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Economic Commission for Africa

COUNTRY PROFILE **2016**



TUNISIA



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Abbreviations and acronyms

AFD	French Development Agency
AMU	Arab Maghreb Union
BCT	Central Bank of Tunisia
CEN-SAD	Community of Sahel-Saharan States
CILSS	Permanent Inter-State Committee for Drought Control in the Sahel
COMESA	Common Market for Eastern and Southern Africa
DGREP	Directorate-General of External Resources
ECA	Economic Commission for Africa
FDI	foreign direct investment
GDP	gross domestic product
IMF	International Monetary Fund
INS	Institute National de la Statistique
NATO	North Atlantic Treaty Organization
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WTO	World Tourism Organization

Acknowledgements

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The country profile on Tunisia was prepared under the overall coordination and substantive guidance of Giovane Biha, Deputy Executive Secretary of ECA for Knowledge Delivery, and the direct coordination of Ochozias Gbaguidi, Chief of the Subregional Initiatives Section. Other contributors to the country profile were Omar Abdourahman, Acting Chief, Data Centre and Acting Director of ECA Subregional Office for North Africa; Isidore Kahoui, statistician; and Mohammed Mosseddeck, chief research assistant.

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Tunisia at a glance

General information		Rankings	
Subregion	North Africa	Human development index (United Nations Development Programme)	96/188 (2014)
Official language	Arabic	Gender inequality index (United Nations Development Programme)	48/155 (2014)
Currency	Dinar (d)	Ibrahim index of African governance (Mo Ibrahim Foundation)	8/54 (2014)
Capital city	Tunis	Ease of doing business index (World Bank)	74/189 (2016)
Regional Economic Community membership (s)	AMU, CEN-SAD	Corruption perceptions index (Transparency International)	76/168 (2015)



Economic growth

Growth of 0.8 per cent was achieved thanks to the performance of the olive oil sector; its exceptional production offset the drop in the contribution from tourism.



Fiscal policy

The deficit declined by 4.8 per cent of GDP in 2015 compared with 5 per cent in 2014. The fall in the market oil price helped to maintain the deficit at this level, notwithstanding continuing social pressures.



Monetary policy

The low economic growth recorded in 2015 was accompanied by inflation that remained steady at 4.9 per cent, the level of 2014. The drop in inflation was facilitated largely by the fall in international prices.



Current account

The current account balance improved overall during 2015, rising from -27.8 per cent of GDP in 2014 to -20 per cent. This improvement was the result of a decreased trade balance deficit (-13.5 per cent in 2014 and -11 per cent in 2015), reduced cash outflows (-4.8 per cent in 2014 compared with -3.8 per cent in 2015) and an increase in current transfers (2.2 per cent to 3.8 per cent, respectively).



Capital and financial accounts

Inflows of foreign direct investments (FDI) increased by 8.8 per cent in 2015 to almost Tunisian dinars (D) (\$868 million), representing 19.5 per cent of the total of medium and long term external financing.



Demography

The Tunisian population is estimated at close to 11 million inhabitants (figure 11). It doubled between 1966 and 2015, rising from 4.5 to 10.9 million.



Poverty

Tunisia halved the relative poverty rate between 2000 and 2010 from 32.5 per cent to 15.5 per cent. Over the same period, the extreme poverty rate was reduced by almost one third, from 12 per cent in 2000 to 4.6 per cent in 2010.



Employment

The unemployment rate in Tunisia remains structurally high and in 2015 stood at 15.2 per cent.



Health

Progress made in respect of mother and child health has also been very significant. Child mortality of under-fives fell from 177 deaths per 1,000 children in 1970 to 51 deaths in 1990 and 15 deaths in 2015.



Education

The country has achieved significant progress in education and particularly in school enrolment figures. Tunisia recorded a significant upswing in the net enrolment ratio in the primary sector (99 per cent) and consequently has already achieved and even exceeded the target, which is a net enrolment ratio of 95 per cent for 2015.



Gender

In Tunisia, the figures reveal parity in education and in employment in the non-agricultural sector. The level of enrolment in secondary education and the literacy rate of 15 to 24 year-olds attest to perfect parity (10) between men and women. The gross enrolment ratio in tertiary education shows that women have overtaken men as 60.7 per cent of university students are women and only 39.3 per cent are men. The country achieved a parity score of 15 in tertiary education.

