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Tunisia
Tunisia: Current Path

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Tunisia: Current Path

Tunisia: Current Path forecast

Chart 1: Political map of Tunisia

This page provides an overview of the key characteristics of Tunisia along its likely (or Current Path) development trajectory. The Current Path forecast from the International Futures forecasting (IFs) platform is a dynamic scenario that imitates the continuation of current policies and environmental conditions. The Current Path is therefore in congruence with historical patterns and produces a series of dynamic forecasts endogenized in relationships across crucial global systems. We use 2019 as a standard reference year and the forecasts generally extend to 2043 to coincide with the end of the third ten-year implementation plan of the African Union's Agenda 2063 long-term development vision.

Tunisia is a country in North Africa, bordered by Algeria to the west and south-west, Libya to the south-east and the

Mediterranean Sea to the north and east. The country covers an area of 163 610 km². The capital and largest city is Tunis, located on the north-eastern coast of the country. The main languages spoken are Tunisian Arabic, Berber and French.

After gaining independence from France in 1956, Tunisia was ruled by Prime Minister and later President Habib Bourguiba, who embarked on an expansive social and state-led development model including the development of a more gender-equitable society, compared to its peers in North Africa and the Middle East. However, the progress made since independence on various indices such as years of education, women's rights and the generally positive macroeconomic indicators concealed a widespread sense of frustration that had risen over time.

Despite performing better than most lower-income countries in many human development indicators, and in fact mirroring the characteristics of an upper middle-income country, Tunisia has not achieved the expected economic growth and income that comes with its relatively good human capital.
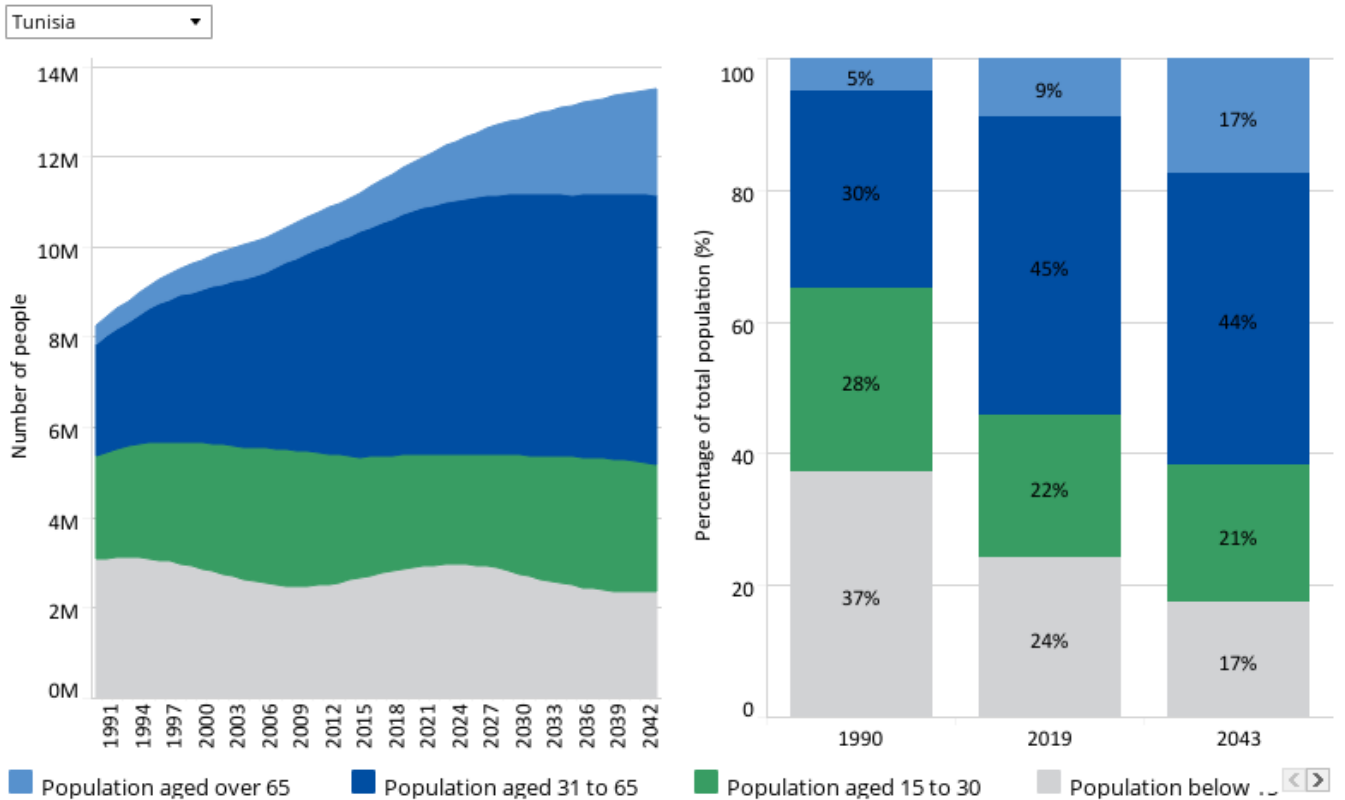
The dearth of and unequal access to economic opportunities manifested in high and rising youth unemployment and pervasive corruption. The closed economic and political system is, therefore, one of the most important factors in understanding the events that led to the Freedom and Dignity Revolution in Tunisia at the end of December 2010 and the associated events of the Arab Spring. Today, Tunisia is the only country in the region that has transitioned to a democracy as a result of these events, but it finds itself assailed by a range of domestic and regional challenges. Instead of a robust economy and improved livelihoods, the general sense is one of economic frustration and disaffection with the inability of its leadership and democracy to improve governance and livelihoods.

Demographics: Current Path

Chart 2: Population structure in CP, 1990–2043
By cohort and % of population

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- ■ Population aged over 65
- ■ Population aged 31 to 65
- ■ Population aged 15 to 30
- ■ Population below ... ‹ ›

Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate and World Development Indicators population data

