

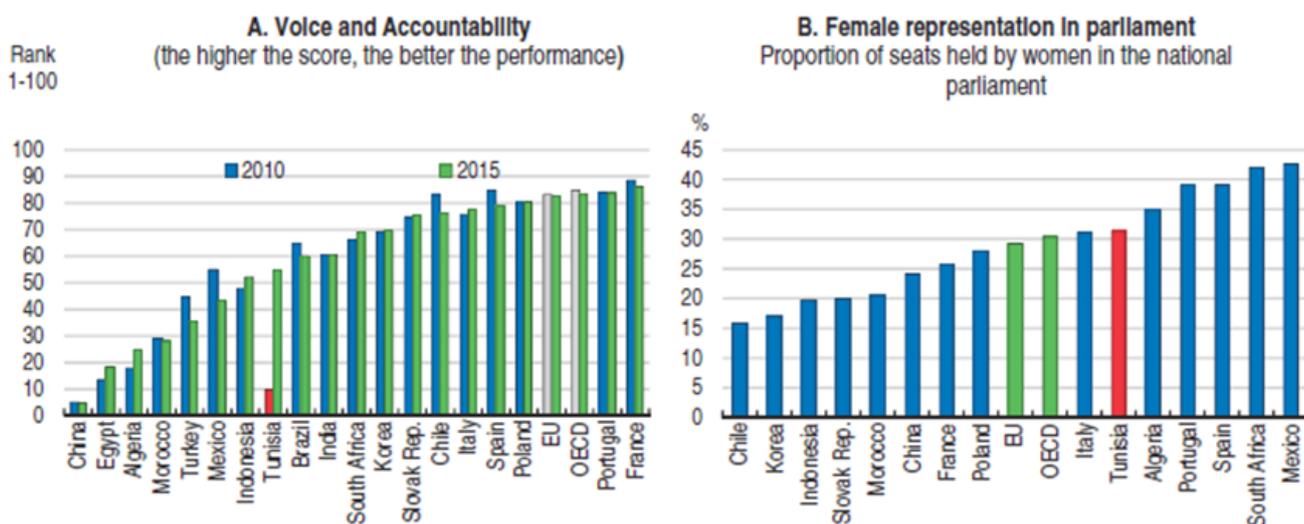
Tunisia: reviving the process of economic convergence for the benefit of all Tunisians

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Tunisia is firmly committed to a process of democratisation that needs underpinning by economic reforms in order to guarantee an improved standard of living for all Tunisians.

There has been a significant increase in citizens' capacity to participate in political life, and female representation in parliament is higher than in most OECD and emerging countries (Figure 1).

Figure 1. Political transition: significant progress toward democracy



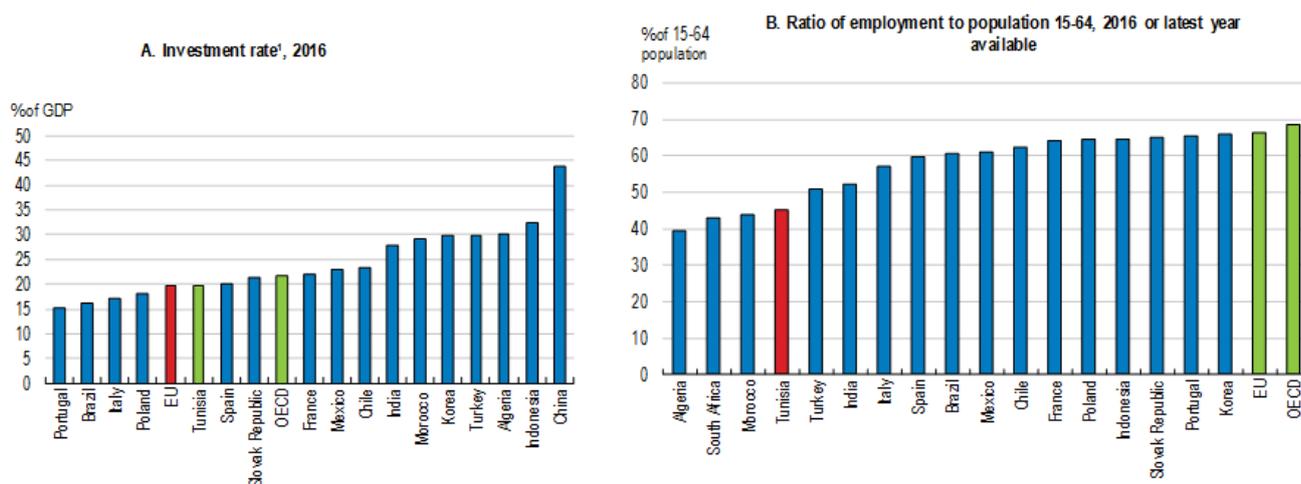
Source: World Bank, Worldwide Governance Indicators; and World Bank, World Development Indicators (WDI).

Nevertheless, economic growth is struggling to recover as a result of the impact of specific and temporary factors such as low growth in traditional export markets, social unrest, greater insecurity in the region and the crisis in Libya. The increase in the number of civil servants and in the public sector payroll temporarily buoyed demand but caused the public

accounts and the external balance to deteriorate, and inflation to rise. In order to revive economic activity and high-quality job creation, and to reduce inequalities, the priority must now be placed on structural reforms.

Tunisia has undeniable assets, notably better developed basic infrastructures than the other countries in the region, a relatively well-trained workforce and a strategic geographic location between Europe and Africa. This is reflected in its participation in global value chains and the dynamism of businesses working in the export markets. That said, the best use is not being made of these assets. Investment remains low and job creation is at a standstill (Figure 2).

Figure 2. Stimulate investment and create high-quality jobs



1. Gross fixed capital formation.

Source: INS; ILOSTAT; OECD Economic Outlook 102 Database; IMF, World Economic Outlook Database; and Eurostat.

To revive investment, Tunisia needs to eliminate the regulatory, customs and logistical obstacles which are primarily harming businesses focused on the domestic market. The implementation of the new law on investment is a step in the right direction but will need to be supplemented by a speeding-up of structural reforms, in particular a radical simplification of both administrative authorisations, licences and permits, and administrative and customs procedures for goods entering and exiting the country.

Unemployment is high, especially among young higher-education graduates. The employment rate for women is low, and informal employment is widespread. Stronger growth alone will not be enough to create high-quality jobs for all the unemployed young people and other Tunisian jobseekers. This can only be achieved if the authorities improve the quality of education, reduce the cost of labour and upgrade employment regulations.

To reduce the difference in living standards between the coastal regions and the inland regions, a new regional development policy is needed to leverage the specific strengths of each region around the development of urban centres. Plans to increase the autonomy and power of local authorities represent an opportunity to achieve this goal.



References:

OCDE (2018), OECD Economic Surveys: Tunisia 2018, OECD Publishing,