Overview

The Tunisian economy has been severely affected by the resurgence of terrorism and its impact on tourism, a key sector for the country; other factors include low foreign demand, notably European, with uncertain resumption of its growth, being caught up in the Libyan crisis and internal social tensions in various sectors. Economic growth stood at 0.8 per cent in 2015 compared with 2.3 per cent in 2014. It might have been negative were it not for the exceptional performance of the agricultural sector driven by the equally exceptional olive harvest.

Inflation was contained at 4.9 per cent at the end of 2015. On the issue of the balance of payments, the trade deficit shrank from one year to the next, thereby helping to reduce the current payments deficit to 8.8 per cent at the end of that same year. The budget deficit also shrank in 2015 as a result of the decrease in offsetting charges facilitated by the fall in world hydrocarbons prices.

Unemployment, with an overall rate of 15.4 per cent in 2015, continues to be too high, particularly with respect to university graduates for whom the rate stands at 19.4 per cent in 2015.

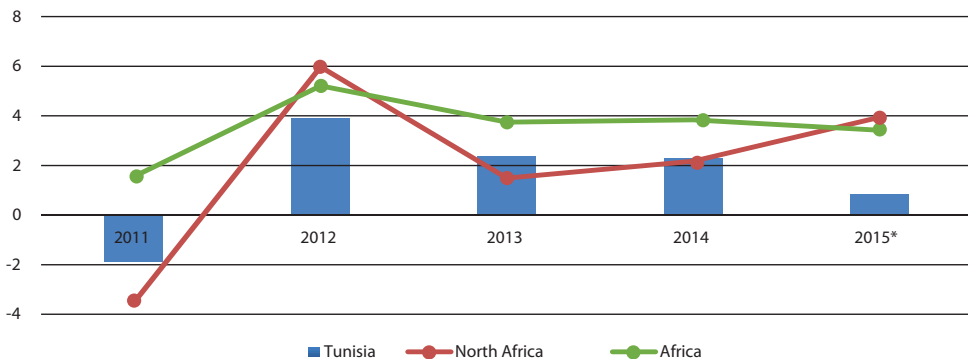
In a generally unfavourable international and regional environment, the tourism sector has struggled to attract visitors. A considerable decrease in tourism inflows from Europe was noted in 2015 compared with preceding years. This decline was not fully counterbalanced by the return of tourists from the Russian Federation. Consequently, the sector made a weak contribution to growth, in contrast to the standard practice of recent years. Behind these economic difficulties, however, lie problems of a structural nature which this country profile proposes to identify and which are considered later in the text. Recommendations to the Government of Tunisia are made in this country profile to pay particular attention to the tourism sector in its programme of reform so that the sector, which has already benefited from support in the past, can offer the promise of future success.

National and subregional context

As is the case in other countries of the North African subregion, economic activity in Tunisia is dependent on the global economic context in general and more specifically on the sound health of the European economy. However, since 2014, the global economy has been struggling to consolidate the slow recovery driven by the emerging countries, which the industrialized economies are failing to support. Consequently, we are seeing a slowdown in the growth of the emerging countries, including China, the country's second trading partner after Europe. The situation has led to continually decreasing prices of the principal raw materials, including those exported by the African continent in general and North Africa in particular, notably oil, a major input imported by Tunisia. One of the consequences, therefore, of the fall of the oil price by 31.8 per cent between January 2015 and January 2016¹ has been to help mitigate the negative impacts on GDP of the significant decline in tourism activities following the violent attacks which the country has suffered.

The resumption of growth following the beginning of renewed political stability in 2012 gave way to a sharp decline in GDP from 2.3 per cent in 2014 to 0.8 per cent in 2015.

Figure 1: Growth rate, Tunisia, in North Africa and Africa (as a percentage)



**Estimate*

Source: National Statistics Institute (INS, 2016), Growth Africa, United Nations Department of Economic and Social Affairs.

¹ Price of Brent according to data from the French National Institute for Statistics and Economic Research (INSEE).

This decline is not likely to continue according to various forecasts (particularly those of the World Bank and the IMF) which anticipate growth of 1.8 per cent in 2016. The scenarios envisaged are based on the resumption of phosphate production and fewer of the security threats and social tensions which marked a large part of 2015 and the beginning of 2016.

Tunisia is a major player in the North Africa region, because of its geostrategic position and because of its trade and political relations with North Africa and the south of the continent. Sharing about 500km of border with neighbouring Libya, Tunisia has found itself at the heart of African security concerns since 2012. Consequently, since the fall of the former Libyan regime, it has experienced an unprecedented influx of Libyan citizens, the real number of which continues to be the subject of debate.