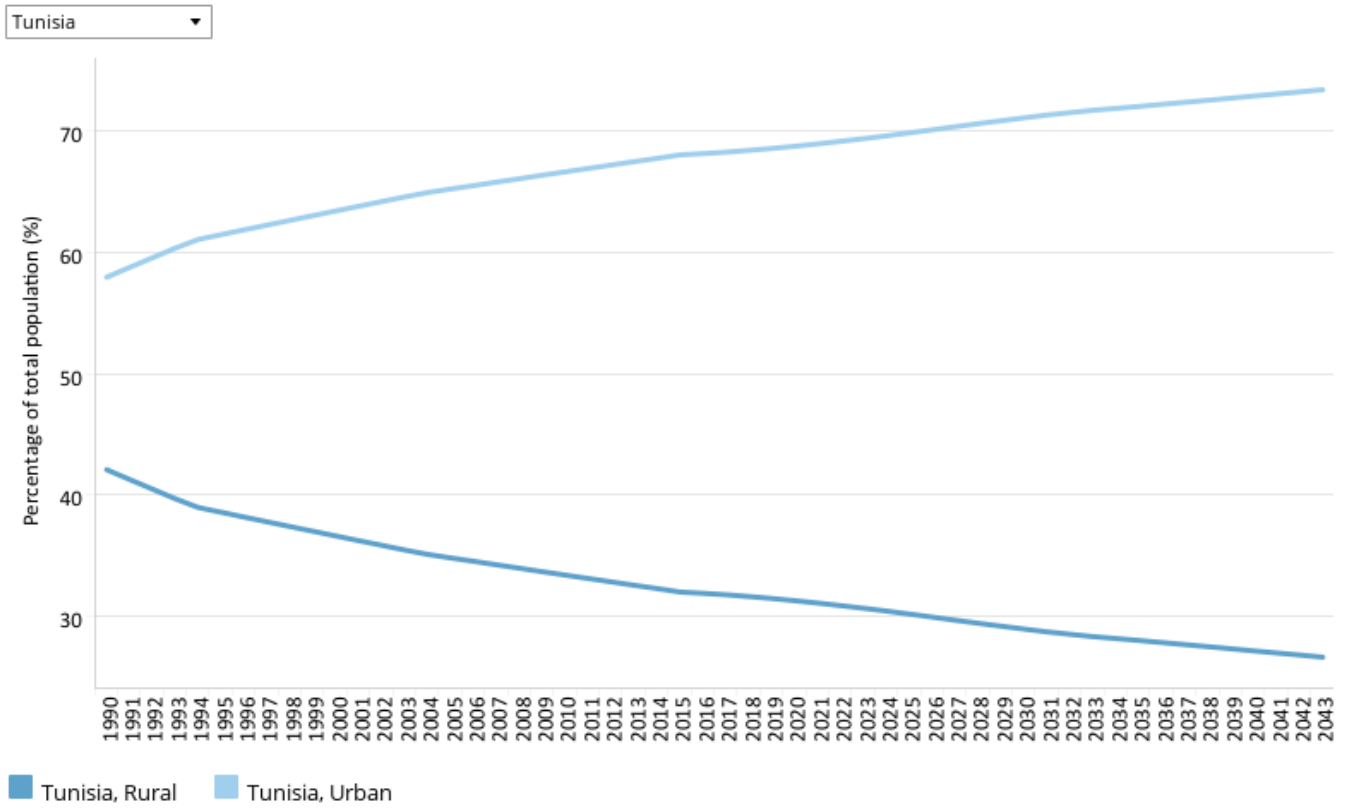⸬ View on Tableau Public   ↺ ↻ ↰ ↱ ▼ | ⬇▼ ⬚ ⚭ Share

Tunisia's population was estimated at 11.7 million in 2019 and is expected to increase to 13.5 million by 2043. Evident in Chart 2 is the rapid increase in the size of Tunisia's working-age population (15–64 years) in the years preceding the Freedom and Dignity Revolution in 2010. The large portion of the working-age population from 1980 to 2006 contributed to the events that culminated in the ousting of President Zine El Abidine Ben Ali in January 2011.

Tunisia's total fertility rate (TFR) is projected to fall below the replacement level of 2.1 children in the early 2020s, which will, in time, cause a slight decline in the size of the working-age population by 2043, although the country will still have a large proportion of its population aged between 15- and 64 years. Whereas in 2019 the working-age cohort constituted 67% of the population, in 2043 it will constitute about 65%. This demographic transition will also be accompanied by an increase in the elderly population. By 2043, the elderly population will account for about 17.5% of the total population. This will have implications on Tunisia's economic productivity and health system owing to increased prevalence of non-communicable diseases that are inherently more expensive to diagnose and treat.

Tunisia reached its peak demographic dividend in 2011 when it had about 2.3 working-age persons for every dependant, i.e. 23 working people for every 10 dependants. By 2019, this ratio had declined to a rate of two people of working-age for every dependant and is projected to increase slightly between 2039 and 2040 before gradually declining. Tunisia is one of

only eight African countries that should be benefiting from a demographic dividend (generally, a ratio of 1.7 working-age persons to dependants), but this favourable ratio, with regard to the contribution that labour makes to economic growth, is not, however, translating into income growth, as would be expected.

Chart 3: Urban and rural population in CP, 1990–2043
% of population

Tunisia

Source: IFs 7.63 initialising from UN World Urbanization Prospects estimate

Tunisia has consistently had a larger urban population than the averages in the region and is about 20 percentage points more urban than the average for lower middle-income countries globally and in Africa. Contrary to the experience there, these high levels of urbanisation have not contributed to more equitable income growth as would be expected; however, they have assisted in the provision of more education and delivery of better basic infrastructure services.

It is forecast that the majority of the population will still live in urban areas, and by 2043 the rate will reach 73.4% with fewer people (26.7%) residing in rural areas by then, as shown in Chart 3.

