

Tunisia CETO

Country Economic Transformation Outlook

POLICY PAPER

NOVEMBER 2025



This policy paper derives from the full *Tunisia Country Economic Transformation Outlook (CETO) 2025* research study, published by ACET and produced in collaboration with Matine Consulting and a team including Ouissem Ghorbel, Mehdi Ben Braham, Sahbi Amara, Sahbi Yahiaoui, Nour Ben taieb, Oumayma Blel, and Amani Yaich alongside an ACET team comprising George Baffour Awuah, Brenda Chongo Chanda, and Mondher Khanfir.

I. Introduction

Tunisia economy in context

Tunisia ranks first among the 30 countries tracked on the African Transformation Index (ATI), with a score of 69.5/100, reflecting the relative maturity of its economic model in comparison with other African countries. The ATI utilizes ACET’s Growth with DEPTH framework to measure a country’s economic transformation progress, whereby DEPTH represents a different critical component of transformation. Tunisia scores high on most DEPTH components, including Diversification (76), Export competitiveness (70.6), Technology upgrading (72.9), and Human well-being (78.1).

Since 2000, the Tunisian economy has shown resilience in the face of major shocks, including political upheaval, terrorist attacks, and the COVID-19 pandemic. The resilience of the economy is largely due to services, which accounted for 62.1 percent of GDP in 2023 (World Bank, 2025), as well as diversified industrial activities (e.g., electrical and electronic equipment, textile and clothing apparels, pharmaceutical products, vehicles and auto parts, aerospace industry, and more).

Despite these outcomes, Tunisia’s performance under its adopted economic model shows its limits in terms of inclusion. Inequalities remain deep and cut across regions, generations, and gender. Regional disparities are striking; in 2022 the poverty rate exceeded 35 percent in the center-west while it was less than 5 percent in greater Tunis. Unemployment is a persistent issue, especially for young people, where the jobless rate reached 37.7 percent in 2025. Gender gaps are mostly visible in economic integration with a female participation rate of 28.2 percent in the third quarter of 2025, far below the 64.9 percent rate for males (INS, 2025). High public debt (84.6 percent of GDP in 2023) and persistent budget deficits (6 percent of GDP in 2024) limit the government’s capacity to invest in reducing inequalities or face future challenges that might worsen living standards and deepen disparities such as climate risks.

Structural change is therefore needed to overcome the limits of the current growth model, including the need to adapt to fast-paced global change, confront sustainability challenges, and create inclusive growth. This requires unlocking the full potential of younger generations by facilitating their socioeconomic integration and ensuring equal opportunities across gender and regions.

Objectives of the CETO

The CETO aims to deliver an assessment of Tunisia’s economic transformation and offer policy recommendations for public and non-public actors. The specific objectives are to:

- Assess Tunisia’s economic transformation progress and challenges.
- Analyze and assess gender dynamics in Tunisia’s economic transformation, with a view to promoting more inclusive policy approaches.
- Provide policy recommendations to public and non-public actors.
- Engage national stakeholders to promote the uptake of the study recommendations in development strategies.

II. Transformation outlook

Tunisia's economic transformation profile since 2000

Tunisia's economic trajectory can be divided into three phases, distinguished by shifts in political context and governance approaches.

Phase 1 (2000–2010) was an era characterized by stability under which Tunisia witnessed steady growth (averaging 4.2 percent yearly) with expanding exports. Tunisia saw a surge in exports from 2000 to 2010, peaking at \$25 billion in 2008. The ATI reflects this surge as export competitiveness was the main driver of the overall score's evolution during this decade. Services (value added of \$5.6 billion in 2010), textiles and apparel (\$3.8 billion) and electrical and electronic equipment (\$3.7 billion) were the main drivers of thriving exports. Additionally, extractive exports generated \$3.5 billion in the same year. This export success was strengthened by reduced tariffs, flexible fiscal and exchange rate policies, increased European foreign direct investment, targeted industrial strategies, and strong integration into the EU market through trade agreements.

During this decade, Tunisia reduced its debt burden with public debt going from 56.1 percent to 38.8 percent of GDP. This was due to steady growth and stability as well as the decision to privatize state-owned enterprises and to allocate most of the proceeds to lowering external debt.

Phase 2 (2011–2021) was an era of political and governance transition marked by economic stagnation and repeated shocks testing the economy's resilience. This decade started with the 2011 social movements that brought a period of political transition and unstable governance. Due to the uprising and instability, GDP contracted in 2011 (-2 percent). However, the economy rebounded with a 4.2 percent growth in 2012. Continuous labor strikes and deteriorating business climate impacted many important sectors such as tourism, the phosphates industry and part of manufacturing. Political assassinations in 2013, terrorist attacks in 2015, and weak governance kept investor confidence fragile and further weakened key sectors. Despite these shocks, the economy avoided collapse with its lowest GDP growth rate pre-COVID being 1 percent in 2015.

The COVID-19 pandemic arrived in 2020, leading to a 9 percent GDP contraction and a sharp fall in tourism (6.5 million fewer arrivals in 2020 than 2019), which negatively impacted a key sector for the country. The economy again rebounded to 4.7 percent in 2021, only to stagnate a short time later at rates close to the pre-pandemic values (1.4 percent in 2024).

With the shocks came frequent government changes (10 different governments) and a lack of stability that led to short-lived policy agendas and weak implementation of reforms. Current expenditure rose from TND 10 billion to TND 31 billion, mainly due to rising wages. Public debt also rose, to cover these expenses rather than for investment, reaching 79.2 percent in 2021. The situation was made worse by the depreciation of the TND, which raises the value of due debt payments in foreign currency, and the weakening energy independence rate—from 93 percent in 2010 to 53 percent in 2021—that made the trade balance deficit worse as energy imports rose and further burdened the state with subsidies—from TND 550 million in energy subsidies in 2010 to TND 3.3 billion in 2021. (The energy independence rate is an indicator that measures the extent to which a country can cover its total energy needs from its own domestic resources.)

Phase 3 (2021–present) has been an era of macroeconomic adjustment under persistent pressures. Fiscal and financing decisions were taken to address the deteriorating external situation.

While public debt kept rising, reaching 84.6 percent in 2023, the government shifted towards domestic borrowing rather than external sources. Successive rectifying budgets were adopted, but rather than committing to IMF-supported reforms, Tunisia has favored self-reliance and short-term fiscal fixes over structural adjustment. At the same time, strategies are being adopted to accelerate energy transition to limit its impact on the trade deficit and fiscal deficit.