In respect of regional integration, since 1990, Tunisia has also participated in the 5 + 5 dialogue. In fact, it is in this context that it has put forward an initiative to resolve the Libyan crisis for the consideration of the ministers of foreign affairs of the 10 countries in January 2017. Tunisia has also been a member of the Barcelona process since 1995 and a member of the NATO dialogue since that same year.

Box 1: Regional integration index: Tunisia

Overall rank: General ranking: Second in the Arab Maghreb Union (AMU) (score – 0.54). The best performance in AMU is achieved by Morocco (score – 0.58), followed by Algeria in third place (score – 0.48), Libya in fourth place (0.39) and Mauritania in fifth place (score -0.31). Tunisia is ranked eighth in the CEN-SAD countries (score – 0.47).*

Free movement of persons:	Trade integration	Productive integration	Infrastructure	Financial integration and macroeconomic policy convergence
Ranked third in AMU (score – 0.57). Ranked fifth in CEN-SAD (score – 0.61)	Ranked first in AMU (score – 0.97). The best performance in AMU is that of Tunisia (score – 0.97). Ranked third in CEN-SAD (score – 0.67)	Ranked first in AMU (score – 0.67). The best performance in AMU is that of Tunisia (score – 0.68). Ranked seventh in CEN-SAD (score – 0.38).	Ranked fifth in AMU (score – 0.29). The best performance in AMU is that of (score – 0.67). Ranked eleventh in CEN-SAD (score – 0.29)	Ranked second in AMU (score – 0.21). The best performance in AMU is that of Morocco (score – 0.5). Ranked fourteenth in CEN-SAD (score – 0.43)

Tunisia achieves moderate to low rankings among the countries of AMU and CEN-SAD with respect to general regional integration, ranked respectively second and eighth.

Free movement of persons: a moderate to low score (third in AMU and fifth in CEN-SAD). Tunisia had ratified the instruments of AMU and CEN-SAD on the free movement of persons, the right to establishment and the free movement of workers. Consequently, 75 per cent of the member countries of AMU and 46 per cent of the member countries of CEN-SAD are entitled to enter Tunisian territory visa-free.

* A continent-wide ranking, in which all African countries from all regional economic communities will be compared with one another, is currently under development for the Africa regional integration index and will be added to subsequent updates of the ECA country profiles.

Trade integration: a good score (ranked first in AMU and third in CEN-SAD). Tunisia implements an average tariff of about 0.01 per cent on imports originating from AMU (according to data from 2014). This is the lowest import tariff in the AMU bloc. For the period 2010-2013, imports from the East African Community (EAC) countries, the Common Market for Eastern and Southern Africa (COMESA) and the Intergovernmental Authority on Development (IGAD) totalled only 4.2 per cent, 4.3 per cent and 3.7 per cent respectively of the GDP of Tunisia. On the other hand, when the data were compiled (October 2016) for the index, Tunisian exports to EAC, COMESA and IGAD as a share of GDP achieved on average respectively 2.1 per cent, 3.6 per cent and 1.6 per cent over the same period.

Productive integration: moderate score (ranked first in AMU, seventh in CEN-SAD). Tunisia appears to be strongly integrated into the regional value chains with trade which complements that of its partners. It achieves a complementarity index of the commodity trade of UNCTAD of 0.40 in relation to the rest of the AMU countries between 2010 and 2013. This shows the existence of a strong correlation between the export structure of Tunisia and that of the imports of AMU and CEN-SAD. The share of semi-finished products from Tunisia in the imports of AMU were respectively 4.5 per cent and 22.6 per cent for the same period. The share of semi-finished Tunisian products in the total of AMU and CEN-SAD exports averaged respectively 26 per cent and 29 per cent.

Infrastructure: moderate to low score: (ranked fifth in AMU, eleventh in CEN-SAD). The country was ranked fifth in the AMU countries for its average performance according to the infrastructure development index of the African Development Bank between 2010 and 2012. Approximately 23 per cent of international flights flying from and into Tunisia are between countries of the Maghreb or involve CEN-SAD countries. Cellular telephone roaming within Africa is relatively less expensive in Tunisia, which has the lowest roaming charge among the countries of AMU.

Financial integration and macroeconomic policy: moderate to low score (second in AMU, fourteenth in CEN-SAD). The inflation rate (in 2015) in Tunisia was relatively high within the bloc – about 5.8 per cent, which is the highest inflation rate in AMU, whereas the country was ranked eleventh among the member countries of CEN-SAD, with the highest rate.