**Chart 4: Population density map for 2019**
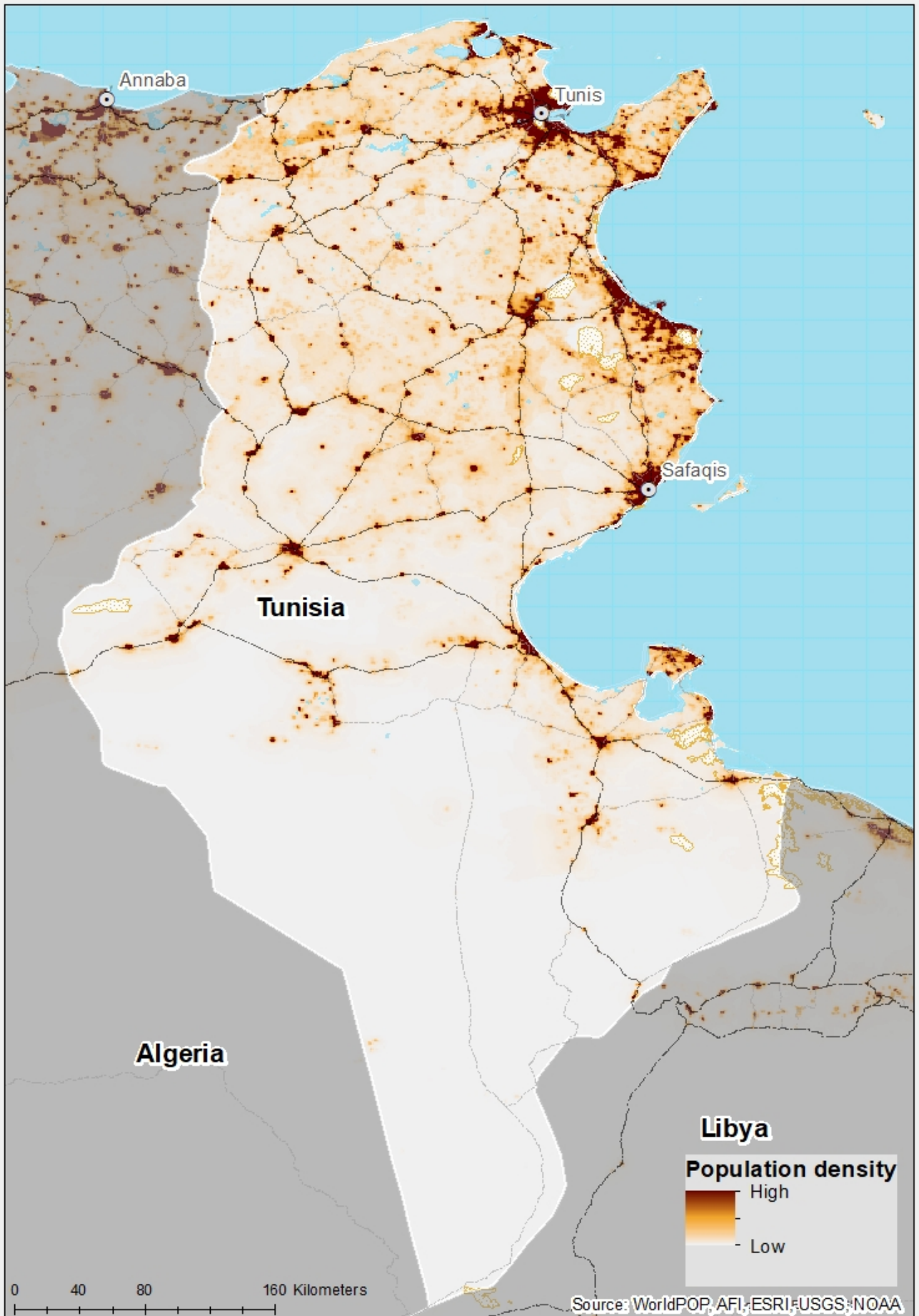
Source: Source goes here

Tunisia is one of the most urbanised countries in Africa and in the North African region at 68.6% in 2019. The three main metropolises are in the regions of Greater Tunis, Sfax and Sousse, which account for 85% of GDP. Most investments are also concentrated in coastal cities where about 75% of the population lives.[1] The smaller inland cities lag in infrastructure and other basic services, thus causing disparities between regions in Tunisia.

Chart 5: GDP in CP, 1990–2043
Market exchange rates
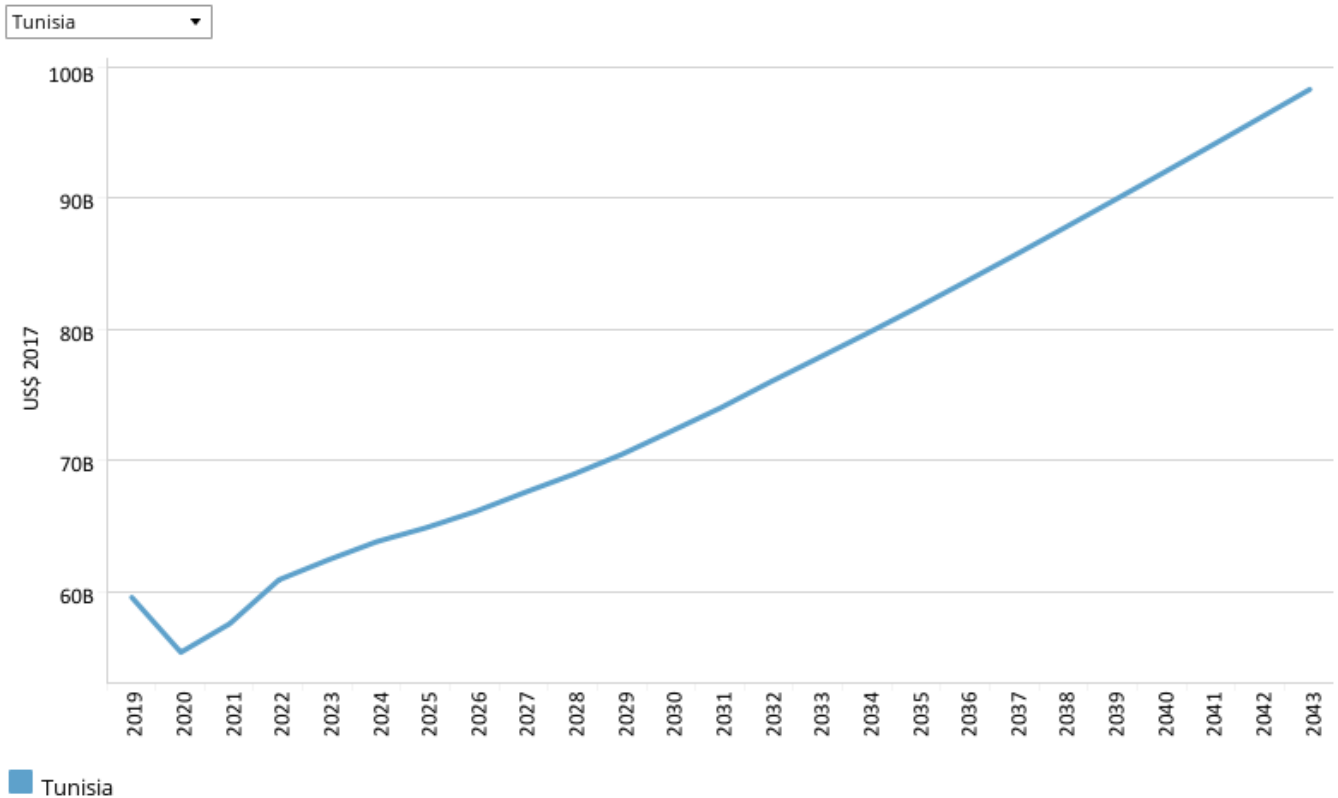
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Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

