



EUROPEAN UNION

RELATIONS BETWEEN THE EU AND TUNISIA

EU SUPPORT FOR TRANSITION IN TUNISIA

In the immediate aftermath of the 2011 Revolution the **EU pledged to support the Tunisian people's transition towards greater democracy, freedom and social justice**. Against this new backdrop, the EU and Tunisia – natural partners given their geographical, cultural and trade links – established a **'Privileged Partnership' in 2012**.

The special status granted to Tunisia, one of the EU's Southern Neighbourhood partners, reflects the Union's commitment to supporting Tunisia's transition as it tackles a number of interrelated challenges in a fragile regional context: the consolidation of democracy (primarily by implementing the Constitution of January 2014), difficult socio-economic conditions (including high youth unemployment) and the terrorist threat. It also gives practical expression to the shared ambition of strengthening bilateral relations in every possible field – politics, culture, the economy, trade and security – and of stepping up exchanges between our societies. This joint aim has been voiced at the highest political level, such as when the then head of the Tunisian government, Habib Essid exceptionally attended the Foreign Affairs Council meeting of 20 July 2015 chaired by the High Representative/Vice-President, Federica Mogherini.

Since 2011, the EU has more than doubled its financial contribution to cooperation with Tunisia. The country is the principal beneficiary, in the Southern Neighbourhood, of the 'umbrella' programme, which lends recognition to progress made in the field of democracy and human rights. The combination of grants (over EUR 1.2 billion), macrofinancial assistance (MFA – EUR 800 million) and loans, including those from the European Investment Bank (EUR 1.5 billion), will bring total support to Tunisia from 2011 to 2016 to approximately EUR 3.5 billion. The scale of the support reflects the EU's firm commitment to the country. As well as increased support, the last five years have ushered in more diverse approaches and forms of assistance to address Tunisia's needs in the wake of its historic democratic transition.

Under the 'Privileged Partnership', in view of Tunisia's unique circumstances, the EU strives to ensure that its sectoral policies identify every possible opportunity for supporting the country's transition and strengthening ties between Tunisians and Europeans. Lastly, Tunisian civil society, which played a key role in the transition (hence the award of the Nobel Peace Prize to the National Dialogue Quartet in 2015), is closely involved in the process, primarily through the regular tripartite dialogues on the main areas of EU-Tunisia cooperation which take place before each of our subcommittee meetings.

In order to provide an optimal response to Tunisia's needs, EU assistance is currently focused on the following key areas:

1. Socio-economic reforms to foster inclusive growth, competitiveness and integration
2. Consolidation of the fundamental building blocks of democracy
3. Sustainable regional and local development

Huge progress was made in EU Tunisia relations in 2015 and in the first half of 2016, with tangible results in the following areas:

- **In the field of counter-terrorism and prevention of radicalisation**, the political dialogue, held for the first time in Tunis in September 2015 following the attacks in Bardo (March) and Sousse (June), saw the EU propose a list of additional support measures for Tunisia, complementing the extensive EUR 23 million support programme for security sector reform and modernisation, launched in November 2015. This will help establish a modern security policy, in line with democratic values of the new Tunisian Constitution.
- **A tripartite dialogue, unique in the region**, was launched by Commissioner Johannes Hahn in Tunis in April 2016 to foster and maintain relations and close cooperation between civil society and representatives of the Tunisian and European public authorities with regard to the key issues and challenges facing Tunisia today.
- **Negotiations on a future Deep and Comprehensive Free trade Agreement (DCFTA)**, a key driver for restoring investment and growth in Tunisia and for the country's economic and trade integration with the EU, were launched in October 2015 during the visit to Tunis by EU Trade Commissioner, Cecilia Malmström. The first round of the negotiations was held in Tunis in April 2016 and the next round is scheduled to take place in December. The EU is prepared to support the negotiation and implementation of the future agreement with a package of accompanying measures.
- **A special measure to support Tunisia's vital olive oil industry** was adopted in April this year, increasing the annual duty-free quota for two years to boost the Tunisian economy, which has been hard hit by losses in the tourism sector.
- **The Mobility Partnership (MP)**, concluded in 2014, provides a structured and comprehensive framework for the EU-Tunisia political dialogue on migration, and aims to improve the management of operational and financial support in this field. The MP with Tunisia has identified a wide range of priorities for migration management: mobility, legal migration and integration, the fight against illegal immigration and human trafficking, return and readmission, border management, migration and development, asylum and international protection. Over the past two years, migration was a regular point on the agenda of high-level meetings with the Tunisian authorities and civil society. Bilateral commitments under the MP include the opening of negotiations on a visa facilitation agreement and a readmission agreement. These negotiations with Tunisia are due to begin on 12 October 2016.
- The EU is preparing its response to Tunisia's requests for increased support on account of its current predicament. This will take the form of a **joint communication by the HR/VP and the Commission on increased support to Tunisia**. The communication will produce synergies, encouraging the EU Institutions and Member States to support Tunisia's transition, and underpinning the policy guidelines and priorities of the five year development plan (currently under preparation). In this context, the EU will send a high-level delegation to the Investor Conference organised by Tunisia on 29 and 30 November.
- On 1 January 2016, Tunisia became the **first Arab country to participate fully in the EU's Horizon 2020 Research and Innovation Programme**, which provides new opportunities to Tunisian researchers and academics.