In general, the performance of Tunisia with respect to integration swings between moderate and low, with a better score in the field of trade integration, but a moderate to low score in the spheres of productive integration, infrastructure, financial integration and macroeconomic policy, as well as the free movement of persons. Concerning measures to improve performance, Tunisian can focus more on the other macroeconomic policies in an effort to develop intraregional trade in goods and services.

Source: Economic Commission for Africa (2016)

Tunisia belongs to the Africa, Caribbean and Pacific Group. A founder member of the Organization of African Unity and subsequently of the African Union since May 1963, the country joined the Arab League in 1958 and participated in the creation of the Arab Maghreb (AMU) in February 1989.

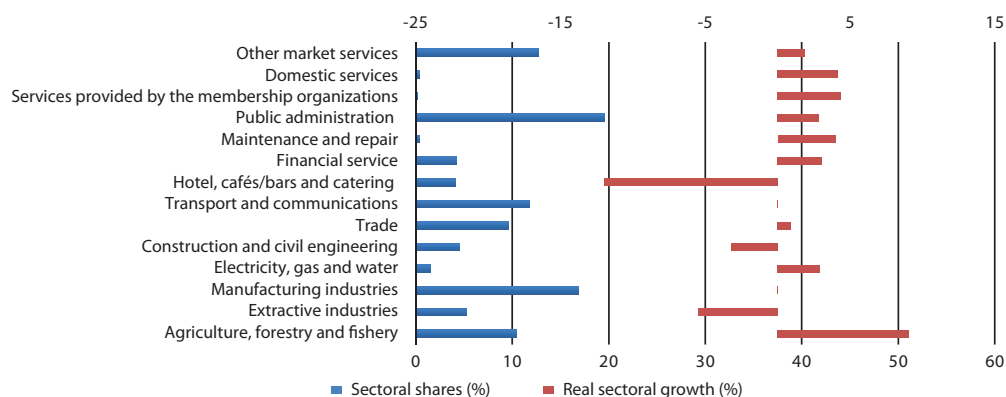
Economic performance

3.1 Economic growth

In 2015 Tunisia recorded growth of 0.8 per cent, the lowest since the difficult year of 2011, marked by a major internal shock for the economy. This poor economic performance is part of the trend which began in 2013, when growth (2.4 per cent) began to decline after the return to grace of 2012 (3.9 per cent). This was caused by a combination of internal and external shocks. Externally, the international environment was marked by poor performances by the Chinese and European economies, the two top partners of Tunisia. Domestically, the country was affected by terrorism and social disturbances. In less than one year in 2015, Tunisia experienced four attacks on its own soil, illustrating the severity of the threat.

Agriculture was the only sector to experience sustained economic growth in 2015 thanks to good rainfall which led to unprecedented results in the olive oil sector. In fact, the growth of 9.1 per cent in the agricultural sector was assisted by a record crop of olive oil (340,000 tons compared with 70,000 in 2014) and to a lesser extent by the date harvest, up by 10.3 per cent compared with 2014. Olive oil is one of the main agricultural products of Tunisia and constitutes a strategic export for the country. Tunisia is in fact the third exporter of olive oil after Italy and Spain. This trade position is partly the result of policies to promote the export of the country's olive oil production (Jackson and others, 2015).

Figure 2: Proportions and real sectoral growth of gross domestic product in 2015



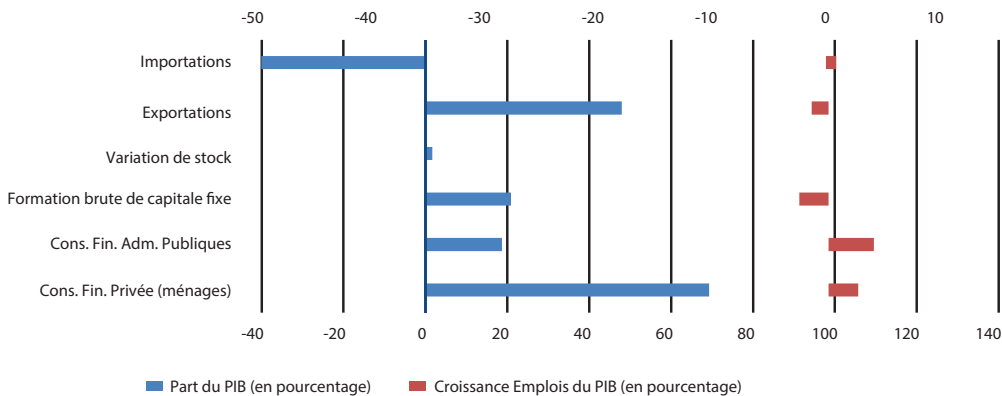
Source: NSI (2016), ECA figures.

