



The Rebirth: Tunisia's potential development pathways to 2040

Comparing Scenario Impacts

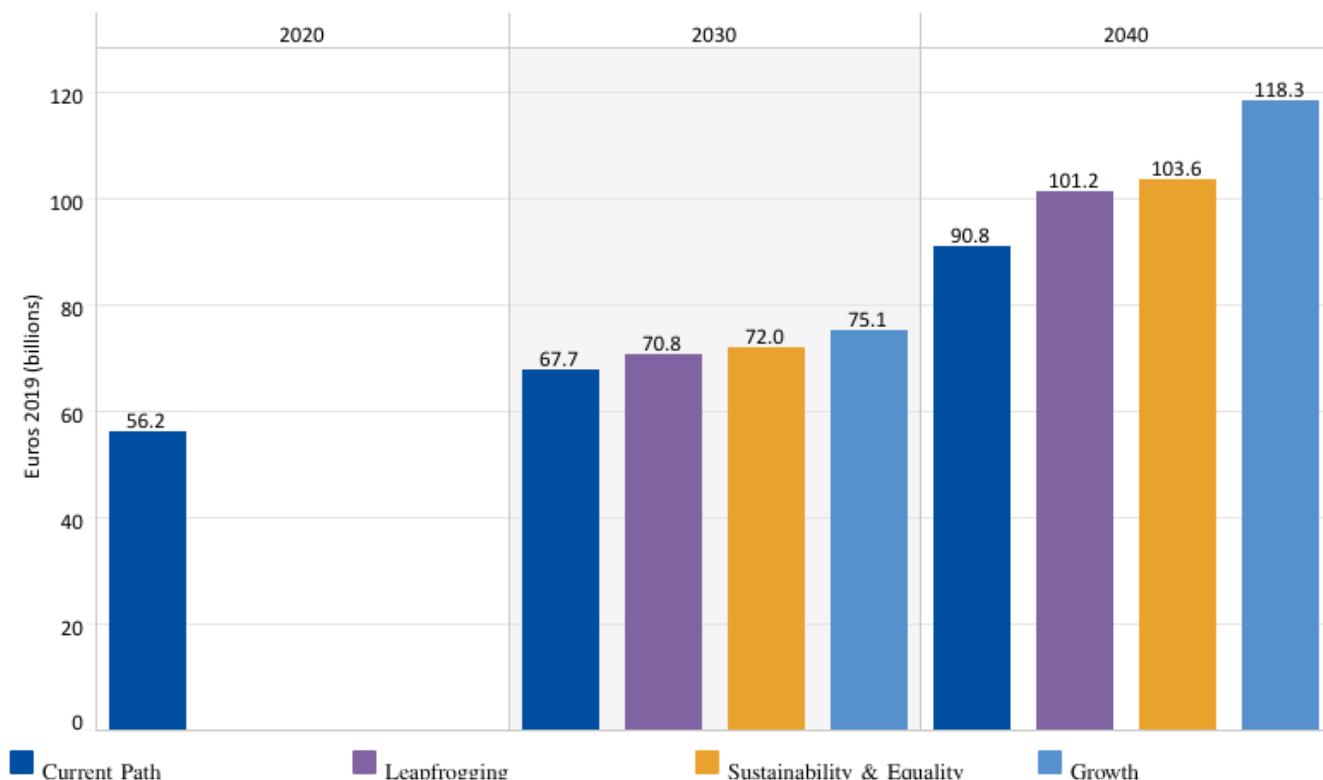
Jakkie Cilliers and Stellah Kwasi

Last updated 12 May 2023 using IFs v7.45

Comparing Scenario Impacts

It is clear that each of these scenarios has a positive impact on the size of the economy compared to the Current Path in 2040. Improving the governance indicators are particularly powerful drivers of economic growth in each scenario, showing the significance of the governance deficit, in both economic and political terms, as discussed throughout the report, and the extent to which poor governance undermines development. Chart 14 illustrates the impact of the scenarios on GDP.

