade (11); construction (nine); financial services (eight); the food industry (seven); hotels and restaurants (seven); media activities (five).

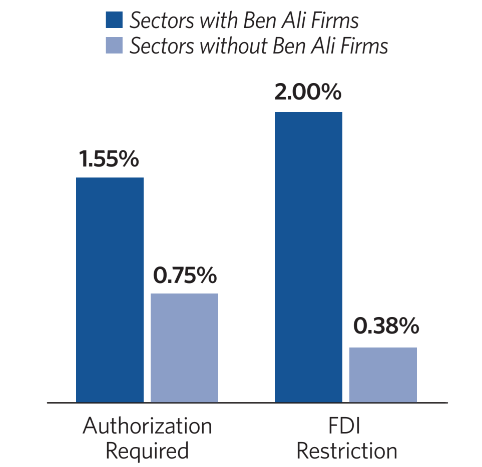
Specifically, our analysis found that confiscated firms are more likely to operate in sectors subject to entry regulation. Approximately 40 percent of Ben Ali firms were in sectors subject to authorizations and restrictions on foreign direct investment (FDI).[9] By comparison, authorization requirements apply to only 24 percent of all sectors in which Ben Ali firms are not present, while FDI restrictions apply to approximately 14 percent of sectors that are free of Ben Ali firms.[10] (See Chart 2.) Thus, regulatory restrictions and connected firms go hand-in-hand.

The superior performance of Ben Ali firms is especially marked in densely regulated sectors (at the five-digit sector level). Restrictions on entry into these sectors were associated with greater market share and greater profits for the firms owned by Ben Ali's extended family, who had privileged access. Ben Ali firms are especially more profitable than their peers in sectors that are subject to authorization and FDI restrictions; these regulations thus appear disproportionately to assist the profitability of Ben Ali firms. In sectors that are not subject to these restrictions, Ben Ali firms make significantly less profit than their competitors, which countermands the idea that Ben Ali family members were innately better entrepreneurs. (See Chart 3.)

Legislative changes introducing new entry restrictions were plausibly due to manipulation by the Ben Ali clan.[11] First, the prevalence of FDI restrictions and authorization requirements was significantly higher in sectors in which Ben Ali firms were present when the Investment Incentives Code was approved in December 1993. Second, over time, new restrictions were introduced at a higher frequency in sectors in which Ben Ali firms had set up shop.[12] Sectors in which Ben Ali firms are active are two times more likely to be subjected to new authorization requirements than sectors in which they are not and five times more likely to be subjected to new FDI restrictions.[13] (See Chart 4.) In sum, if existing regulations did not suffice to secure lucrative business deals, Ben Ali would use executive powers to change the legislation in his favor.

Prevalence of New Regulations by Presence of Ben Ali Firms

Change in New Regulations at the 5-Digit Level, 1994–2010



Source: Bob Rijkers, Caroline Freund, and Antonio Nucifora, "All in the Family: State Capture in Tunisia," World Bank *Policy Research Working Paper* No. 6810, March 2014.