The strong performance of the agricultural sector (9.1 per cent) was also accompanied by a significant drop in international prices of basic commodities, particularly of crude oil, and a modest revival in Europe. “These factors helped to offset the contraction of production by the extractive industries (phosphates, iron, etc.), the decline of the main export sectors of the manufacturing industry and the marked downturn in tourism” (Central Bank of Tunisia (BCT), 2016).

The share of the non-market sector in GDP stands at about 18 per cent, contributing up to 0.5 per cent to economic growth. Market-related services, suffering the impact of the security blows affecting tourism and transport, made a negative contribution of 0.2 per cent to global growth, a greater deterioration than that of 2011, the year which saw the beginning of the sociopolitical crisis that the country has experienced.

With respect to end demand, economic growth has been affected notably by the continuing drop in the gross fixed capital formation since 2011 and by the decline in exports of goods and services at a higher rate than that of imports. As a result, growth has been supported essentially by public consumption (+3 per cent) and private consumption (+3.4 per cent). Private end consumption which represented 69.3 per cent of GDP in 2015 (whereas public end consumption accounted for only 18.7 per cent) was driven mainly by salary increases. In fact, in the context of improved purchasing power for low income social categories, industrial negotiations resulted in 2015 in the signature of an agreement to increase the legal minimum wage. The agreement allowed for an increase of 5.7 per cent of the guaranteed minimum industrial wage) for a 48-hour working week and 5.5 per cent for a 40-hour working week, respectively to D338.88 and D289.639 per month. This increase, backdated to May 2015, should benefit 250,000 workers, according to the Central Bank of Tunisia (BCT, 2015)

Figure 3: Share of employment in growth domestic product and real growth, 2014 (per cent)



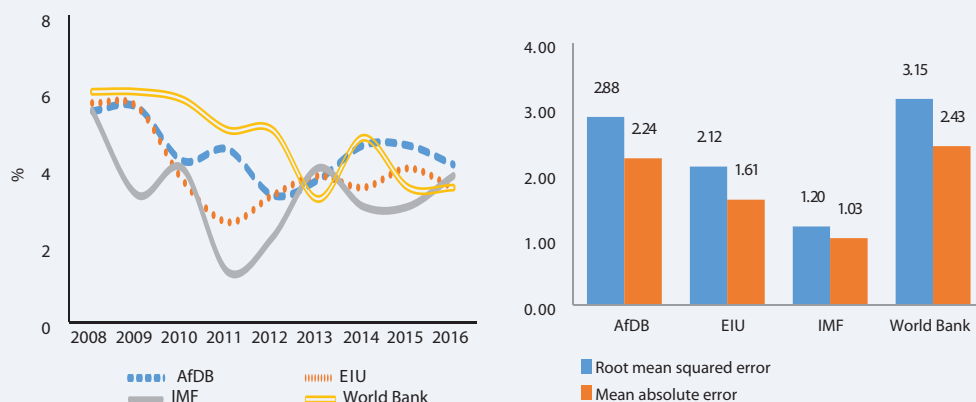
Source: INS (2016), ECA calculations.

Box 2: Comparing economic forecasts for Tunisia

Economic forecasts supply the decision makers in the public and private sectors with key information. Reliable economic forecasts facilitate reliable decision-making. A number of Organizations are currently producing economic growth forecasts for Tunisia: the African Development Bank, the Economic Intelligence Unit, the International Monetary Fund (IMF) and the World Bank. The growth forecasts produced by these Organizations diverge by 3.7 percentage points for the years 2008-2016 (see figure A). The World Bank provided the most optimistic growth figures each year for the period between 2008 and 2016 with an annual average of 4.8 per cent. In 2016, however, the most optimistic growth forecast figures come from the African Development Bank with a high growth rate of 4.1 per cent. Those of the World Bank and Economist Intelligence Unit (3.5 per cent), on the other hand, and of IMF (3.8 per cent) are moderate.

The degree of accuracy of these forecasts is an important issue. ECA conducted an analysis to determine which forecasts tend to be the most reliable. The square root of the average quadratic error and the absolute average error are measures commonly used to evaluate the forecasts. Generally speaking, the higher the value of these errors, the less accurate are the forecasts. Our analysis suggests that, in terms of these criteria, the most accurate forecasts produced for Tunisia for the period 2008-2014 were those of IMF, followed by the African Development Bank and the Economist Intelligence Unit and EIU forecasts, while those of the World Bank are relatively high (see figure B).