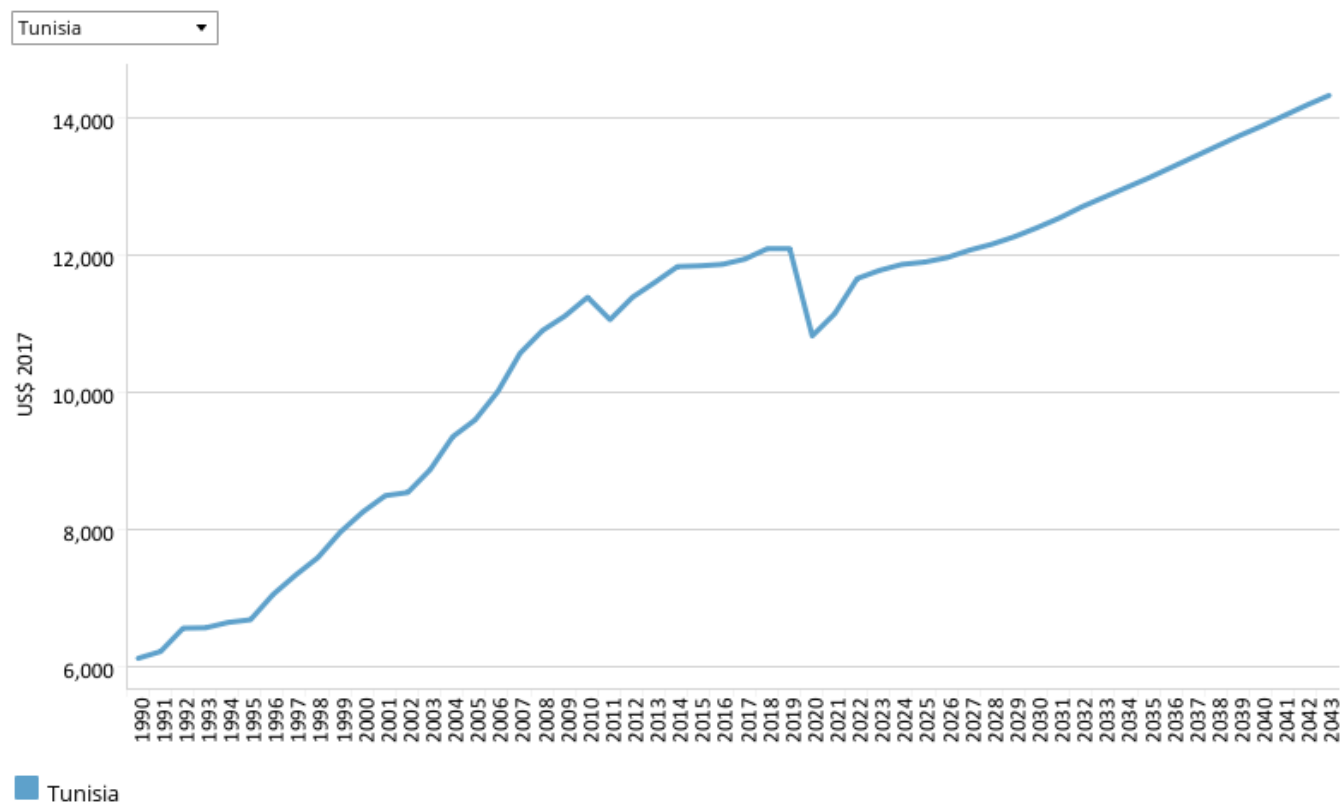⁂ View on Tableau Public ↶ ↷ ↺ ↻ ▾ | ⬇▾ ⛶ ⓩ Share

Tunisia's poor economic performance is rooted in its highly protective regulatory environment, the dominance of state-owned enterprises, outdated regulations, corrupt customs, lack of competition, problematic labour laws and its constrained socio-political space that all promote exclusion and inequalities. Collectively, these impede greater productivity and growth.

Compared to the averages for lower middle-income countries, labour and capital contribute the least to Tunisia's growth and technology (or multifactor productivity) makes the greatest contribution. The reason for labour's low contribution is that Tunisia's labour participation rate is significantly below the averages for its peer groupings, with the rate of female participation in the economy significantly below that of males. Capital investment in the economy is also significantly below its peer groupings.

In the decade since the revolution, Tunisia's development strategy has emphasised private sector development for economic growth and job creation, a vibrant civil society and strong international partnerships.[2] However, little progress has been made and the country struggles with the burden of high unemployment, rising expenditure and public debt, inflation, dwindling foreign reserves and unsustainable subsidies, particularly in the energy sector.

In the Current Path forecast, Tunisia will experience an average annual economic growth rate of just over 2.1% between 2020 and 2043. In 2019, GDP was US$59.5 billion, whereas by 2043 the economy will be US$98.3 billion.

## Chart 6: GDP per capita in CP, 1990–2043
Purchasing power parity

Tunisia ▼

Tunisia

Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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Although many of the charts in the sectoral scenarios also include GDP per capita, this overview is an essential point of departure for interpreting the general economic outlook of Tunisia.

Tunisia's per capita income is ranked tenth highest in Africa and it is significantly above the average for lower-income countries in Africa and globally. It has increased significantly over the years, particularly prior to 2010, but has shown a slight decline and even stagnation in the last decade. Per capita income is, however, forecast to modestly decline in the next few years owing to the effects of the COVID-19 pandemic, only to return to its 2019 levels by around 2026. Thereafter, per capita income is forecast to increase but quite modestly and will in fact trend towards convergence with the average of lower middle-income countries. This dynamic is concerning, given Tunisia's significant human capital endowment which should enable significantly more rapid growth in income.