Chart 4 heritage.org

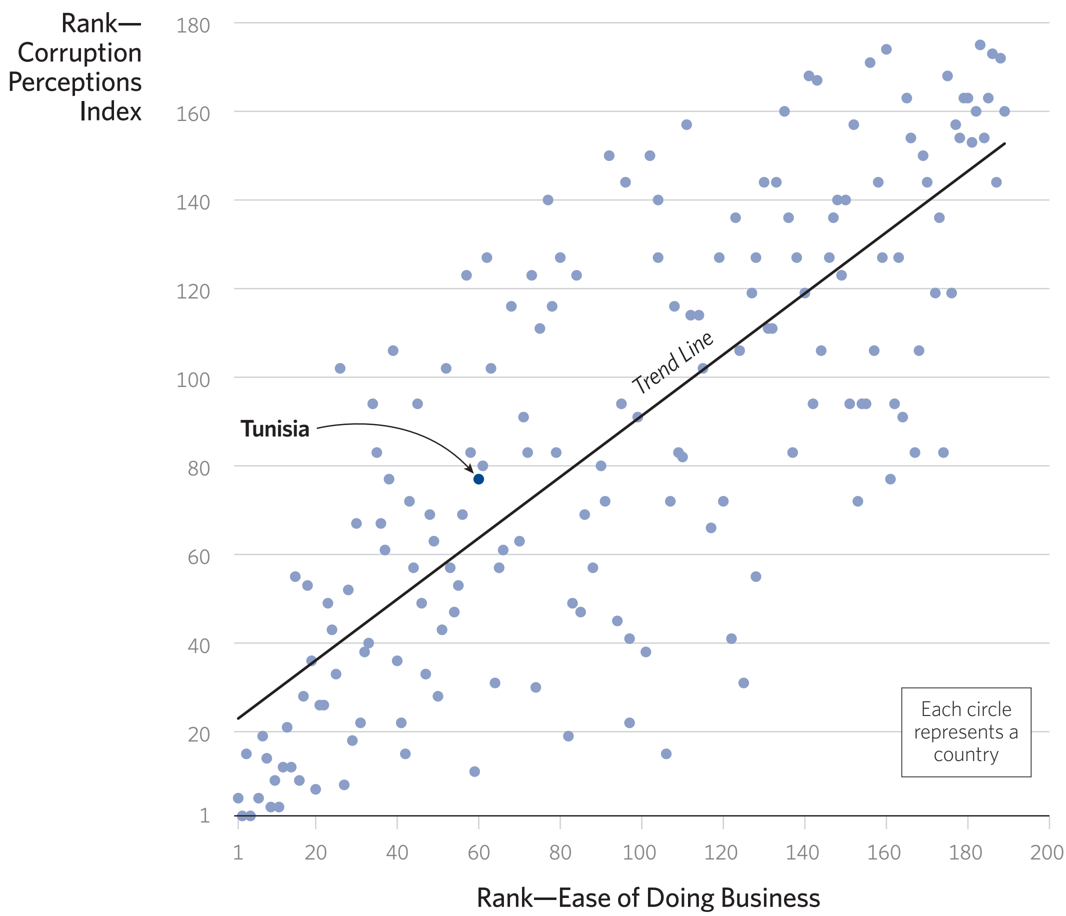
Tunisia's investment policies thus did not serve only their purported objectives of creating jobs and stimulating investment. Instead, regulations often served the personal interests of those in power at the expense of providing fair opportunities to the vast majority of Tunisian entrepreneurs who lacked political connections.

Is Tunisia an isolated case? Unfortunately not: Our findings are consistent with a large body of literature showing that countries with more extensive business entry regulations tend to grow more slowly and to have higher levels of corruption.[14] Across the globe, corruption and burdensome business regulation go hand-in-hand. (See Chart 5.)

In sum, our results substantiate that state interventions and barriers to competition created ample opportunities for rents extraction by cronies, severely hampering the performance of the private sector in Tunisia. While we have focused on authorizations and restrictions on FDI, several other policy instruments were also used to gain unfair competitive advantage and extract rents, notably through the discretionary enforcement of regulations (e.g., in tax administration, custom duties, and public procurement) and the (ab)use of public assets and public enterprises (including public banks).[15] All of these practices undermine competition by favoring better-connected firms and those who practice corruption.

The inefficiencies and distortions resulting from this system of rents extraction obstruct the development of a dynamic economic environment—which is at the root of the economic stagnation of Tunisia.[16] Few new firms are created, and productive firms do not grow, as they face unfair competition by crony firms.[17] The emergence and expansion of innovative dynamic firms is hampered by the expensive and low-quality goods and services they need to pay to crony firms. As a result, Tunisian entrepreneurs are competitive only in labor-intensive low-skill tasks, investment has been lacking, and unemployment has been rampant. Most of the jobs created were in low-value-added activities and mostly in the informal sector, offering low wages and no job security. Such jobs certainly do

Relationship Between Regulatory Environment and Corruption



Sources: World Bank, "Doing Business: Economy Rankings," http://www.doingbusiness.org/rankings (accessed November 17, 2014), and Transparency International, "Corruption Perceptions Index 2013," http://www.transparency.org/cpi2013 (accessed November 17, 2014).

Chart 5 heritage.org

not meet the aspirations of the growing number of graduates.

Tunisia's rents-prone economic system is not only inefficient, but also highly inequitable. That such a small group of 114 entrepreneurs could appropriate such a large share of Tunisia's wealth creation illustrates how corruption has been synonymous with social exclusion. Inequality of opportunity characterizes Tunisia today, as the current institutional infrastructure creates an "insider-outsider" culture. Even if the interventionist policies were introduced originally to foster the country's development, they have been captured in practice for rents extraction and privileges by those who are close to those in power. The resulting inequality was a fundamental cause of the revolution and, since the economic model has not yet been changed, remains a latent source of instability in the Tunisian transition.