Figure A: Forecast of real gross domestic product growth by institution **Figure B: Accuracy of forecasts**



Source: ECA calculations.

3.2 Fiscal policy

Analysis of the budget deficit shows a slight decline to 4.8 per cent of GDP in 2015 compared with 5 per cent in 2014. Maintaining the deficit at this level notwithstanding continuing social pressures was made possible by the fall of international oil prices. Furthermore, the public debt rate continued its upward trend by three percentage points to reach 53.9 per cent.

Concerning jobs, the State budget continues to be structurally dominated by current spending, with a wage bill which alone accounts for 54 per cent of total spending, whereas expenditure on equipment is limited to 17.9 per cent of the budget. In terms of annual variation in relation to GDP, salaries have risen by 0.5 per cent while capital spending has dropped by one percentage point. The need to work towards rebalancing the structure of spending by rationalizing operating expenses in order to release more resources for investment spending is regarded as a priority which should contribute to supporting the structural transformation of the Tunisian economy.

The Tunisian authorities identified a number of possible avenues in the development plan 2016-2020, targeting in the medium term the progressive reduction of the budget deficit to

Table 1: State financial operations (billions of Tunisian dinars)

	2011	2012	2013	2014	2015*
Total earnings (including grants)	26.0	26.3	26.6	25.2	23.6
Tax revenue	21.1	21.1	21.7	23.1	21.6
Tax revenue excluding oil	19.6	19.3	19.5	20.9	20.4
Tax revenue on hydrocarbons	1.5	1.8	2.2	2.2	1.3
Non-tax revenue	4.8	5.2	4.9	2.1	2.0
Grants	0.3	0.9	0.3	0.5	0.3
Total expenditure and net lending	32.2	33.1	35.2	33.8	31.4
Current expenditure	19.4	20.8	23.2	21.4	20.2
Salaries	11.9	12.3	12.8	13.0	13.5
Current transfers and subsidies	6.1	7.1	9.1	7.2	5.4
Energy subsidies	2.4	3.0	5.0	2.9	1.1
Food subsidies	1.7	1.8	1.9	1.8	1.8
Social transfers	1.6	2.0	1.8	2.0	2.0
Interest payments	1.8	1.8	1.9	1.9	1.9
Capital spending	7.3	6.8	5.8	5.9	5.6
Primary balance	-0.6	-0.9	-2.7	-2.6	-2.4
Overall balance	-3.3	-5.5	-6.9	-5.0	-4.8

* Projection

Source: General Directorate of resources and balances/Ministry of Finance (DGRE/MF, (www.portail.finances.govtn, August 2016).

1.5 per cent of GDP and a debt ratio of about 52 per cent by 2020. These measures include an intensified war on the parallel economy and tax evasion and strengthening of ways to mobilize and recover the State's own resources.

The state budget breaks with a recent trend related to earnings since the rise that began in 2011 has not continued. Indeed, there is even a drop of 1.7 per cent compared with an average rise of approximately 11 per cent during the period 2011-2014. This decline in tax revenue is in line with the economic difficulties that the country is facing.

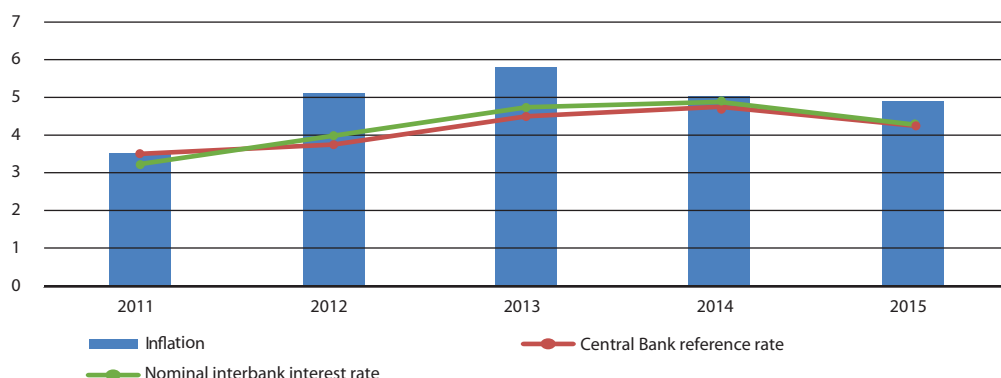
With respect to 2016, the estimates of the Finance Bill, banking on the resumption of tax revenue, were based on assumptions of growth of 2.5 per cent in real terms, an oil price of \$55 per barrel and an exchange rate of D1.970 to \$1.