The deficiencies of the economic model in terms of inclusion were part of the reason behind the 2011 social movements where people protested for employment and decent life quality. Inequalities persisted throughout the decades as no structural reforms were carried out to directly address their root causes. The consequent shocks and political instability kept the country in a crisis management setting.

Despite stagnation and mounting vulnerabilities, **Tunisia retains a diversified economic base, strong human capital, and geographic advantages** that provide a solid platform for a new phase of inclusive transformation, provided structural reforms are implemented decisively. A review of its performance on each of the DEPTH attributes follows.

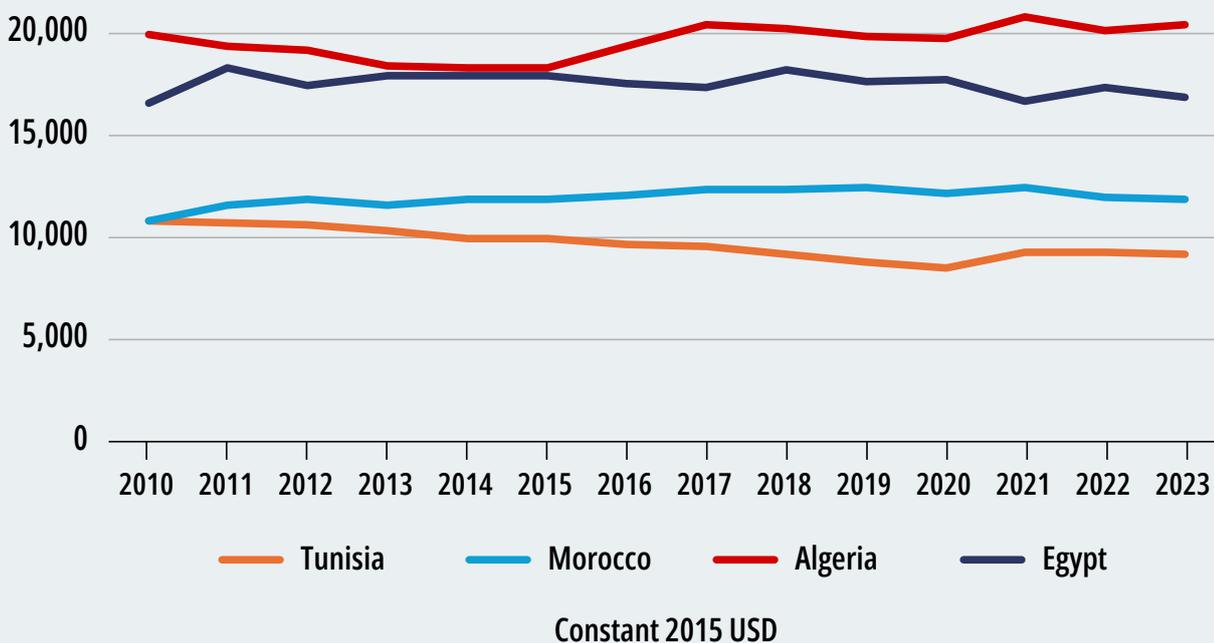
Diversification

Tunisia scores the highest on ATI's diversification component with an economy that doesn't depend on extractives. Tunisia started in 2000 with a high score of 75 on the ATI diversification component, thanks to early post-independence economic policies. The two decades were marked by some fluctuations to the score, which dropped to 70.4 in 2014 (which is still relatively high) before rising back to 76 in 2020. This good performance on diversification is due to early industrialization and policies that encourage manufacturing expansion. It is also due to the low share of extractives in GDP (only 3.8 percent of GDP in 2019), which also plays a role in keeping the economy resilient as it doesn't rely on finite raw natural resources. However, extractive industries remain important for the state budget since before 2011, oil and gas helped reduce energy imports, while phosphates were a pillar of Tunisian exports. The decline of these industries has since weakened the country's external balance.

The Tunisian economy has a broad service base and diversified industries with more sophisticated activities emerging in both sectors. Market services contribute 45.5 percent to GDP (2019). Those include trade (value added of \$3.6 billion in 2019), transport (\$2.8 billion), hotel and restaurant services (\$1.8 billion), post and telecommunications (\$1.5 billion), and financial services (\$2.2 billion). Telecoms, ICT, and medical tourism (2–2.5 million patients annually) are examples of high-value, innovation-driven service activities that are on the rise (Medical Tourism Business, 2024). Industry, which contributes 25.2 percent to GDP (2019), includes mechanical and electrical (\$2.1 billion), agro-food (\$1.1 billion), textiles (\$1 billion), chemical (\$0.5 billion), and oil refining (\$0.012 billion), among others. The aerospace sector expanded from 11 to 69 firms between 2004 and 2021; the pharmaceutical industry accounted for around 2 percent of GDP in 2018 with over 120 companies active (including 33 producing medicines); and the automotive sector contributed about 4 percent of GDP in 2016—all illustrating the rise of high-tech industries in Tunisia.

However, industrial activity remains concentrated in low value-added subcontracting. Although subsectors such as mechanical and electrical industries, aerospace, automotive, and pharmaceuticals show potential for upgrading, industrial productivity is low. Industry value added per worker averaged only \$9,226 in 2023 (constant 2015) compared to Algeria (\$20,478), Egypt (\$16,887), and Morocco (\$11,883). Figure 1 compares industry productivity for these four countries since 2010, with Tunisia falling behind its peers.

Figure 1. Evolution of industry value added per worker for Tunisia, Morocco, Algeria, and Egypt, 2010-2023



Source: World Bank, World Development Indicators, 2025.