Chart 14: GDP in the four scenarios



Source: IFs version 7.45, historical data from International Monetary Fund

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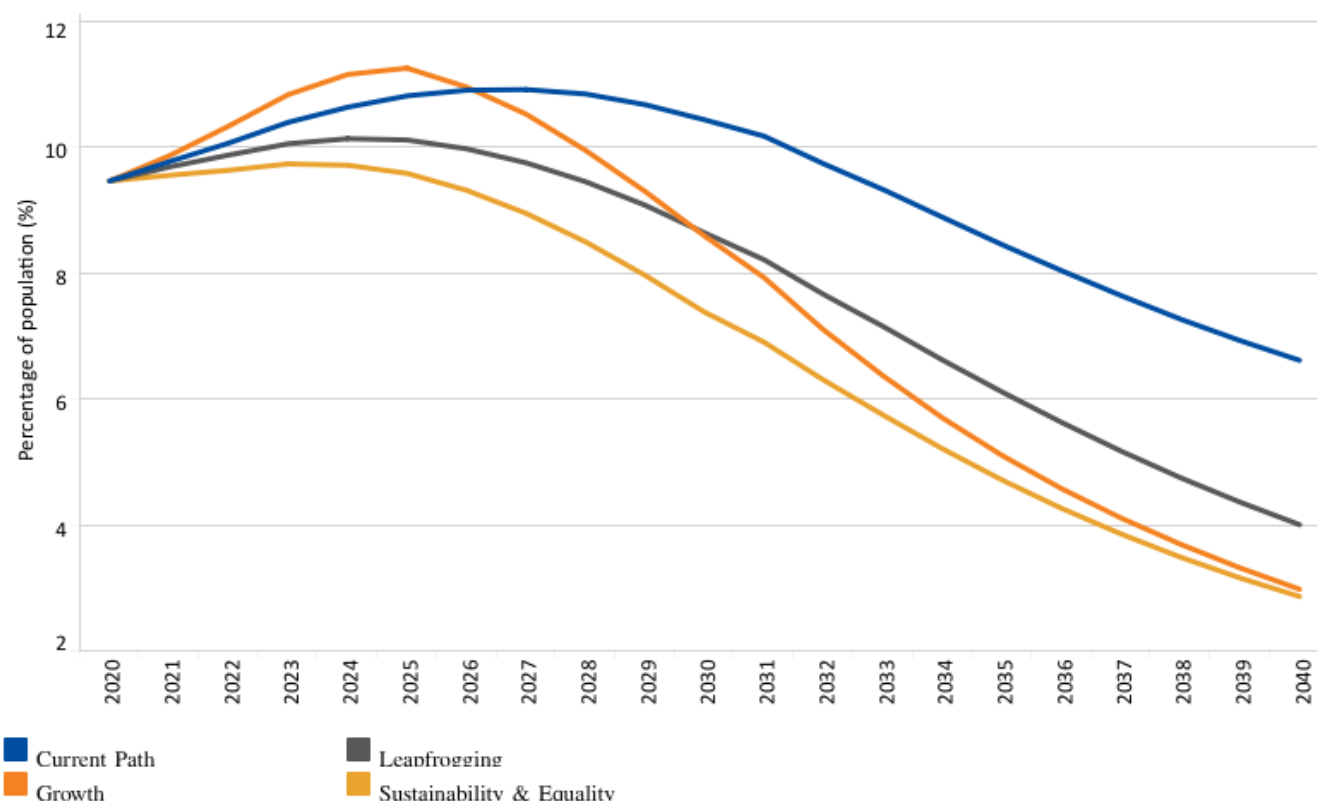
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In 2040, relative to the Current Path forecast for that year, the Going for Growth scenario improves GDP by 30% (€27 billion) while the Leapfrogging and the Sustainability & Equality scenarios boost GDP by 11% (€10 billion) and 14% (€13 billion), respectively.

Moreover, all three scenarios significantly reduce extreme poverty (using the US\$3.20 threshold). The Sustainability & Equality scenario achieves the most significant reduction in extreme poverty compared to the Current Path (6.6%) in 2040, with only about 2.8% of the population still living in extreme poverty. The Going for Growth scenario follows closely with nearly 3% and the Leapfrogging scenario records about 4% of the population living in extreme poverty.

Extreme poverty at US\$3.20 is more than halved by 2040 from 2020 levels in the Going for Growth and Sustainability & Equality scenarios. The per cent of people surviving on US\$2.60 per day (national poverty line) declines to under 1% in all three scenarios.

Chart 15: Extreme poverty in the four scenarios (US\$3.20)



