



# The Rebirth: Tunisia's potential development pathways to 2040

## Scenario Analysis

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## Scenario Analysis

### *Going for Growth*

The Going for Growth scenario simulates a future in which Tunisia prioritises economic growth with limited regard to consequences like environmental degradation and implications for inequality and inclusivity.

In this scenario, Tunisia increases investments through savings and policies that attract FDI. It also improves infrastructure such as roads and enhances the quality of education to boost educational outcomes and provide learners with skills relevant to the labour market. More importantly, the government of Tunisia becomes more effective. Because energy subsidies have been a key pillar of the industrial policy and social contract in Tunisia and other MENA countries [1], greater economic freedom and related reforms can act to offset the rollback in the current subsidy policy.

In the Going for Growth scenario, economic growth is achieved through high levels of investments, supported by incentives to promote industrial production (manufacturing) and export-led trade. These will address distortions caused by monopolies and state-owned enterprises and promote competition and innovation.

The reforms simulate the state's redefining its role in the economy, encouraging greater private sector competition in manufacturing, health, education and finance, and identifying protected assets such as land and basic services such as energy and water supply. These assets and basic activities have for a long time been implicitly the exclusive preserve of state-owned enterprises.

The governance interventions are particularly powerful in this scenario. By 2040, if implemented, the governance interventions alone increase the size of the economy by nearly 67% (€18 billion) relative to the Current Path forecast for that year.

Meanwhile, the total impact of the Going for Growth scenario — i.e. the four governance interventions in addition to the scenario's other interventions (listed in the annex) — increases GDP by €27 billion in 2040 relative to the Current Path forecast for that year. This translates into a cumulative total increase of roughly €201 billion relative to the Current Path. This is an improvement of nearly 12% in cumulative GDP relative to the Current Path in 2040.

The Going for Growth scenario also increases per capita income by roughly €2 630 by 2040.

### *Leapfrogging*

In the Leapfrogging scenario, Tunisia takes full advantage of its considerable human capital and ICT potential in the adoption of modern systems in finance, education, health and the telecommunications industry. This is a future that is primarily private sector driven with substantive liberalisation of the sector and the introduction of competition. [2]

Technology and innovation is already transforming Africa, and Tunisia is no exception. The proliferation of mobile phones in particular has been revolutionary. Through the use of mobile phones, citizens can buy electricity with the touch of a button, farmers are more connected with market information and doctors can remotely consult with patients. [3]

However, for a Leapfrogging scenario to be achieved in Tunisia, the country needs to invest in basic physical infrastructure such as roads and ICT infrastructure. It also needs to make substantial investments in research and development (R&D), with a particular focus on science and technology, and create a regulatory climate that encourages new business models

to take off and survive.

This scenario makes a targeted push for improvements in ICT infrastructure, Internet access and infiltration, and the ability of the government and citizens to extend the benefits of the Internet beyond calling, messaging and accessing social media. This means integrating technology into business and government activities, thereby improving efficiency in the day-to-day operations of the Tunisian economy.

The Leapfrogging scenario also improves education, as it is challenging to achieve innovation and technological advancement without a well-trained population. This scenario envisions a quality education system that is up to date and relevant to the Tunisian context. The education system promotes science and technology and improves outcomes in science and engineering subjects. A substantial push for R&D is also included in this scenario to augment the drive towards innovation.

Furthermore, the Leapfrogging scenario envisions technical skills acquisition by increasing vocational training. Vocational training is particularly important to boost technology adoption so that no one is left behind by the rapidly and ever-evolving technological advances.

Additionally, the Leapfrogging scenario simulates a more conducive regulatory environment through policies that promote government effectiveness, which would improve entrepreneurship, regulation and registration of start-ups, and access to finance.

This scenario also takes into account the role and ability of renewables to bypass the need for traditional investment in energy infrastructure. It simulates an improved regulatory environment where, together with various innovations, a small capital investment is required to gain entry to this sector.

The Leapfrogging scenario would improve economic development by significant margins. The governance interventions alone account for over 98% of the boost in GDP, and the combined impact of the Leapfrogging scenario improves GDP by a cumulative total of about €79 billion relative to the Current Path by 2040. By mid-century the Leapfrogging scenario would contribute a cumulative total of over €259 billion.

Additionally, in the next 20 years, Tunisians could expect to have roughly US\$1 000 more in per capita income relative to the Current Path.

The Leapfrogging scenario embodies the use of frontier technology, particularly in digital technology and innovation, which can facilitate Tunisia's development process and obviate the traditional catch-up process that requires process technology, design and development. [4]

Tunisia therefore achieves progress by boosting its technological development, changing its economic structure, strengthening its education system and supporting public institutions through R&D while promoting partnerships with the private sector.

### ***Sustainability & Equality***

This scenario envisions a future in which Tunisia moves towards economic and human development without compromising the long-term ability of future generations to meet their needs. It simulates a development paradigm that promotes environmental stability, better access to basic infrastructure and offers more opportunities to all segments of the population.

The Sustainability & Equality scenario improves agricultural yields by increasing the land area equipped for irrigation while reducing agricultural and food loss. In this scenario, Tunisia increases the portion of treated waste water, promoting the reuse and better management of water in a country that is projected to face a water crisis well into the future.

Additionally, Tunisia promotes the adoption of renewables by adopting technologies that reduce the level of capital investment needed to gain entry in this sector. To enable greater viability and uptake of renewables, the country gradually reduces energy subsidies that largely accrue to middle- and upper-class Tunisians while reasonably increasing targeted social protection programmes for vulnerable populations.

Tunisia also reduces the rate of smoking and obesity to promote human development and a healthier population. Moreover, the country promotes quality education to develop a skilled workforce.

This scenario makes an aggressive push for better and effective governance, including reducing corruption levels and allowing greater economic freedom.

The Sustainability & Equality scenario reduces agricultural import dependence along the Current Path from about 22% of net demand to roughly 3% in 2040, protecting Tunisia against shocks in international food prices.

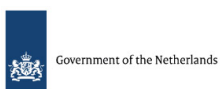
The governance interventions in this scenario account for about 97% (€10 billion) of the boost in GDP that the entire scenario generates.

In 2040, the size of the economy is roughly €13 billion relative to the Current Path and cumulatively it would have achieved a total increase of €23 billion against the Current Path from 2020 to 2040. The GDP per capita will have improved by €233 in 2040, showing that policies that protect the environment and encourage the sustainable use of resources can promote innovation and long-term development.

## Endnotes

1. The Oxford Institute for Energy Studies, *The Political Economy of Energy Subsidies in North Africa: The Untold Story*, August 2017,
2. UNCTAD, *Leapfrogging: look before you leap*, Policy Brief 7, December 2018
3. UNCTAD, *Leapfrogging: look before you leap*, Policy Brief 7, December 2018
4. UNCTAD, *Leapfrogging: look before you leap*, Policy Brief 7, December 2018

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## About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director of the ISS. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria office of the ISS. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

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