Chart 7: Informal sector value in CP, 2015–2043
% of GDP
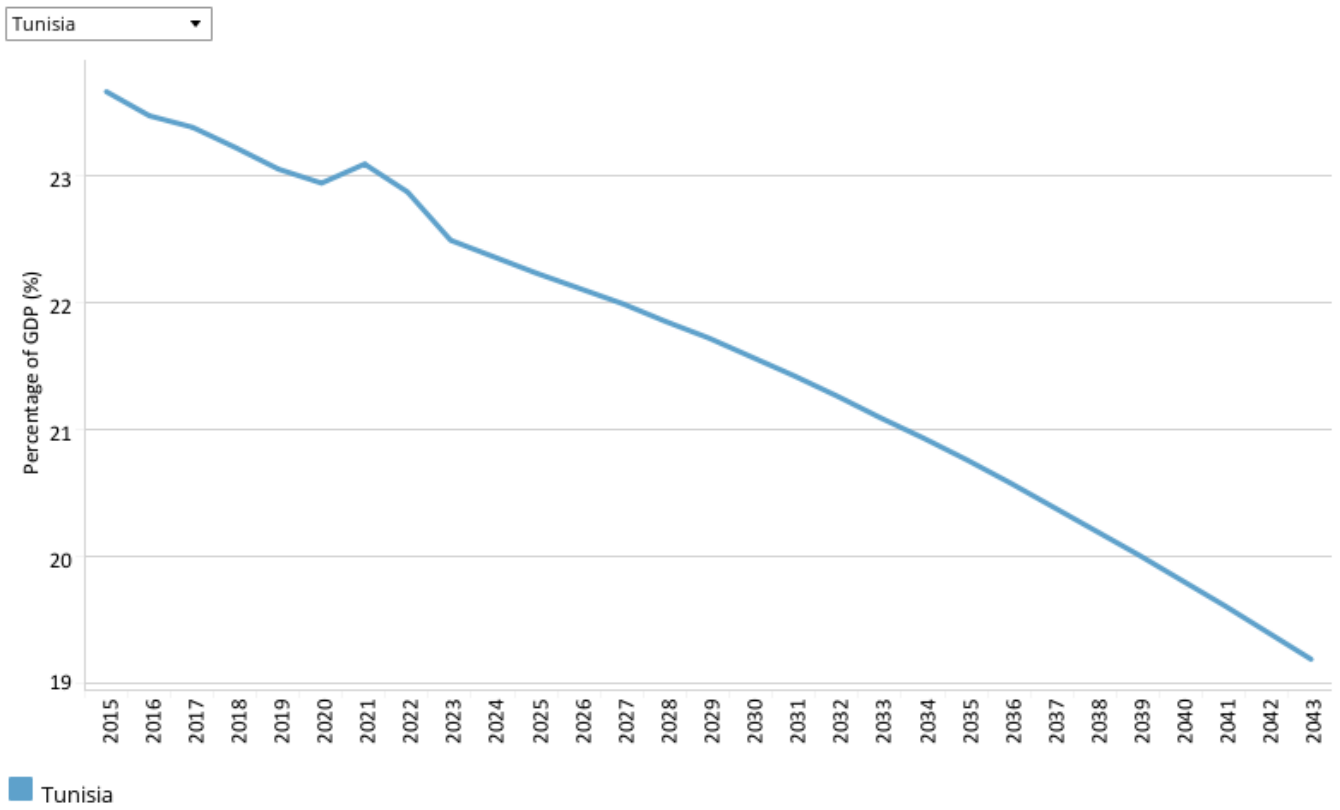
Source: IFs 7.63 initialising from UN Economic Commission for Europe [2008]; Elgin and Oztunali [2012]; Schneider and Enste [2012]

Tunisia has a significant informal and parallel economic sector that is substantially larger than the average for lower middle-income economies in Africa but below the global average for this grouping when measured as a portion of the total economy. This is in part due to a mismatch in skills and economic opportunities available in the country and the nature of the economy which is primarily state-led, with high levels of monopoly dominance and limited entrepreneurial opportunity. As a result, many Tunisians are forced to engage in the informal sector in spite of their high levels of education—women in particular. A World Bank study notes that 60% of Tunisia's graduates end up in the informal sector or unemployed. This high level of informality constrains growth, as the informal sector is generally less productive than the formal sector and makes a smaller contribution to taxes. The informal sector's contribution is expected to decline slowly to reach 19.2% in 2043 from 23.1% in 2019, reflecting a drop of about 3.9 percentage points over a 24-year time period horizon.

The high level of informality constrains growth as the informal sector is generally less productive than the formal sector and makes a smaller contribution to taxes and overall government revenue.

Chart 8: Value added by sector in CP, 2015–2043
Billions US$ 2017 and % of GDP
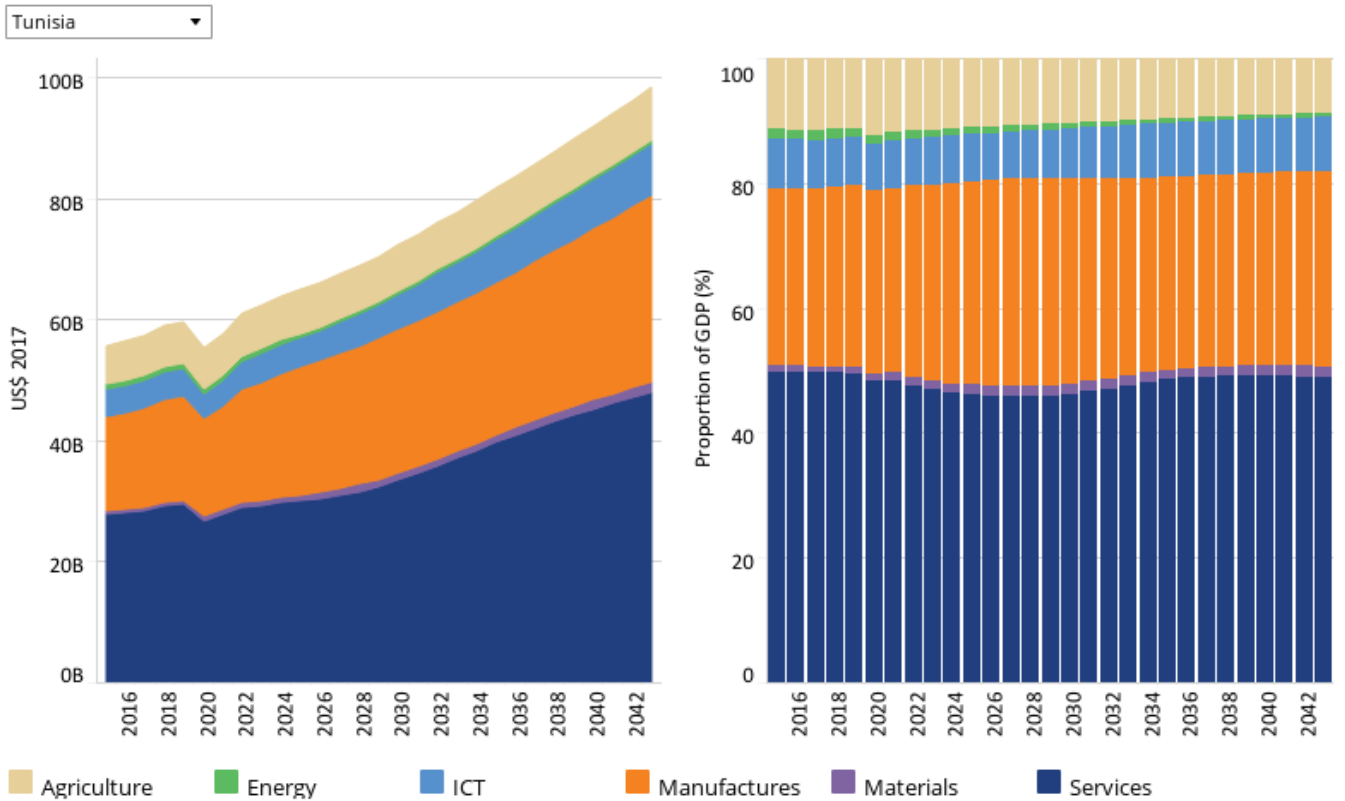
Agriculture   Energy   ICT   Manufactures   Materials   Services

Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

The IFs platform uses data from the Global Trade and Analysis Project (GTAP) to classify economic activity into six sectors: agriculture, energy, materials (including mining), manufactures, services and information and communications technology (ICT).