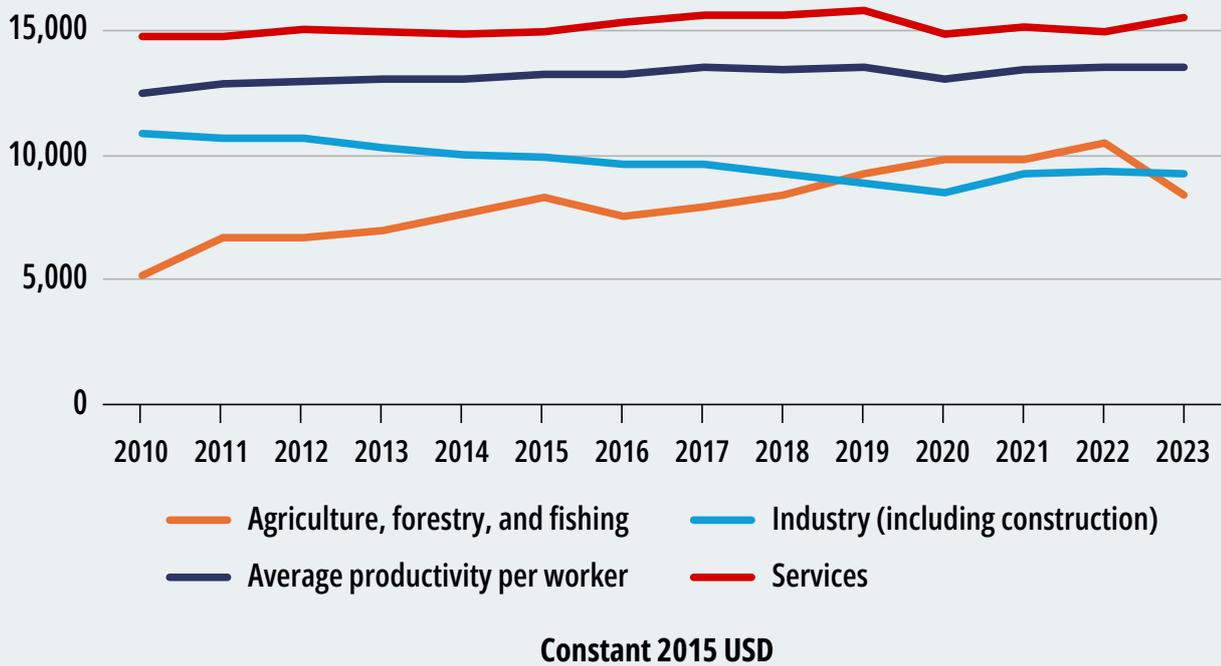
Agriculture, on its side, has unusually industry-comparable productivity of \$8,413 (2023) (constant 2015) thanks to high-margin exports like olive oil and dates, but without much processing before export. This suggests that although Tunisia's industrial base is diversified and exhibits a fair degree of complexity, both industry and agriculture continue to face challenges in moving further up the value chain to export more highly processed and sophisticated products.

Like industry, services also include subcontracting activities, though their effect on value added is less pronounced with a value added per worker of \$15,453 in 2023 (Figure 2).

Building on its current capabilities, Tunisia is well-positioned to produce higher value-added products through more knowledge-intensive industries. ITCEQ's analysis of Harvard's Economic Complexity Index (ECI), which gauges a country's export diversity (how many different products a country exports competitively) and ubiquity or complexity (how many other countries can make them), supports this. As shown in Figure 3, Tunisia ranked 51 out of 145 nations in 2023 with an ECI of 0.25, second in Africa ahead of Egypt (ranked 71), South Africa (ranked 77), and Morocco (ranked 91) (CID, 2023). This ranking aligns with Tunisia's strong performance on the ATI.

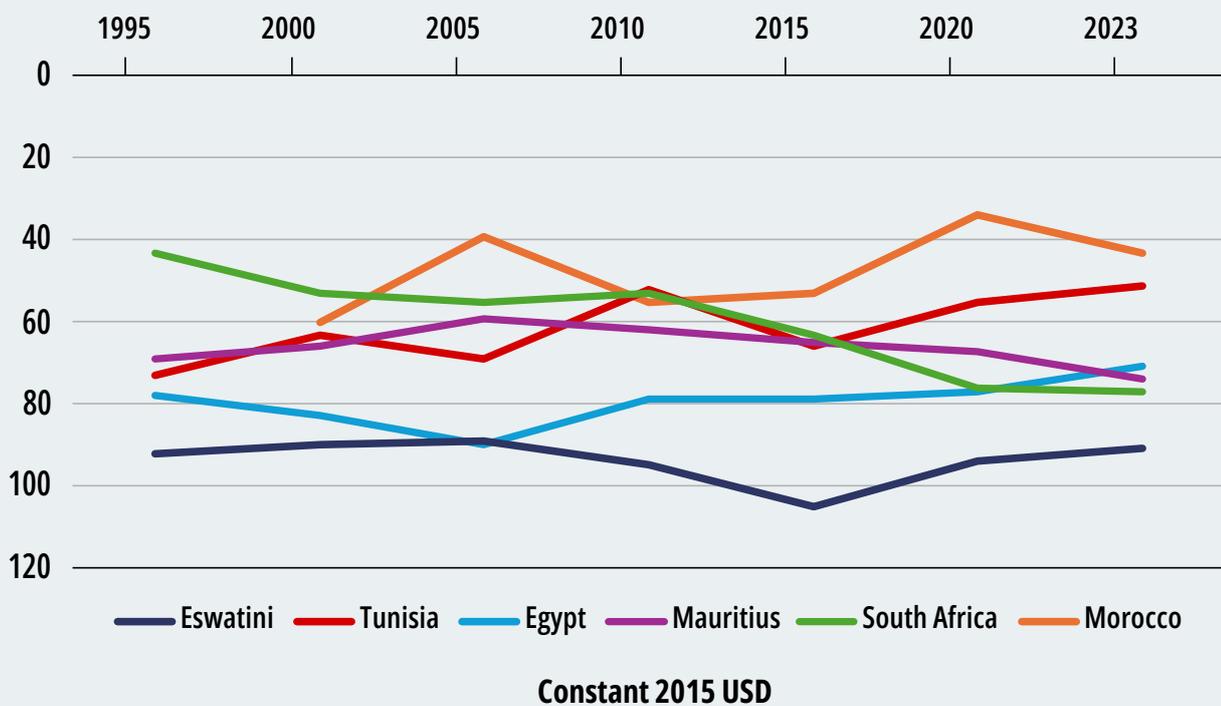
CETO findings show that Tunisia has the capacity to go into higher value chain segments and be more competitive in sectors such as pharmaceuticals, aerospace, ICT services, precision medical equipment, automotive components, technical textiles, and advanced agro-industrial products. To realize this potential, diversification must be consolidated through active policies that upgrade industry, capture greater domestic value with incentives for strategic sectors and promote research and development (R&D) while strengthening its linkages with industries to foster more advanced industrial development.