Source: IFs version 7.45, historical data from World Bank data

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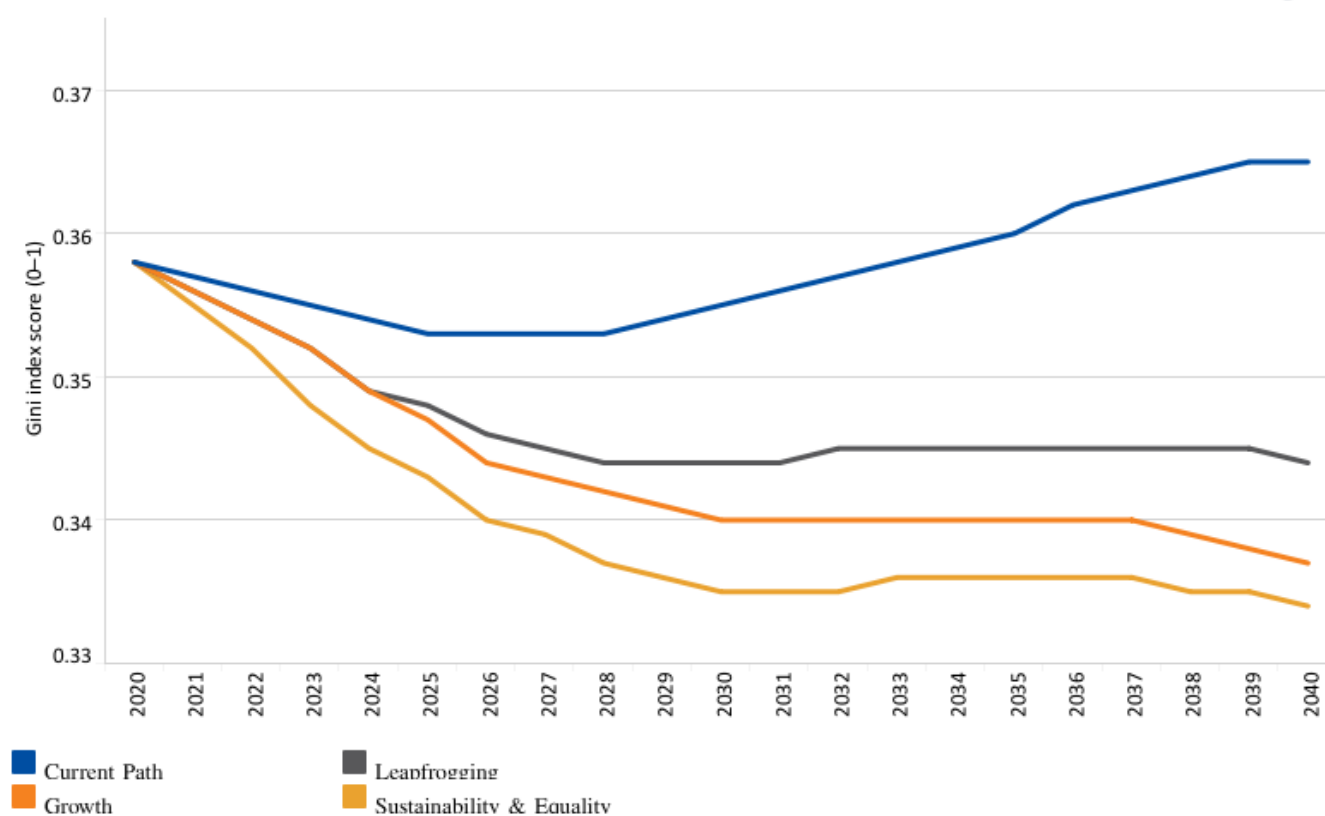
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The Going for Growth scenario will increase poverty above the Current Path forecast until 2026, owing to the diversion of funds to investments made in the economy. However, from 2030 Going for Growth reduces the per cent of Tunisians living below the US\$3.20 income threshold to below that in the Leapfrogging scenario and, by 2040, approaches the levels of poverty in the Sustainability & Equality scenario.

When looking at the cumulative number of people who escape extreme poverty over the forecast horizon, the Sustainability & Equality scenario does significantly better than any other. The Leapfrogging and Going for Growth scenarios have roughly similar cumulative impacts. All do significantly better than the Current Path forecast, which would see close to 7 million Tunisians living in extreme poverty (using US\$3.20) in 2040.

Relative to the Current Path, in 2040 inequality as measured by the Gini index reduces by approximately 8.4% in the Sustainability & Equality scenario, while the Going for Growth and Leapfrogging scenarios achieve a 7.7% and 5.8% reduction, respectively. The IFs system does not, however, fully account for the impact of increased employment in the formal sector on reductions in inequality. It is therefore likely that these impacts are understated.