LESSONS FROM THE EXPERIENCE OF OTHER DEMOCRATIC TRANSITIONS

Successful transitions are often associated with rapid reforms, though historically, a country that undertakes a democratic transition has only a 30 percent probability of succeeding.[18] A democracy is more likely to be established when per capita GDP is high and increasing;[19] income distribution is equal (low Gini coefficient or low ratio of incomes of top-to-bottom quintile); populations are small; urbanization is advanced; people are educated; gender equality in primary education is high; natural resources are limited; there is no ethnic division; the transition is not conducted by a military regime; democratic states are present in the region (the "contagion effect");[20] the time to election is minimal; the regime is not a presidential regime or not dominated completely and permanently by one political force; and the country has a parliamentary system.

There is some consensus that rapid democratic transition occurs primarily when several fundamentals are in place: per capita GDP is high,[21] the middle class is large, urbanization is advanced, the percentage of people receiving primary school educations is high, gender equality in primary education is high, a military force is present before the transition, there is a previous attempt at democratization, democratic states are present in the region, and natural resources are limited. Further, although there is no empirical evidence from historical data, some scholars have noted that a democratic transition, especially in middle-income capitalist countries, might occur following years of declining growth and/or increasing inflation,[22] as was the case for Latin American countries during the period of hyperinflation in the 1980s and the Asian financial crisis in 1997.

Unlike many other Arab Spring countries, which have seen their transitions fail, Tunisia has many of these fundamentals. Some of these, such as high rates of urbanization and a large middle class, Tunisia possessed before its uprisings. Others are the outcomes of choices Tunisia has made since the revolution, such as the decision to opt for a parliamentary rather than presidential system. Together, they imply that the country has a high likelihood of successfully completing its democratic transition despite the risk of backsliding that is inherent in virtually all democratic transitions.

MOVING FROM A CLOSED SOCIOECONOMIC SYSTEM TO ONE THAT IS OPEN TO ALL CITIZENS

How can Tunisia move from a closed socioeconomic system to an open one? Since the Ben Ali regime limited access to political and economic functions in order to generate rents, we can turn to the limited access order (LAO) framework for guidance.[23] The framework is premised on the idea that power is tied to organizations and not to the individual and that rents-sharing is the process by which a dominant coalition reaches an equilibrium that allows economic activities to continue to generate rents.

Tunisia during the Ben Ali era could be characterized as a basic LAO with strong elements of predation. Few players were part of the dominant elite, which comprised the "ruling" family, the security forces, the administration, the media, civil society organizations, and business firms that allied with the political elite (or at least stayed out of politics). All other groups were marginalized or actively suppressed. In such a setting, the LAO framework offers guidance on how organizations in societies arrive at elite bargains—formal or informal agreements—to divide the available opportunities for rents extraction and profit making in the economy.

The LAO framework predicts that countries will not transition easily from limited access orders, in which rent-seeking dominates, to an open access order, which characterizes most liberal democracies. By limiting access to economic activity and resources, the LAO creates rents that help to maintain the equilibrium. Thus, there will be strong incentives for rent-seeking to continue, albeit with some changes in the cast of organizations in the dominant coalition. In other words, even if countries hold fair elections, they will not soon become open democracies, but they may mature in the range of institutions and organizations that are allowed to participate in broader decision making.

Of course, advancing the principles of economic freedom—empowerment of the individual, non-discrimination, and open competition—can weaken the rent-creation system that holds the LAO together. These changes, whether in the form of revolution or of reform, therefore threaten the basis of order and hold the risk of violence. Similarly, attempts to remove corruption, install a functioning rule of law, and institute democracy with competitive parties can also destabilize an LAO and generate broad resistance. Groups that benefit directly from market distortions, such as those reaping monopoly profits or receiving services at subsidized prices, will resist the reforms.[24]

It may be argued that although the revolution disrupted this equilibrium and empowered a new coalition, even after the departure of Ben Ali, most of the organizations supporting him have retained their interests and political importance. Consequently, they are likely to continue to play a role in shaping the evolving political arrangements in spite of facing increased competition among a wider set of elites, which now represent some segments of the population that had no voice or participation before.