Figure 2. Evolution of value added per worker by sector in Tunisia, 2010-2023



Source: World Development Indicators, ILOSTAT.

Figure 3. Eswatini, Tunisia, Egypt, South Africa, and Morocco ECI rankings, 2000-2023



Source: Harvard University, Center for International Development.

Export competitiveness

Export competitiveness is one of Tunisia's strengths. It contributed the most to the country's overall ATI score increase between 2000 and 2010, increasing 21.7 points to reach 70.6. Even after some fluctuations post-2010, it returned to the same value in 2020. In 2023, exports accounted for 52 percent of GDP with non-extractive exports at \$22.7 billion and only \$2.5 billion in extractive exports.

Exports developed thanks to the offshoring model, which increased foreign investment, though it also created a reliance on European markets. Tunisia's offshore model has increased export competitiveness by drawing in foreign capital and securing integration in European value chains, boosting various industries and creating jobs. The EU-Tunisia Association Agreement of 1995 resulted in a free trade zone in 2008. Lower tariffs and fiscal advantages to investors, increased European foreign direct investment. Textiles, electronics, and automotive electrical systems saw especially robust growth. However, this also encouraged the concentration of exports in European markets (60 percent to top three partners: France, Italy and Germany), leaving the country dependent on these trade partners.

On the other hand, trade with Africa accounted for only 8 percent of total trade in 2021 leaving plenty of room for growth (AfCFTA, 2024). Simulations by the Tunisian Institute for Competitiveness and Quantitative Studies estimate that the African Continental Free Trade Area (AfCFTA) could raise Tunisian exports by up to 176 percent (\$2.7 billion) compared to the baseline scenario with no AfCFTA implementation (ITCEQ, 2024). Alongside other agreements such as COMESA, this presents an important opportunity to diversify export destinations and secure more resilient market profits. To seize this opportunity, however, requires Tunisia to improve its infrastructure and regional connectedness; its intra-African trade costs are still among the highest in the world, according to the ESCAP–World Bank Trade Cost Database and World Bank analytical work.

Figure 4 shows a broad export base with export market concentration on European markets, reflecting the country's diversification efforts and the result of the subcontracting model.

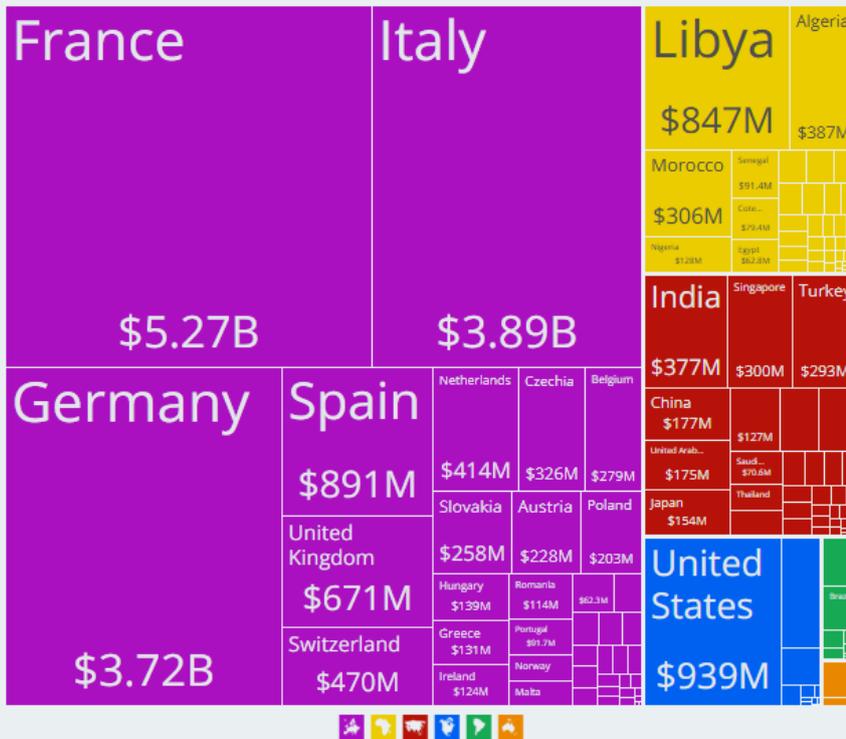
Another limitation to the offshoring model is the low local content and low value-added exports. Offshore companies rely largely on imported inputs, with only around 30 percent supplied locally, which limits industrial upgrading and technology spillovers. Even though exports are strong, Tunisia only receives a small share of the value generated, which further solidifies its position as an assembler rather than an innovator. This is also due to the early policies of investment attraction focusing on offering low-cost labor.

Additionally, the trade deficit continues to rise, a sign of structural vulnerabilities. With exports at 52 percent of the GDP, a TND 18.9 billion trade deficit (TND 8.2 billion not including energy) in 2024 further indicates that the composition of exports and production limit domestic value capture (Ministère du Commerce et du Développement des exportations, 2024).

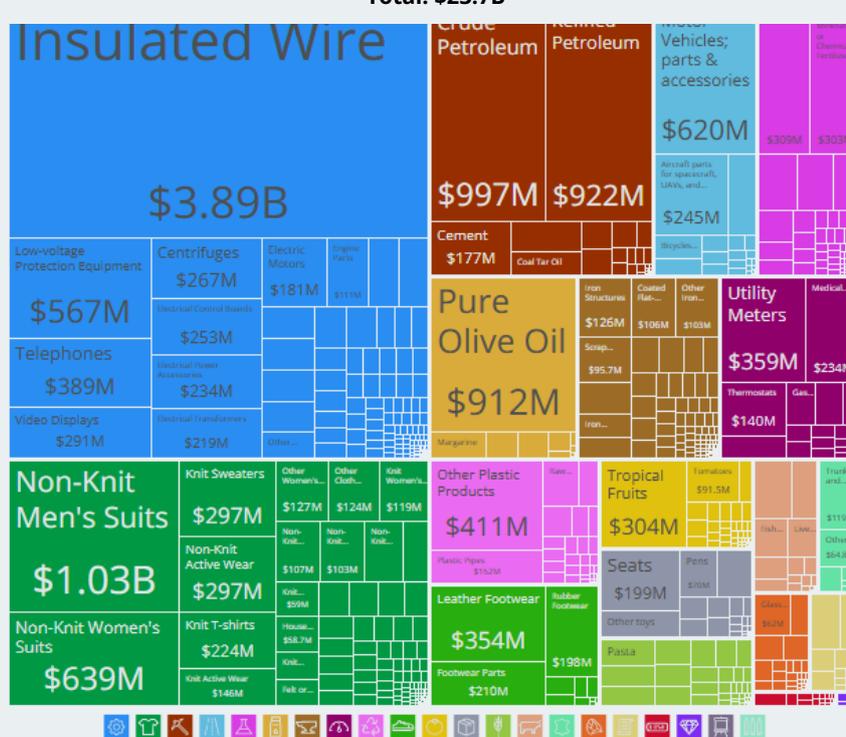
Tunisia's integration into European value chains, increasing exports of services, and AfCFTA opportunities offer a strong foundation to diversify partners, retain more value, and enhance trade resilience. To build on this foundation, Tunisia must upgrade its industries and strengthen logistics and trade facilitation. These measures are essential to broaden market access beyond Europe and secure long-term competitiveness.