Going by the various sectoral components that make up the economy, the services sector was the largest contributor to GDP in 2019 at 49% (although other research estimates it is between 50% and 60%), followed by manufacturing at 29%. Agriculture (at 11.3%) is followed by ICT and energy, although the contribution of energy will likely be overtaken by materials (i.e. construction and mining).

Chart 9: Agriculture production/demand in CP, 1990–2043
Crops million tons

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■ Tunisia, Demand ■ Tunisia, Production
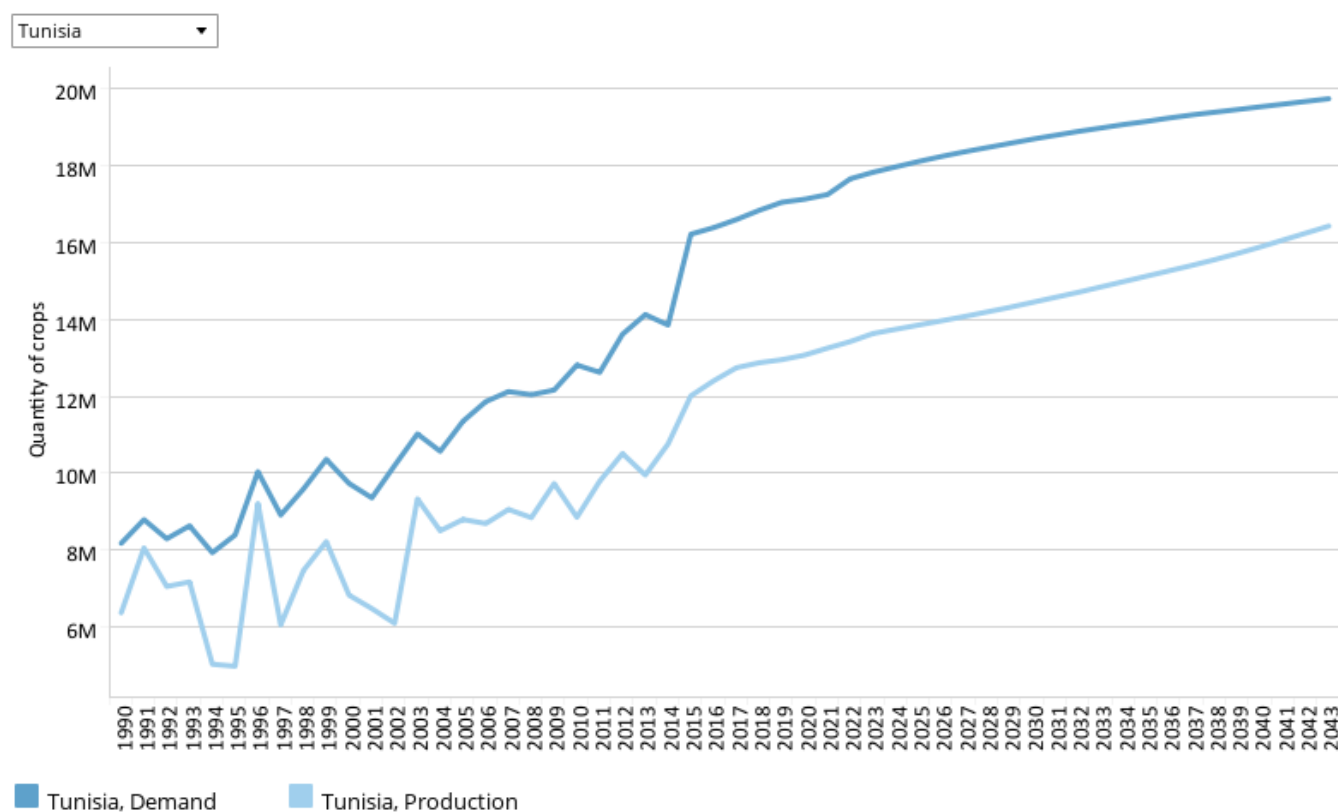
Source: IFs 7.63 initialising from Food and Agriculture Organization Food Balance Sheets

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The data on agricultural production and demand in the IFs forecasting platform initialises from data provided on food balances by the Food and Agriculture Organization (FAO). IFs contains data on numerous types of agriculture but aggregates its forecast into crops, meat and fish, presented in million metric tons. Chart 9 shows agricultural production and demand as a total of all three categories.

Agriculture still plays an important role in the economy, especially for the rural poor. However, agricultural demand long outstripped production in around 1970. Owing to the deficit in production and unmet food demand, the country relies heavily on imports.

From a food security perspective, Tunisia is vulnerable to shocks such as fluctuating international prices and disruptions in supply chains. Declining foreign exchange reserves make the food security situation more precarious because Tunisia's capacity to import food will be affected.
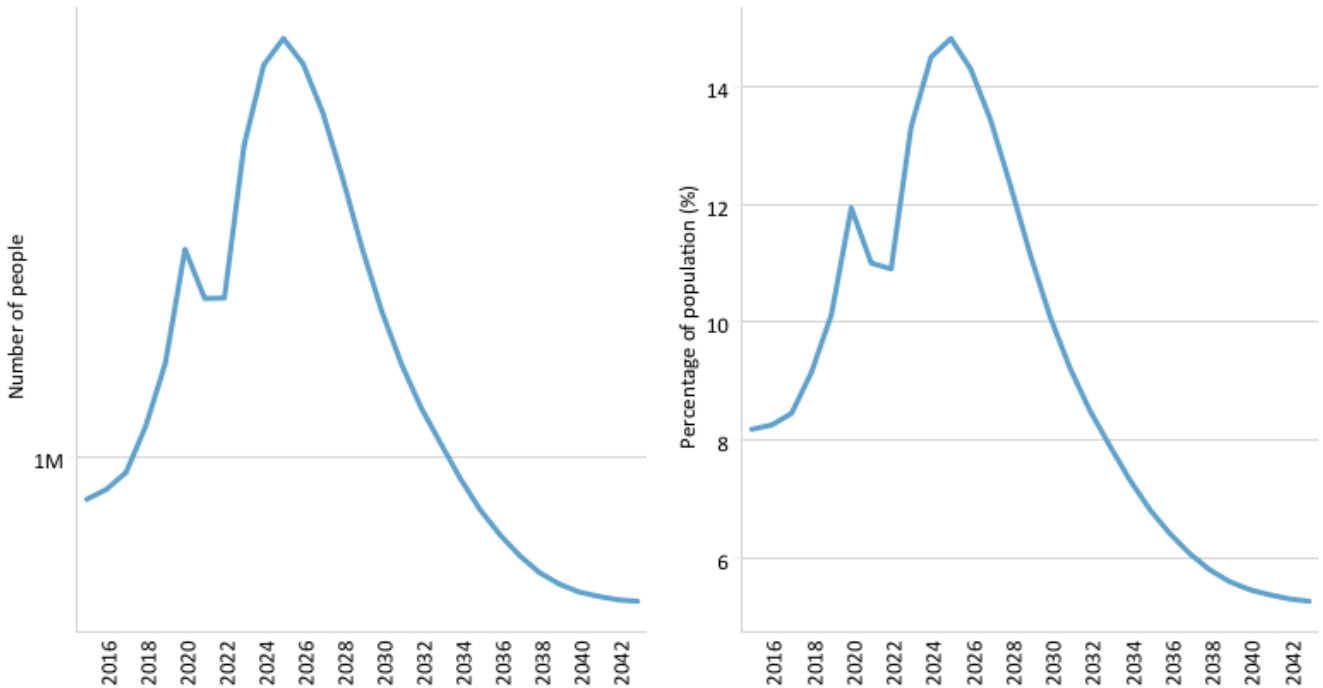
Chart 10: Poverty in CP, 2015–2043
Millions of people and % of total population