Several political realities in Tunisia during the past four years are consistent with this characterization. New political actors have become central to negotiations about control of the economy, while interests of the previous regime have continued to play a major role. Two examples demonstrate this rebalancing.

First, when the Ennahda party, a previously banned political party, was elected to lead a coalition government (2011–2013), its term in office was marked more by bargaining and negotiation with political adversaries and interest groups than by changes in the status quo. Patronage in the form of civil service and state-owned enterprise recruitment continued, and legislation meant to change the Ben Ali–era economic policy infrastructure largely stalled.

Second, the General Union of Tunisian Workers (known by its French acronym UGTT), which had played an important role in Tunisia's independence but was eventually coopted by the state, became a balance against both government and private-sector initiatives that threatened its interests. During the transition period, the UGTT first led protests and then negotiations, which eventually resulted in the Ennahda government's handing over power to a technocratic government. As part of these negotiations, which included political, union, and business interests, the Ennahda government agreed to postpone plans to exclude former regime officials from running for office.

While the post-revolutionary political order included new interest groups in the form of the Ennahda party and the UGTT, these groups did not overturn the existing order, but rather added to its ranks. Moreover, the October 2014 parliamentary elections saw the return of many of these former regime officials to the political sphere.

During Tunisia's transitional period, reforms that might challenge the existing elite bargain have been either extremely slow to develop or rejected by those who continue to hold considerable leverage. These efforts have not only stymied controversial legislation, such as the aforementioned political exclusion law. They have also prevented reforms in less controversial areas such as the Investment Incentives Code, which was the basis for much of Ben Ali's rent-seeking.

Institutionally, extra-governmental dialogues, including both the National Dialogue negotiations[25] and protest movements, have provided a means for otherwise unreformed institutional structures to deal with newly competing interests. While this has served as a way for the country to avoid winner-take-all outcomes, it has come at the expense of the democratic process (i.e., decisions by legislative bodies) and has resulted in outcomes that have failed to fulfill the expectations of revolutionaries who fought largely against these elites.

While the return of former regime elements has been cast by some as a sign of failure of the revolution, the LAO framework suggests that elections will only gradually become an arena for competition among power groups. They serve to test the relative ability of competing organizations to mobilize supporters.

Meanwhile, achieving stability will require creating institutions that avoid winner-take-all outcomes. International experience shows that sustained improvements in LAOs and moves toward open access have happened in incremental steps rather than giant leaps. Historically, incremental steps that have led to increased openness have included greater predictability in the elite bargain. Notably, experience has shown the importance of building institutions that can underpin predictable resolution of conflict between elites (i.e., to enforce the rule of law for elites). As these elite-oriented rule-of-law institutions become stronger over time, they provide a platform to move from privileges for the elite to a level playing field for all citizens.

In Tunisia, several new institutions, in the form of the new, relatively liberal constitution or various laws such as those governing freedom of association or access to information, may form the basis for greater competition among a wider cross-section of society. Granting citizens access to information will enable independent analysis of the beneficiaries of existing policies, which will also increase the pressure for policy changes. Nevertheless, the LAO framework emphasizes that trying to go straight from revolution to an open access order has often led to disruption and more fragility.[26]

What is yet more difficult to measure, given the extent of elite capture that continues to prevail, is whether incremental progress is taking place in the aggregate. While certain institutional reforms appear objectively to be steps forward, these have been counterbalanced by economic decision making that has remained exclusive and unequal. Even the task of creating a workable limited access order will not be easy—as we see in many other post–Arab Spring countries.

THE WAY FORWARD: OPENING ECONOMIC OPPORTUNITY TO ALL TUNISIANS

Tunisia has made enormous progress in its democratic transition, and historical experience from other countries suggests that it has the key ingredients required to succeed. The challenge is to move from a fairly closed socioeconomic system, which privileges its elites and is at the root of the revolution, to a more open system for the benefit of all Tunisians.

This requires changing the policy infrastructure inherited from the Ben Ali era, which perpetuates social exclusion and invites corruption. The system of laws and regulations that allowed the family to capture such a large share of the country's wealth remains largely in place, maintaining the opportunities for firms to earn rents through cronyism and corruption. These regulations perpetuate social exclusion, as unconnected Tunisians have very limited economic opportunities.