Figure 4: Tunisia's export destinations and products (services excluded), 2023

Total: \$23.7B



Total: \$23.7B



Source: Observatory of Economic Complexity, 2025.

Productivity increases

Productivity is Tunisia's weakest ATI dimension, though the country's score still improved from 39.1 in 2000 to 50.2 in 2020. The weakness can be attributed to numerous factors, but the dominance of low value-added manufacturing and export is a key contributor. Tunisia's value added per worker is still lower than that of peer countries in the region like Egypt, Algeria and Morocco. Most productivity growth (95 percent) was driven by capital accumulation rather than structural transformation (Mohamed Ali Marouani, 2015).

While productivity recorded gains in TND, they were offset by currency depreciation, leaving productivity stagnant and impacting international competitiveness. From 2010 to 2023, Tunisia's labor productivity in constant TND increased by 133 percent, fueled by improvements across agriculture, services, and industry. Yet, in constant US dollars, productivity remained stagnant because currency devaluation compensated for domestic improvements, and therefore, gains did not convert into enhanced international competitiveness.

Informality, skills mismatch, low digital adoption, weak infrastructure, and brain drain also limit productivity. Close to 44.8 percent of Tunisia's labor force was estimated as informal in 2019, concentrated in low-skilled, low value-added positions with limited access to training or technology (INS, 2019). Meanwhile, an increasing skills mismatch leaves many educated workers underemployed, particularly women. Weak adoption of digital technologies—especially by micro, small, and medium enterprises (MSMEs)—restricts innovation, while poor transport infrastructure limits labor mobility and access to more productive job markets, disproportionately harming women and rural workers (World Bank, 2025). Lastly, the ongoing exodus of engineers, doctors, and other professionals depletes human capital, undermines innovation, and risks creating shortages in important sectors. According to the Institut national de la statistique, 39,000 engineers and 3,300 doctors emigrated between 2015 and 2020.

Despite modest productivity growth, **Tunisia's highly educated labor force, expanding digital economy, and scope for reallocation of labor into more productive activities offer the foundations for durable improvements** if constraints like informality and skills mismatch are tackled and higher value added is secured in economic activities. Achieving this requires reforms that expand SME support, foster innovation and digital adoption, strengthen skills-to-jobs alignment, and reinforce governance to ensure that Tunisia's human capital is fully translated into productivity gains and inclusive growth.

Technology upgrading

Tunisia ranks third on the ATI's technology upgrading component, rising 29.7 points between 2010 and 2020. This is due to medium and high-tech manufacturing and exports (aerospace, automotive industry, electrical and electronic equipment, and pharmaceuticals) rising, while low-tech industries (textiles and leather, for example) declined. By 2022, medium-tech products made up 40.6 percent of manufactured exports, while high-tech share formed 7.2 percent (World Bank, 2025). While these shares are promising, the dominance of mid-tech raises the aforementioned issue of Tunisia being stuck in an assembler role, collecting limited value added. This is a consequence of the offshoring model.

Weak R&D and innovation ecosystems also hinder Tunisia's shift to high-tech production and fully local high-tech exports. Despite a post-2010 shift toward more technology-intensive activities, the system still underinvests in R&D and lacks policy coherence to move from assembly to innovation.

Tunisia's progress in medium- and high-tech manufacturing since 2000, coupled with emerging digital exports, demonstrates the country's capacity to shift from assembly toward innovation, provided R&D and local content policies are strengthened. The observed limits, however, reinforce the need for greater investment in research and development, stronger linkages between firms and academia, expanded digital infrastructure, and regulatory reforms to encourage the move beyond subcontracting and capture more local value.