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Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data.

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There are numerous methodologies and approaches to defining poverty. We measure income poverty and use GDP per capita as a proxy. In 2015, the World Bank adopted the measure of US$1.90 per person a day (in 2011 international prices), also used to measure progress towards the achievement of Sustainable Development Goal 1 of eradicating extreme poverty. To account for extreme poverty in richer countries occurring at slightly higher levels of income than in poor countries, the World Bank introduced three additional poverty lines in 2017:

• US$3.20 for lower middle-income countries

• US$5.50 for upper middle-income countries

• US$22.70 for high-income countries.

Tunisia has already achieved the headline sustainable development goal (SDG) of eliminating extreme poverty as measured at US$1.90 per person per day. In fact, less than 1% of its population falls below this level of income; however, other forms of poverty and social inequalities between regions and various segments of the population persist in the country.

Poverty levels at other thresholds, i.e. the World Bank's US$3.20 lower middle-countries, will persist into the future.
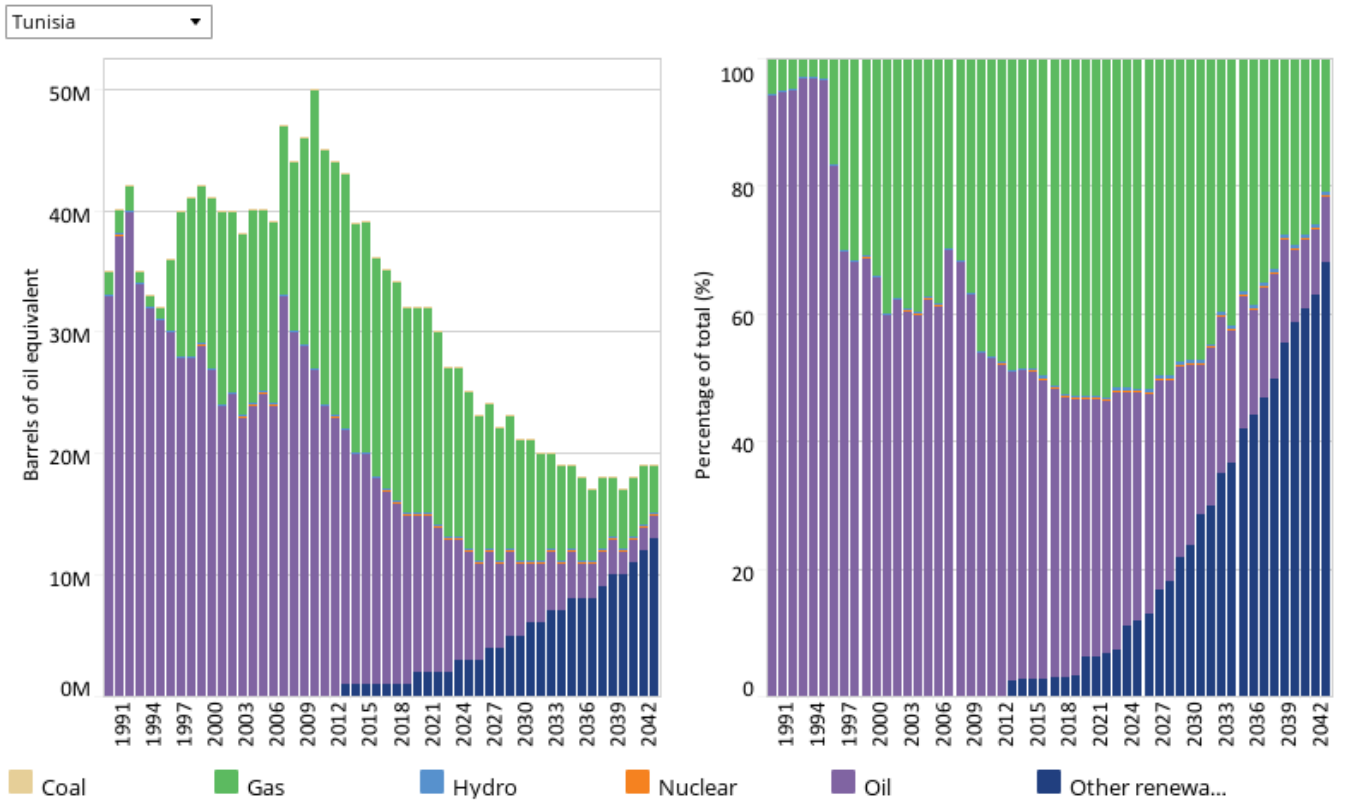
Although subsidies have played a role in poverty reduction in Tunisia, reform of the subsidy system, with more targeted social safety net programmes, is needed for more effective reduction of poverty and inequality in the country.

In fact, poverty is set to increase to 2025 before resuming a downward trend. Thereafter, extreme poverty (at US$3.20) is expected to decline, although by 2043, about 5.3% of the population (or 710 000 people) will still be living in poverty, which is an improvement from 1.42 million people in 2019.

Chart 11: Energy production by type in CP, 1990–2043
Barrels of oil equivalent and % of energy production

Tunisia

Coal Gas Hydro Nuclear Oil Other renewa...