3.3 Monetary policy

Weak economic growth in 2015 was accompanied by inflation that remained steady at 4.9 per cent, the level of 2014, when a significant decline of 5.8 per cent compared with 2013 was observed. The drop in inflation was mainly due to the fall of international prices.

Given the fact of stable inflation and in an effort to “revive investment and promote the resumption of economic activity” (BCT, 2016), the Central Bank of Tunisia dropped its key interest rate by 50 basic points in October 2015 to bring it down to 4.25 per cent. The last intervention of BCT goes back to June 2014 where it had increased the key interest rate to contain inflation which at that time stood at 5.8 per cent. The Central Bank also dispensed with the compulsory reserve on consumer credit to help to improve liquidity to banks (BCT circular dated 4 February 2015).

Figure 4: Inflation and interest rates (annual, per cent)



Source: BCT (2016), ECA calculations.

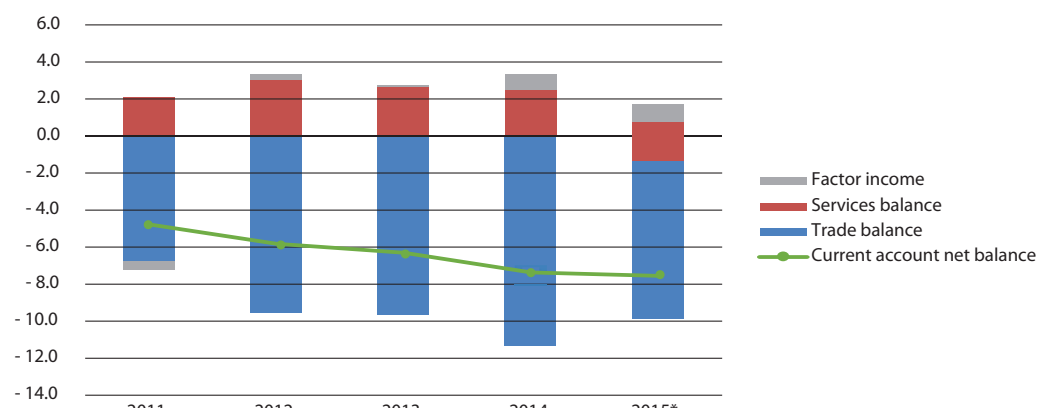
The Central Bank envisages other measures in the medium term forming part of the reform package initiated by the Tunisian authorities. They include a reform of banking legislation which will put in place a modern legal framework capable enriching the range of available banking by making use of the development of the banking services and distribution channels to support the economy through enhanced transparency and the creation of a level playing field. In the same context, a series of measures are being prepared to create flexibility in foreign exchange controls and to introduce mechanisms to the foreign exchange market. According to the Tunisian authorities, this relaxation should take the form of an easing of the foreign currency transfer procedures, particularly those related to the productive activities of the economic operators, both resident and non-resident.

3.4 Current account

The current account balance improved overall in 2015, rising from -27.8 per cent of GDP in 2014 to -20 per cent. This improvement is the result of a decreased trade balance deficit (-13.5 per cent in 2014 and -11.0 per cent in 2015), a decline in outflows of funds (-4.8 per cent in 2014 compared with -3.8 per cent in 2015) and an increase in current transfers (2.2 per cent to 3.8 per cent respectively).

The current deficit continued its fall from 2011 to stand at 8.8 per cent of GDP in 2015. The problem this year is related to the negative impacts of security hazards on a number of sensitive sectors, but also the structural nature of certain deficits, particularly the trade balance deficit. Continued social tensions which had the effect of weakening mining production and the decline of European demand also contributed to weakening the country's external accounts.

Figure 5: Evolution of the current account balance (millions of Tunisian dinars), 2011-2015)



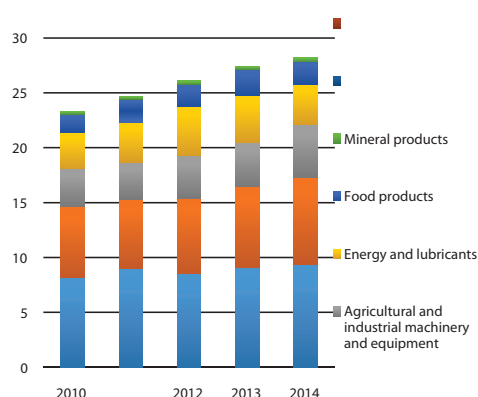
Source: BCT (2016), ECA calculations.