FUNDING FROM THE EUROPEAN COMMISSION

Neighbourhood Policy

The EU has pledged to develop close ties with Tunisia and to support the country's economic and political reforms. Under the European Neighbourhood Policy (ENP), Tunisia receives financial support from the EU, mainly through the European Neighbourhood Instrument (ENI). The indicative ENI budget for the current funding period (2014-2020) is **between EUR 725 million and EUR 886 million**.

The ENI contribution is supplemented by other EU financial instruments, including the Instrument contributing to Stability and Peace (IcSP), the European Instrument for Democracy and Human Rights (EIDHR), the Neighbourhood Investment Facility (NIF) and thematic programmes under the Development and Cooperation Instrument (DCI).

Funds from the European Neighbourhood Instrument (ENI) and the European Neighbourhood and Partnership Instrument (ENPI)

Since the 2011 Arab Spring, Tunisia has received **grants worth over EUR 1 billion, more than EUR 890 million** of which was **provided by** the instruments implementing **the European Neighbourhood Policy**.

For the 2011-2013 period Tunisia received EUR 445 million in development assistance under the European Neighbourhood and Partnership Instrument (ENPI) – nearly twice as much as the amount initially earmarked for the country for the period. Most of the funding was allocated to measures to support the economy and the transition to democracy. The rest was channelled to projects benefiting Tunisian citizens, especially in disadvantaged regions. The support also included substantial funding (EUR 155 million) under the SPRING Programme, which rewards progress on democratic reform and of which Tunisia was the primary beneficiary in the Southern Neighbourhood region.

EUR 169 million in bilateral aid was provided under the ENI in 2014 with the emphasis on economic recovery, reforms in key sectors (legal system, media, gender equality, etc.), border management, means of subsistence in disadvantaged urban areas, and support for civil society.

In 2015 bilateral aid amounted to EUR 186.6 million and supported six programmes, focusing mainly on economic recovery (including the tourism industry), reform of the security sector and regional development. Additional funding was also provided under the incentive-based support mechanism (EUR 50 million in 2014 and EUR 71.8 million in 2015), which rewards progress on democratic reform with top-up funds from the umbrella programme. Four new programmes worth more than EUR 200 million have been tentatively earmarked for 2016 in key sectors including education, health, local development and public administration reform.

Macrofinancial Assistance (MFA)

What macrofinancial assistance does Tunisia already receive?

MFA is an exceptional crisis-response instrument set up by the EU to assist neighbouring countries experiencing severe balance of payments difficulties. In September 2014, the EU and the Tunisian authorities signed an initial loan agreement and a memorandum of understanding on MFA for Tunisia amounting to EUR 300 million. Two disbursements, each for EUR 100 million, were made in 2015. A third and final instalment, for the same amount, should be disbursed this year if the agreed conditions are met.

This assistance is designed to help Tunisia make headway with its economic reforms, while also supporting its efforts in the field of good governance. The MFA is therefore tied to Tunisia's implementation of a range of economic measures, described in the memorandum of understanding. This first programme has provided support for the implementation of an ambitious reform programme in the following areas: public finance management; tax (with measures aimed at improving tax collection and bringing in more progressive taxation); social protection and the financial sector; measures aimed at improving the regulatory framework for trade and investment.

What additional macrofinancial assistance did the Commission propose on 12 February?

The terrorist attacks in 2015 and the resulting security issues had a severe impact on the Tunisian economy, affecting key sectors such as tourism and transport. This exacerbated the existing balance of payments problems. The EU's macrofinancial assistance programme will therefore help cover Tunisia's external financing needs in 2016 and 2017, while supporting reforms aimed at achieving a more sustainable balance of payments and budgetary situation, improving the investment climate and fostering regulatory convergence with the EU.

On 12 February 2016, at Tunisia's request and after carrying out an ex ante evaluation, the Commission proposed additional MFA for Tunisia of up to EUR 500 million in medium-term loans to supplement a new IMF support programme for 2016-2020, which was signed in May 2016. This proposal was approved by the European Parliament and adopted by the Council in July 2016 under the ordinary legislative procedure.