Source: IFs 7.63 initialising from World Energy Outlook data
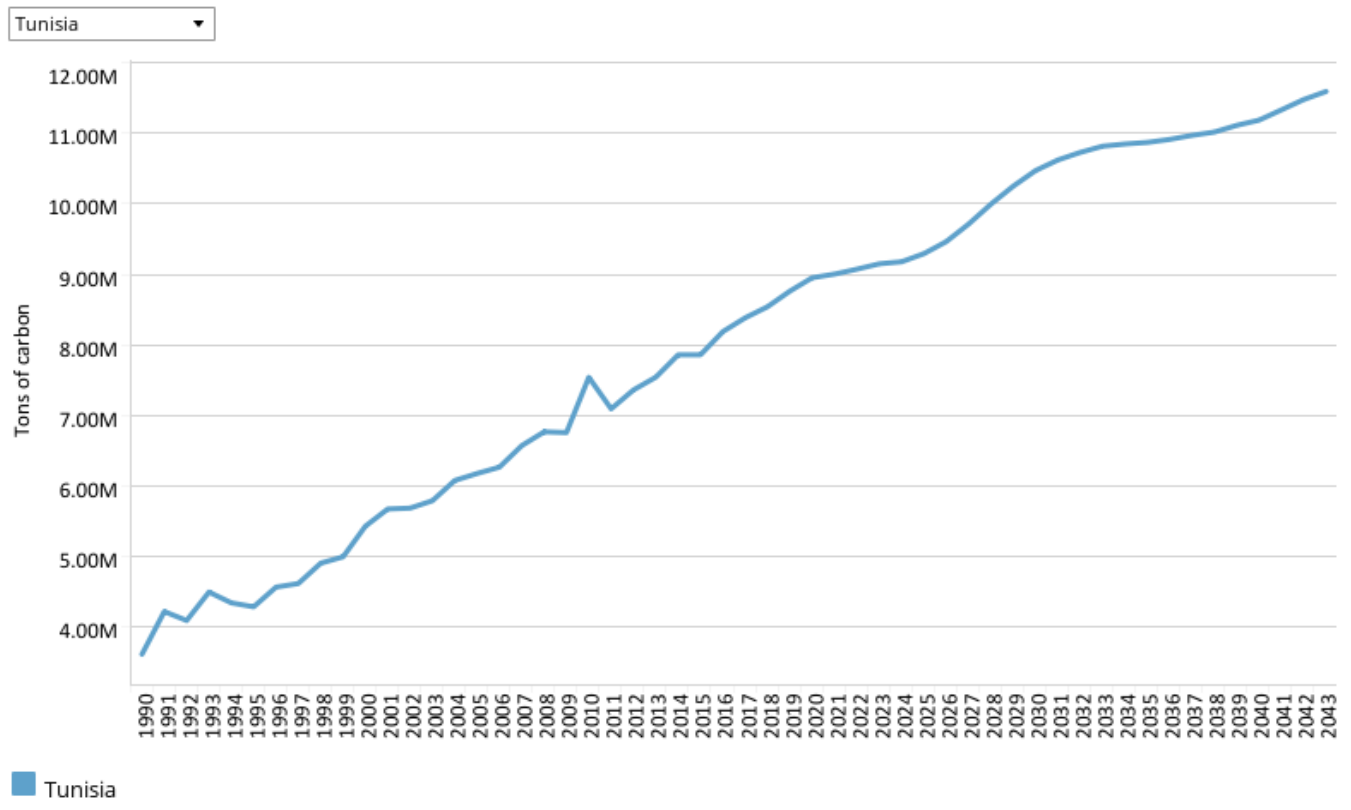
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The IFs platform forecasts six types of energy, namely oil, gas, coal, hydro, nuclear and other renewables. To allow comparisons between different types of energy, the data is converted into billion barrels of oil equivalent. The energy contained in a barrel of oil is approximately 5.8 million British thermal units (MBTUs) or 1700 kilowatt-hours (kWh) of energy.

Gas and oil are the leading sources of energy in Tunisia although their production is forecast to gradually decline while that of other renewable energy sources is forecast to increase. Currently, about 97% of Tunisia's electricity generation comes from fossil fuels, mostly from domestic and imported natural gas, almost half of which comes from Algeria. By 2035, other renewable energy sources are projected to be the main source of energy.

The energy sector is heavily subsidised and comes at a high cost for the Tunisian government. Reforming the sector and offering greater incentives for the development and uptake of renewables would alleviate the fiscal pressure on the government and more rapidly move Tunisia towards a greener economy in light of climate change and the impact of fossil fuels on the environment.

Chart 12: Carbon emissions in CP, 1990–2043
Million tons of carbon (note, not CO2 equivalent)

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Source: IFs 7.63 initialising from Carbon Dioxide Information Analysis Center data

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Carbon is released in many ways, but the three most important contributors to greenhouse gases are carbon dioxide (CO_2), carbon monoxide (CO) and methane (CH_4). Since each has a different molecular weight, IFs uses carbon. Many other sites and calculations use CO_2 equivalent.

Tunisia, like the rest of the world, is vulnerable to climate change, and owing to the growing population over the years as well as increased economic activity and energy consumption, CO_2 emissions have increased in the atmosphere.

Tunisia is highly exposed to the impacts of climate change which will impact all aspects of life in the country. With 84% of its population located along its 1150 km coastline, sea level rise, floods, coastal erosion, increase in the temperature of fishing waters and droughts are amongst the more urgent threats that the country faces. Aside from economic disruption, displacement of people, especially the vulnerable, will likely occur unless improved disaster risk management systems are put in place.[3] Climate change will also directly impact health and agriculture in Tunisia. Climate-related risks in the future will include higher mortality rates from extreme heat, increased malnutrition from crop failure, potential increased spread of diseases and lack of access to clean water. From an agricultural perspective, climate risks to the sector include the decrease in crop yields, a shift in growing seasons, the degradation of soil quality, increased salinisation of aquifers, the decreased availability of water for irrigation and higher food prices.

To avoid future water shortages, for example, Tunisia needs to reduce inefficiency in water use by modernising infrastructure, implementing modern farming practices and launching public awareness campaigns on sustainable water use.

By 2043, the country will be emitting 12 million tons of carbon compared to 9 million tons emitted in 2019. This is a direct result of economic activity and illustrates the trade-offs that policymakers need to grapple with while thinking about economic development and environmental sustainability.

However, because the effects of climate change are already evident, Tunisia will need to create policies and regulatory frameworks that adequately balance and support economic, social and environmental sustainability.

Endnotes

1. Cities Alliance, Tunisia Country Programme

2. World Bank, 2016, Tunisia Country Strategy 2016–2020

3. UNDP, Climate Change Focus: Tunisia coastline in need of climate cash boost

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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 oce 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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