Human well-being

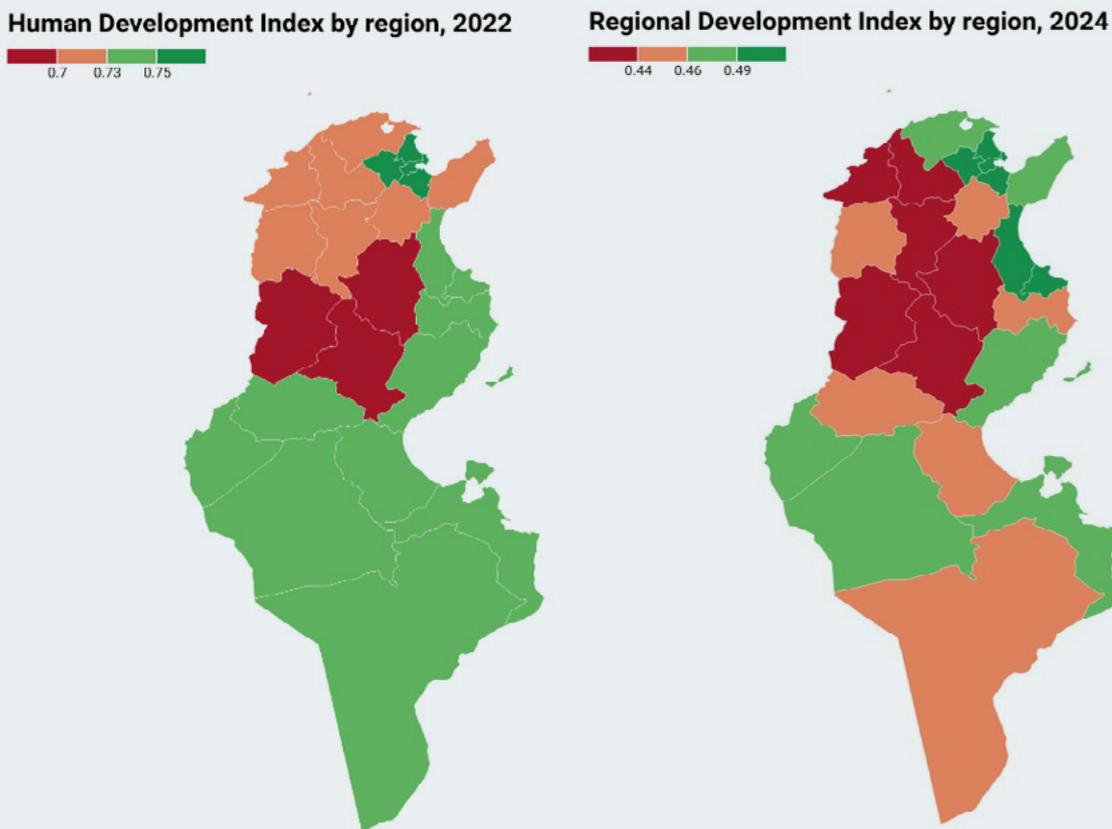
Tunisia ranks second on this ATI component, scoring 78.1. Although the score rose modestly by 12.7 points, it was already at a relatively high 65.4 in 2000, reflecting early investments in infrastructure and public services. Additionally, the country's Human Development Index (HDI of 0.732 in 2022), is the fifth highest in Africa (UNDP, 2025). It also ranks 11th in Africa in terms of GDP per capita (2024 current US dollars), and income inequality has improved, with the Gini index falling from 40.8 in 2000 to 33.7 in 2021 (World Bank, 2025).

However, the social issues that sparked the 2011 social movements were left unaddressed. High unemployment as well as informal and precarious employment continue to undermine quality of life. As of Q3 2025, unemployment was 15.4 percent. Vulnerable categories bear a disproportionate brunt: 40.1 percent of young people, 22.4 percent of women, and 24.9 percent of university graduates are unemployed (INS, 2025). This structural issue wastes human capital, undermines living standards, and impacts confidence in the economy's capacity to create opportunities. It is compounded by high informal employment rates (44.8 percent), which leaves room for exploitation through lower income, no job security and uncontrolled working conditions.

Additionally, deep regional disparities persist. Poverty rates exceeded 35 percent in parts of the center-west region, compared to around five percent in greater Tunis in 2022 (UNICEF, 2022). This stark difference is also visible in Regional Development Index and Human Development Index scores (Figure 5).

Moreover, access to basic services reflects the same gaps. For example, 19 percent of the population in the south expresses an inability to access healthcare for financial reasons versus only 6 percent in coastal regions (World Bank, 2023).

Despite uneven distribution, Tunisia's strong human development outcomes, including a high HDI ranking and reduced income inequality, demonstrate its resilience. Yet regional disparities persist highlighting the importance of regional economic visions that build on the specific strengths and comparative advantages of each region, turning local assets into drivers of national transformation. Additionally, territorial policies that expand infrastructure and services in lagging regions are necessary to ensure their economic inclusion and unlock productivity potential.

Figure 5: Regional disparities in Tunisia

Source: ITCEQ, *L'Indice du développement régional 2024*;
Global Data Lab, *Subnational Human Development Index (v8.1)*.

Gender

Tunisia has a strong legal foundation built on gender-responsive reforms that have granted women access to their basic rights. Thanks to decades of progressive measures beginning with the landmark 1956 Code of Personal Status, Tunisia has emerged as a leader in gender equality in Africa. According to the UNDP Gender Inequality Index, Tunisia (GII, 0.259 in 2021) performs better than the global average, with women enjoying equal rights in marriage, property, and employment.

High female educational attainment is one of the outcomes of these progressive reforms, with women making up 69.9 percent of higher education graduates (Ministère de l'Enseignement supérieur et de la Recherche scientifique, 2024). Women now dominate university cohorts and are comparatively well represented in STEM fields (55.4 percent of STEM graduates in 2018).

Yet women's labor participation is only 28.2 percent, and unemployment is persistently high for them (INS, 2025). Female university graduates face the highest unemployment (32.3 percent), which indicates how the economy does not absorb the very skills it has invested in developing (INS, 2025). Barriers to participation include childcare and domestic duties, unsafe or limited transport, skills mismatches, and lack of flexible work options.

When employed, women face poor conditions and potential discrimination. Women are concentrated in low value-added sectors such as textiles, agriculture and domestic services where informality is high, and career ladders are short. They face wage gaps (estimated at 10.4 percent) (Ben Braham, 2023), and their financial inclusion is limited—28.8 percent with accounts in financial institutions as of 2021 (World Bank Gender Data Portal, 2024).

Initiatives have encouraged women to take leadership roles and enter entrepreneurship. Gender-transformative laws, such as the 2011 parity law, boosted women’s political presence: in 2022 women held 33.3 percent of ministerial posts. Women also co-founded 34 percent of startups, showing promise in entrepreneurship. The high educational attainments of Tunisian women promise to further improve these numbers, gradually translating into greater female representation in management and leadership positions.

The gap between women’s strong educational outcomes and their weak labor market participation reflects both structural and socio-cultural barriers, including entrenched gender norms, unpaid care burdens, occupational segregation, and limited access to finance and digital tools. Addressing these gaps requires stronger job protections, expanded childcare, gender-responsive labor policies, and targeted financial and digital inclusion measures. Tunisia’s solid legal framework and high female educational attainment provide a platform to foster more inclusive growth, curb unemployment, and translate educational gains into economic participation, innovation, and social progress.

Environmental sustainability

Tunisia faces growing climate change risks. Tunisia is a member of the Vulnerable 20, a partnership of 74 countries highly exposed to climate risk. While historical exposure to extreme weather-related events for Tunisia is modest, the country faces cumulative vulnerabilities such as water scarcity, coastal erosion, rising heat, and growing energy dependence.