Without such changes, there is a risk that instead of reforming the policy infrastructure, Tunisia's elites will collaborate just enough to share the spoils, albeit with a slightly different group of vested interests. In lieu of reforms that would level the playing field, the economic system would remain closed in favor of a small, though slightly expanded, minority of elites. Under this scenario, markets would remain closed off from competition, regulatory policy would remain subject to discretion, and decision making would be opaque.

Opening the economic system will require political determination, since fierce resistance can be expected from those who are at risk of losing rents and privileges. Moving too rapidly will likely create tension and instability, which could undermine the process. Moving too timidly, however, will fuel the frustration expressed by the marginalized groups in society.

Empowering strong independent governance institutions that enforce the rule of law on elites and vested interest groups will accelerate the change process. Enforcing citizens' right of access to information, as well as transparency and accountability in the government, is also critical in order to arrive at a stable democracy, both in Tunisia and everywhere else.

ENDNOTES

1. The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors. They do not represent the views of the World Bank, its affiliated organizations, or the Executive Directors of the World Bank or the governments they represent.
2. World Bank, *From Privilege to Competition: Unlocking Private-Led Growth in the Middle East and North Africa*, MENA Flagship Development Report, 2009; World Bank, *The Unfinished Revolution: Bringing Opportunity, Good Jobs and Greater Wealth to All Tunisians*, Development Policy Review Report No. 86179-TN, May 2014; World Bank, *From Jobs to Privileges: Unleashing the Employment Potential of the Middle East and North Africa*, Report No. 88879-MNA, June 2014.
3. Bob Rijkers, Caroline Freund, and Antonio Nucifora, *All in the Family: State Capture in Tunisia*, World Bank *Policy Research Working Paper* No. 6810, March 2014; World Bank, *The Unfinished Revolution*. One of the words heard most frequently from young people demonstrating in Tunisia in early 2011 was "dignity." This highlighted that social and economic problems went beyond the narrow dimension of material poverty. It was first and foremost about exclusion and lack of access to opportunities and participation in the economy.
4. Adeel Malik and Bassem Awadallah, "The Economics of the Arab Spring," *World Development*, Vol. 45 (May 2013), pp. 296–313.
5. Institut National de la Statistique, African Development Bank, and World Bank, *Mesure de la pauvreté, des inégalités et de la polarisation en Tunisie* (Tunis: Institut National de la Statistique, November 2012); World Bank, *The Unfinished Revolution*.
6. Béatrice Hibou, *Surveiller et Réformer: Economie Politique de la Servitude Volontaire en Tunisie* (Paris: La Découverte, 2006).
7. Raymond Fisman, "Estimating the Value of Political Connections," *American Economic Review*, Vol. 91, No. 4 (September 2001), pp. 1095–1102; Thomas Ferguson and Hans-Joachim Voth, "Betting on Hitler—The Value of Political Connections in Nazi Germany," *Quarterly Journal of Economics*, Vol. 123, Issue 1 (February 2008), pp. 101–137.
8. Rijkers, Freund, and Nucifora, *All in the Family: State Capture in Tunisia*. In line with the Decree Law No. 2011-13 of February 2011, the government confiscated the assets of a list of 114 people, mostly close relatives of Ben Ali. Among the assets that were seized were over 400 enterprises (some of them abroad); 550 properties; 48 boats and yachts; 40 stock portfolios; and 367 bank accounts. The confiscation commission estimates that the total value of these assets combined is approximately US$13 billion, or more than one-quarter of Tunisian GDP in 2011.
9. Entry authorizations and restrictions on domestic and foreign investors remain the prevalent feature of the business environment in Tunisia. At present, these barriers exist through several pieces of legislation, notably the Investment Incentives Code; the Commerce Code; many of the sectoral legislations regulating services sectors (notably telecommunications, health, education, and professional services); and the Competition Law.
10. If we focus on firms engaged in activities covered by the investment code, we observe that in 2010, roughly two-thirds (64 percent) of all confiscated firms are in sectors in which firms require an "authorization" to operate. Similarly, two-thirds of confiscated firms (64 percent) are active in sectors in which foreign-owned firms are not allowed to operate. These shares are much higher than those for non-connected firms, which are 45 percent and 36 percent, respectively.
11. To attempt to shed light on this question, we assemble a database documenting all changes in the investment code during 1994 and 2010 and assess whether revisions in the code are more likely when Ben Ali firms are undertaking a particular activity. During 1994 and 2010, 22 decrees were signed by Ben Ali introducing new authorization requirements in 45 different sectors and new FDI restrictions in 28 sectors.
12. While statistical power is limited due to the relatively small number of observations on both connected firms and regulatory changes, we document a few instances of striking simultaneity between regulatory changes and deployment of business activities by clan members. For example, Decree No. 96-1234 issued in 1996 amended the investment code by introducing authorization requirements for firms engaging in the handling and transfer of goods in ports, as well as the towing and rescue of ships. The decree also introduced restrictions on FDI for firms involved in the transport of red meat. That same year, Med Afif Chiboub, uncle of Ben Ali's son-in-law Mohammed Slim Chiboub, established *La Méditérranéene pour le Commerce, le Transport et la Consignation*, a shipping and logistics company focused on the transport of refrigerated products. As another example, the establishment of Carthage Cement by Belhassen