Chart 16: Inequality in the four scenarios



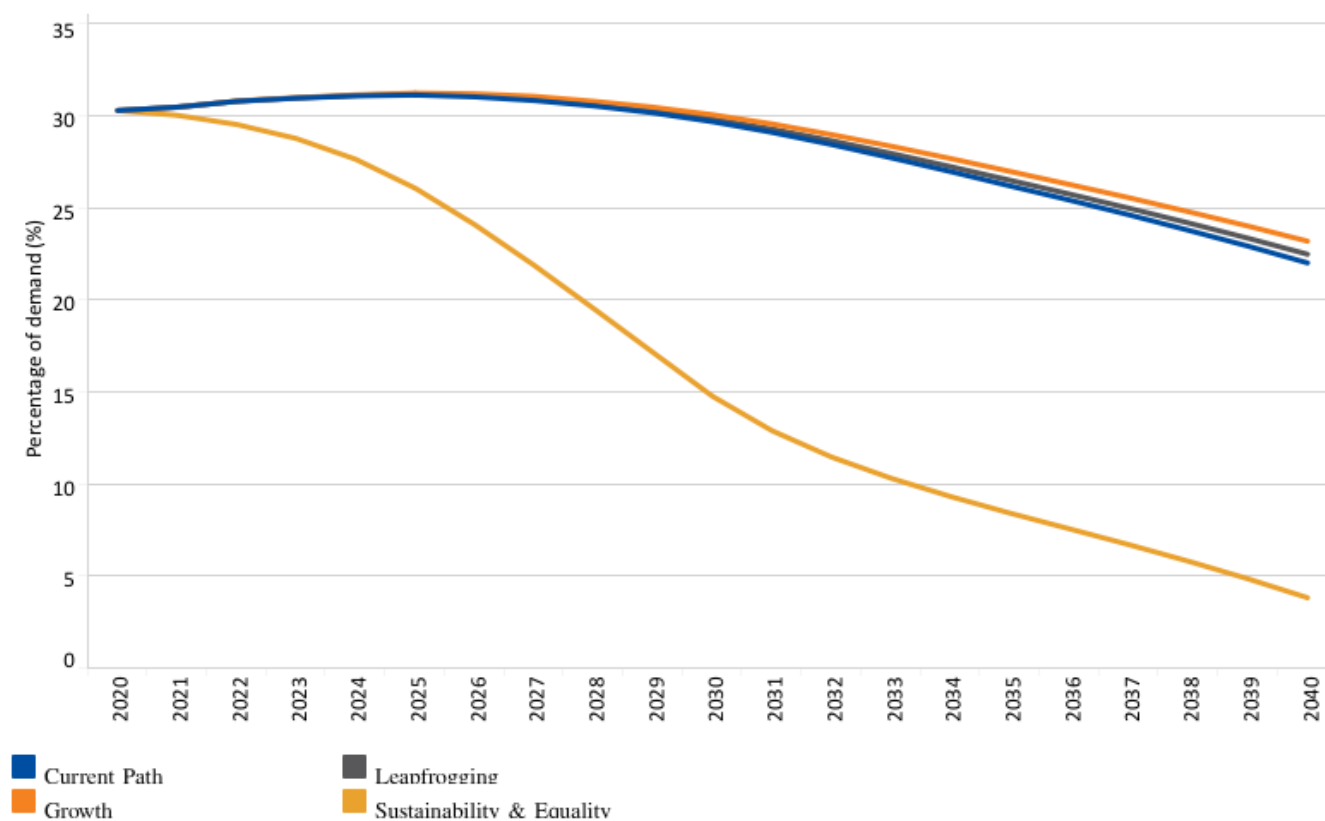
Source: IFs version 7.45, historical data from World Bank data

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Although all three scenario approaches boost GDP and other human development indices relative to the Current Path, there are trade-offs associated with pursuing one or the other. From a food security perspective, only the Sustainability & Equality scenario achieves a significant reduction in food imports. The risk of shocks in international food prices is thus an issue Tunisia will need to address in the Going for Growth and Leapfrogging scenarios.

Chart 17: Agricultural import dependence



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From an environmental perspective, the Going for Growth and Leapfrogging scenarios increase Tunisia's carbon emissions by over 16% and 4% by 2040 relative to the Current Path forecast for that year. The Sustainability & Equality scenario reduces carbon emissions by almost 8% relative to the Current Path in 2040.

Given the global challenge of climate change, the country has to consider both the implicit and explicit trade-offs of its approach to achieving its development goals. Moreover, by 2040 the three scenarios will also affect Tunisia's industrial, municipal and agricultural water demand. The country is already experiencing water stress and the implication of greater water consumption is a policy choice that decision makers have to grapple with.

Chart 18: Percent change in water demand in the three scenarios relative to the Current Path in 2040



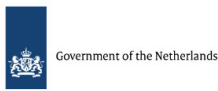
	Going for Growth	Leapfrogging	Sustainability & Equality
Municipal	12.0%	5.0%	6.0%
Industrial	18.0%	5.0%	-5.0%
Agriculture	-0.7%	-0.2%	9.0%

Source: IFs version 7.45, historical data from AQUASTAT

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About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees, head of the African Futures and Innovation (AFI) programme at the Pretoria office of the Institute, and is an extraordinary professor at the University of Pretoria. 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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