Severe water scarcity threatens agriculture and food sovereignty. Renewable water availability was around 400 m³ per capita yearly, below the absolute scarcity threshold (World Bank, 2022; FAO, 2025). Agriculture consumes over 60 percent of withdrawals. This combination leaves little buffer against climate shocks and increases the potential reliance on imports to meet domestic demand, which is already the case for cereals for example. The impact on agriculture could also reduce revenues from exports since agricultural products formed 14 percent of the country’s exports in 2024 with key products including olive oil, dates and citrus fruits.

Degradation of ecosystems also threatens economic activity and human well-being. Municipal waste management underperforms, with plastic recycling under 4 percent and 36 percent of waste left mismanaged, feeding marine litter that negatively impacts tourism and fisheries. Studies estimate the economic losses in tourism due to plastic waste at \$20 million annually (UNDP, 2025). Forest loss, much of which is fire related, erodes natural carbon sinks, impacting air quality and pulling the country back from reaching carbon neutrality, while coastal erosion imposes financial losses and places coastal touristic destinations at high risk of damage to their infrastructure (Ministère des Affaires locales et de l’Environnement, 2021; UIA, 2023).

Any new economic model that addresses inclusion challenges and secures higher productivity must also place sustainability at its core. Tunisia's commitment to carbon neutrality by 2050, its numerous strategies for better climate change adaptation, and its vast renewable energy and green economy potential offer a transformative opportunity to reduce vulnerabilities, save resources, and position the country as a regional green hub.

III. Thematic analysis of priority sectors

Tunisia's economic transformation can be accelerated by leveraging three priority sectors identified in the CETO study: renewable energy, MSME financing, and the digital economy. Each offers distinct pathways to ease fiscal pressures, boost competitiveness, and promote inclusive growth.

Renewable energy: A game changer for Tunisia

Tunisia is dependent on fossil fuels, particularly imported Algerian gas for electricity. As of 2025, only 5.1 percent of the country's electricity mix was from renewables, with 771 MW of installed capacity. The energy trade deficit (TND 10.7 billion in 2024) and subsidies (TND 7 billion in 2024) weigh heavily on the country's finances. This energy deficit is paradoxical given the vast solar (280 GW) and wind (340 GW) potential (Ministère de l'Industrie, des Mines et de l'Énergie, 2025). The country is aware of this and has adopted strategies and legal frameworks aiming to better exploit its potential and set ambitious targets for future years.

Meeting the 2030 target (35 percent renewables in the mix with 4.85 GW installed capacity) could save up to TND 3.6 billion in imports and TND 1.9 billion in subsidies annually (Matine calculations). These savings come from avoided gas imports and electricity subsidies, which frees fiscal space for social programs and productive investment. In addition, efficiency improvements by a 30 percent reduction in primary energy demand can save up to TND 4 billion on imports and TND 2.8 billion on subsidies annually (Matine calculations). This is also estimated through avoided fuel imports and subsidies.

Tunisia has a strategic location (between Europe, Africa, and the Middle East) where it could become an exporter of green electricity, hydrogen and other PtX fuels but requires foreign direct investment and streamlined regulation, which are already planned for in strategies such as the green hydrogen strategy.

Renewable energy and efficiency can improve productivity through the reduction of costs for businesses and the state. Lower and more stable electricity costs improve firms' margins and planning, while fewer outages raise capacity utilization. On the public side, reduced subsidies release resources for infrastructure and skills development that further raise productivity. Unleashing this potential requires making the transition a national priority, mainstreaming regulation and ensuring transparency in project permitting and execution.

MSME financing

MSMEs are the backbone of Tunisia's economy (95 percent of firms, 70 percent of private employment) **but face the greatest financing challenges**—a gap that can be explained by both supply-side constraints and demand-side issues. On the supply side rigid banking, limited microfinance, the missing middle and underdeveloped alternative finance are issues that limit possibilities for MSMEs.

On the demand side, low financial maturity, weak bookkeeping, limited use of digital payments, and informal practices reduce bankability and raise perceived risk. Addressing the gap requires a dual approach: broadening financing instruments (credit guarantees, equity, alternative tools) and strengthening MSME maturity. On the supply side, a wider mix of funding sources and better risk sharing ease collateral pressures and allow longer more appropriate tenors. On the demand side, stronger bookkeeping, transparent compliance, and improved management practices raise bankability and lower perceived risk.

Strengthening MSME financing can enhance all DEPTH dimensions by broadening diversification, boosting exports, raising productivity, enabling technology upgrading, and improving human well-being through inclusive job creation. Better finance helps firms move into higher value activities, meet quality standards for new markets, invest in machinery and digital tools, and scale outside coastal hubs. With targeted products for women-led and interior-region firms, MSME finance becomes a lever for both competitiveness and equity.

Digital economy

Tunisia's digital economy already contributed 11 percent of GDP in 2023, growing 8 percent annually (FIPA, 2023), with 10,000 ICT graduates per year and 25 Higher Institutes of Technological Studies in 2020 (Tunisia Investment Authority, 2021). Research estimates that doubling ICT diffusion could increase value-added by 4 to 5.6 percent, which would help address Tunisia's stagnating productivity. Tunisia has strong government support for startups and innovation that boosted the sector, such as the Startup Act and the Digital Strategy 2021–2025. The policy focus has improved services, visibility, and access to early support for entrepreneurs, and flagship successes show that Tunisian teams can build products for global markets.

Digitalization of public services offers major fiscal and efficiency gains. For instance, per the CETO analysis and findings, digital IDs could generate between \$1.28 to 2.55 billion of gains per year, with additional savings from e-voting (26 million) and e-land registries (\$25 million).

Digitalization acts transversally across all economic public and private sectors and brings strong innovation potential creating room for further diversification. It enables new data driven services and digital complements that raise value added across manufacturing, agriculture, and services. Sectoral digital transformation can include tourism (such as virtual tours and online travel platforms), education (e-learning platforms), and financial services (e-banking, mobile payments, and digital lending models).

Lastly, in addition to economic gains, digital tools can reduce inequalities by enabling remote work, job access for women and youth, and improved service delivery. Telemedicine, e-learning, e-government, and digital payments lower access barriers and increase transparency when inclusion by design is applied.

IV. Policy recommendations

Based on the insights gained from the CETO study and presented in this policy brief, the following recommendations have been identified to address Tunisia's challenges while boosting its capability to capitalize on its high economic transformation potential.