Trabelsi, the brother of the president's second wife, followed on the heels of Decree No. 2007-2311 stipulating the need for government authorization for firms producing cement.

13. Rijkers, Freund, and Nucifora, *All in the Family: State Capture in Tunisia*. Each year 1.6 percent of all sectors in which Ben Ali firms are active are subjected to new authorization requirements, whereas only 0.8 percent of sectors in which Ben Ali firms are not present are subjected to new authorization requirements. For FDI restrictions, the difference is even larger with 2 percent of sectors in which Ben Ali firms are active being subjected to new FDI restrictions each year, compared to 0.4 percent of sectors without Ben Ali firms.
14. Simeon Djankov, Rafael La Porta, Florencio Lopez-De-Silanes, and Andrei Shleifer, "The Regulation of Entry," *The Quarterly Journal of Economics*, Vol. 117, Issue 1 (February 2002), pp. 1–37.
15. The 2011 report of the Tunisian Anticorruption Commission highlighted that the areas that had been the most at risk during the Ben Ali regime were real estate, agricultural land, state-owned enterprises, public procurement and concessions awards, large public investments projects, privatization, information technology, financial and banking sectors, customs and taxation, and justice. The Organisation for Economic Co-operation and Development (OECD) carried out an assessment of corruption risks in Tunisia and found similar problems. The results of a parallel qualitative survey that we carried out in Tunisia in 2012 broadly confirm this diagnosis. See Hamouda Chekir and Claude Menard, "Barriers to Private Firms Dynamism in Tunisia: A Qualitative Approach," Internal Mimeo, World Bank, October 2012.
16. Rijkers, Freund, and Nucifora, *All in the Family: State Capture in Tunisia*.
17. Bob Rijkers, Hassen Arrouri, Caroline Freund, and Antonio Nucifora, *Which Firms Create the Most Jobs in Developing Countries? Evidence from Tunisia*, World Bank *Policy Research Working Paper* No. 7068, October 2014.
18. Caroline Freund and Mélise Jaud, "Democratic Transitions: Successful, Gradual, and Failed," World Bank, Office of the Chief Economist, Middle East and North Africa Region, September 2012.
19. Adam Przeworski and Fernando Limongi also note that a democracy is unlikely not to last when per capita GDP is above $6,000. Adam Przeworski and Fernando Fernando Limongi, "Modernization: Theories and Facts," *World Politics*, Vol. 49, No. 2 (January 1997), pp. 155–183.
20. Abraham Lowenthal, *Exporting Democracy: Themes and Issues* (Baltimore: Johns Hopkins University Press, 1991).
21. Seymour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy," *American Political Science Review*, Vol. 53, Issue 1 (March 1959), pp. 69–105.
22. Stephan Haggard and Robert R. Kaufman, "The Political Economy of Democratic Transitions," *Comparative Politics*, Vol. 29, No. 3 (April 1997), pp. 263–283.
23. Douglass C. North, John Joseph Wallis, Steven B. Webb, and Barry R. Weingast, *Limited Access Orders in the Developing World: A New Approach to the Problems of Development*, World Bank *Policy Research Working Paper* No. 4359, September 2007.
24. Ibid.
25. In the fall of 2013, a severe political impasse was resolved when the governing coalition and the opposition engaged in a National Dialogue process that was brokered by key civil society organizations. The dialogue focused on the constitutional and electoral timetables, as well as on the opposition's proposition to replace the government with a nonpartisan, technocratic government to oversee the final year of the transition until new elections would be held.
26. North, Wallis, Webb, and Weingast, *Limited Access Orders in the Developing World*.