Trade cooperation between the EU and Tunisia

In July 1995, Tunisia became the first Mediterranean country to sign an Association Agreement with the EU. The removal of customs duties set out in the Agreement was completed in 2008, leading to the creation of a free-trade area, the first ever between the EU and a Mediterranean partner. On 13 October 2015, the European Union opened negotiations in Tunis on a Deep and Comprehensive Free Trade Agreement (DCFTA), which will build on the existing free trade area that was established 20 years ago by the Euro-Mediterranean Association Agreement and focused mainly on trade in goods. The aim of the agreement is to improve market access and investment opportunities and to support ongoing economic reforms in Tunisia. The discussions were launched in Tunis on 13 October 2015, followed by preliminary discussions during the week of 19-22 October 2015. The first round of negotiations took place in Tunis during the week of 18-22 April 2016. **The EU is Tunisia's main trading partner** (accounting for 75% of its exports and 63% of its overall trade).

Total trade in 2015 was estimated at more than EUR 20 billion. Tunisia's main exports to the EU are machinery and transport equipment (41%), textile and clothing products (24%), and agricultural products (8.5%). The EU's main exports to Tunisia are machinery and transport equipment (36 %), textile and clothing products (12 %), fuel and mining products (10 %) and chemicals (8 %).

Better access for olive oil

The Euro-Mediterranean Association Agreement, signed in 1995, provides for a zero duty annual import quota of 56 700 tonnes of olive oil originating in Tunisia. The European Union has always endeavoured to support Tunisia's government and citizens, to help the country restore economic growth, and to deepen relations between the two partners.

To that end, in September 2015 - at the initiative of the EU's foreign ministers - the EU proposed abolishing the monthly limit on imports to the EU of Tunisian olive oil, and allowing an additional 35 000 tonnes to be imported to the EU each year for a period of two years (2016-2017). In April 2016 the European Parliament agreed to introduce emergency autonomous trade measures, providing a zero-duty tariff quota of 35 000 tonnes per year over a two-year period (70 000 tonnes in total) for exports of olive oil from Tunisia to the EU, in addition to the existing 56 700 tonnes provided for under the EU-Tunisia Association Agreement.

Tunisian olive oil provides direct and indirect employment to over a million people and accounts for a fifth of the country's total agricultural employment. The initiative improves access for exports of Tunisian olive oil to the EU, and provides Tunisia with a much-needed economic advantage by lending significant support to the country's balance of trade.

Partnership with the European Investment Bank (EIB)

Since 2011, the EIB has signed financing agreements worth a total of EUR 1.5 billion for the implementation of new projects in key sectors of the Tunisian economy, such as energy, SMEs, infrastructure, education and social housing. In 2015, EIB loans to Tunisia stood at EUR 200 million.

The EIB finances a number of key investment projects, notably 'ETAP', a EUR 380 million Southern Tunisian gas project, signed in 2014. The project entails the development of a vast natural gas facility (known as 'NAWARA') in the south of the country, a 370 km pipeline and a gas treatment unit in Gabès.

With regard to SMEs, the Bank has made available a credit line worth EUR 50 million to Amen Bank in partnership with the business network, Réseau Entreprendre, to support Tunisian industrial and commercial enterprises.

The EU has also committed a total of EUR 90.5 million for the Neighbourhood Investment Facility in Tunisia for the period 2008-2015. With this instrument the EU can award grants to complement loans provided by European development institutions (EIB, EBRD, AFD, KfW) in key areas such as energy, transport, the environment and private sector development.

Cooperation in the field of education

In 2017-2018, the EU will provide additional assistance worth EUR 10 million to Tunisia under Erasmus + in order to increase the numbers of exchanges of students and staff between Morocco and Europe. Over the next two years, this funding will enable 1 200 students and higher education staff in Europe and Tunisia to study, train or teach abroad. This comes on top of the annual average of 640 students and staff who have already received financial support from the Erasmus + annual budgetary allocation for Southern Mediterranean countries, which supports Tunisia and nine other countries in the region.

The EU will also use this additional funding to step up cooperation between universities in the EU and Tunisia, through additional projects designed to help modernise higher education institutions and to promote direct contacts between individuals. Higher education aside, Erasmus + will also boost cooperation between Tunisian and European youth organisations by supporting informal education activities. The EU will also support culture and creativity in Tunisia by encouraging these two sectors to participate in EU programmes such as 'Creative Europe'.

For more information on cooperation with Tunisia, see:
http://ec.europa.eu/enlargement/neighbourhood/countries/tunisia/index_en.htm
2015 Cooperation Report prepared by the EU Delegation in Tunisia