Renewable energy

Energy generation, efficiency, and electric mobility must be advanced in parallel to maximize impact. Reforms should focus on streamlining regulatory and administrative procedures, accelerating approval processes, while mobilizing new financing and strengthening institutional coordination. Priority actions (and organizations to drive those actions) include:

- **Fast-track permitting and integration.** Establish a one-stop shop, digital land availability platform, and local permitting reform.
- **Renewables and efficiency.** Mandate renewable integration in housing and industries, expand retrofit incentives, enable third-party finance, and position public institutions as early adopters.
- **Green mobility.** Expand charging infrastructure for electric vehicles, introduce preferential credit, and gradually electrify the public fleet.

Owners: Ministry of Industry, Mines and Energy; Agence Nationale pour la Maîtrise de l'Énergie; Société Tunisienne de l'Électricité et du Gaz; Ministry of Transport (for e-mobility aspects).

Integration of the digital economy

To position Tunisia as a regional digital hub, infrastructure, governance, and skills must advance together. Building a secure digital backbone, modernizing public services, and aligning talent with market needs are essential. Priority actions include:

- **High-performance computing and cybersecurity.** Invest in national computing capacity with embedded cybersecurity standards to support AI and advanced technologies.
- **Digital ID and e-government.** Generalize the use of digital identity and e-signatures and accelerate digitalization of public services.
- **Skills and talent.** Align higher education and training with digital economy needs and implement programs to attract and retain R&D talent.

Owners: Ministry of Communication Technologies; Ministry of Higher Education and Scientific Research.

Financing for MSMEs

Unlocking MSME growth requires easing regulatory constraints, diversifying financing instruments, and strengthening tailored support systems. Addressing these bottlenecks will boost entrepreneurship and innovation, especially in the regions. Priority actions include:

- **Regulatory reforms.** Relax usury interest rate rules and streamline licensing for credit bureaus.
- **Diversified financing.** Scale up guarantees and expand alternative finance, including crowdfunding, restructured SICARs, business angels, and more.
- **Targeted support.** Create regional MSME support desks and enhance credit scoring tools using alternative data.

Owners: Central Bank of Tunisia; Ministry of Finance; Agence de Promotion de l'Industrie et de l'Innovation.

Innovation and value addition

Strengthening Tunisia's competitiveness requires a commitment to innovation. This includes channeling incentives toward high-complexity sectors, institutionalizing innovation governance, and enabling new forms of collaboration between the state, private sector, and diaspora. Cross-cutting programs are also needed to enhance social inclusion and sustainability. Priority actions include:

- **Strategic incentives.** Redirect tax advantages toward high-potential industries and fully operationalize Decree No. 2022-68 on innovative public procurement.
- **Innovation governance.** Launch a centralized National Innovation Platform and establish a High Committee on Innovation and R&D.
- **Enabling frameworks.** Deploy regulatory sandboxes, reform foreign exchange/payment rules, and create diaspora talent incentives.

Owners: Ministry of Economy and Planning; Agence Nationale de Promotion de la Recherche Scientifique; Ministry of Higher Education and Scientific Research; Ministry of Foreign Affairs (for economic diplomacy and diaspora engagement).

Environmental and economic sustainability

Tunisia's resilience depends on integrating climate adaptation, sustainable resource management, and circular economy principles. Stronger local capacities and accountability mechanisms will ensure both ecological protection and economic sustainability. Priority actions include:

- **Climate resilience and adaptation.** Restore coastal ecosystems, promote drought-resistant crops, and develop territorial adaptation plans with local participation.
- **Sustainable resources.** Expand treated wastewater reuse, deploy smart meters for water management, and strengthen local actor capacities.
- **Circular economy and accountability.** Incentivize recycling, enforce the polluter-pays principle, and implement ecosystem restoration for contaminated areas.

Owners: Ministry of the Environment; Ministry of Agriculture, Hydraulic Resources and Fisheries; National Agency for Environmental Protection; local authorities; private sector.

Governance and implementation

Effective reform requires robust prioritization, coordinated resource allocation, and strong monitoring to ensure impact. Governance mechanisms must cut across sectors to align state resources with national priorities. Priority actions include:

- **Project prioritization.** Establish mechanisms to rank projects by impact and feasibility.
- **Cross-sector coordination.** Create governance structures to guide budget allocations in line with national priorities.
- **Monitoring and accountability.** Reinforce cross-cutting mechanisms to track implementation of priority reforms.

Owners: Presidency of Government; Ministry of Finance; Ministry of Economy and Planning; sector ministries.

Regional investment and planning

Balanced development is necessary to unlock local potential. This requires tailored regional visions, equitable investment allocation, and improved infrastructure and social services to improve quality of life. Priority actions include:

- **Regional visions.** Define economic and social development strategies for each district/region, leveraging local potential.
- **Targeted investment.** Align public spending with regional priorities and visions.
- **Infrastructure and services.** Launch a national transport, logistics, and digital plan (with a focus on railways and rural logistics) and rebalance the distribution of health and education infrastructure.

Owners: Ministry of Economy and Planning; Ministry of Transport; Ministry of Health; Ministry of Education; Ministry of Equipment and Housing; local development councils and governorates.

Women's inclusion

Gender equality in the workforce requires stronger protections, targeted incentives, and active measures to enhance women's participation in entrepreneurship and leadership. Priority actions include:

- **Equal pay and protections.** Enforce equal pay, strengthen maternity protections, and incentivize hiring in underrepresented sectors to ease women's employment and economic participation.
- **Entrepreneurship and rights.** Expand support for women entrepreneurs, promote financial education, and ensure inheritance rights are respected.
- **Leadership and representation.** Introduce quotas and incentives for women in leadership and invest in tailored academies to prepare future leaders.

Owners: Ministry of Women, Family, Children and Seniors; Ministry of Social Affairs; Ministry of Employment and Vocational Training; private sector; civil society organizations.

V. Conclusion

Tunisia has reached a critical juncture in its transformation trajectory. A diversified export base has not translated into robust domestic value capture, and productivity has remained stagnant. Persistent regional and gender disparities continue to constrain inclusion. Heightened climate risks, together with fiscal and external imbalances and late technology adoption, intensify the urgency of reform. Without a shift from subcontracting toward higher value-added production, competitiveness will erode, and development gaps will widen. The coming years will be decisive for recalibrating the development model and embedding sustainable, inclusive progress.

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