Supported by a more significant fall in imports than in exports, of -5.7 per cent and -2.8 per cent, respectively, the structural deficit of the trade balance was reduced from 11.3 billion TND in 2014 to 9.8 billion in 2015, representing an improvement of over 12 per cent.

According to BCT, this improvement in the trade balance is essentially rooted in the significant mitigation of the food trade deficit which dropped from -1.381 million TND in 2014 to -91 million TND in 2015, thanks to the strong performance of olive oil exports. Exports from the agricultural and food processing industries sectors actually experienced a strong upsurge (+74.5 per cent) with the strengthening of olive oil sales which achieved a record level of close to D1.9 billion in 2015 (compared with D490 million in 2014).

According to the categories of use (figure 6), Tunisian exports are dominated by consumer (non-food) products (D9.304 billion), followed by intermediate products (D7.952 billion D) and by agricultural and industrial machinery and equipment (4,815 million TND). This export structure has essentially not changed since 2010. The same is true of the evolution of the import structure depending on use. In fact, intermediate products have dominated Tunisian imports since 2010, followed by consumer goods and agricultural and industrial machinery and equipment. This structure confirms ECA findings (ECA, 2014)² that Tunisia is one of the economies on its way to a high degree of sophistication in North Africa and even in Africa in general. Tunisia is also, according to ECA (2016)³ one of the region's most integrated countries into global value chains thanks to a level of development which, although not exceptional,

Figure 6: Goods exports based on categories of use (millions of Tunisian dinars)

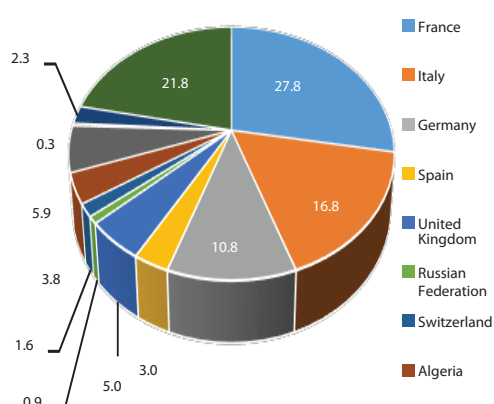


Source: BCT (2016), ECA calculations.

² ECA (2014).

³ ECA (2016) "Promoting regional value chains in North Africa".

Figure 7: Export shares according to the country of destination in 2014 (millions of Tunisian dinars)



enables the country to feed the European market. In fact, in terms of export markets, Tunisia leads the region relying on the European Union for the export of its agricultural and manufactured goods. The two main trading partners of Tunisia for this type of product in 2010 were France, receiving 42.7 per cent of Tunisian exports of these products to the European Union in 2010, and Italy (25.6 per cent), followed by Germany with 13.7 per cent. The two main items exported by Tunisia to the European Union are “clothing and other finished products in fabric and similar materials”, accounting for 32.2 per cent, and “electronic and electrical equipment and components, excluding computer equipment”, accounting for 22.4 per cent. In terms of clothing products, France and Italy account for the bulk of Tunisian exports to the European Union, with respectively 34.4 per cent and 32.7 per cent of its exports. In the sector of electronic and electrical equipment, France is its chief market, with 64.2 per cent of Tunisian exports to the European Union and smaller shares to Italy and Germany.

For a very long time Tunisia has been exporting clothing products to Europe, but it is only recently that its electronic and electrical equipment has begun to record significant growth (ECA, 2016). Overall, in 2014 the three countries (France, Italy and Germany) remained the main partners of Tunisia for both exports and imports. The share of trade with the African continent remains marginal and is basically limited to trade with Morocco. The country has made a number of approaches to West Africa with a view to signing free trade agreements which will enable it to diversify its trade and strengthen its links with the African continent. These approaches have not borne fruit as a result of the internal constraints in the West African Economic and Monetary Union, whose member States are not permitted to sign free-trade agreements.

Figure 8: Goods imports based on categories of use (millions of Tunisian dinars)

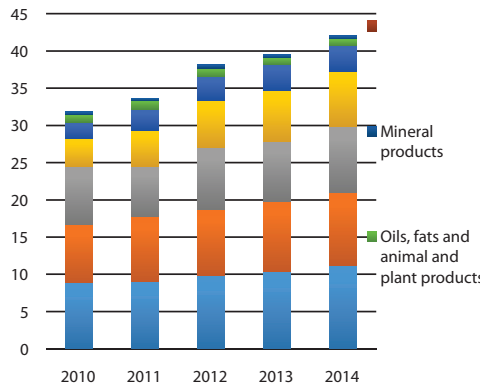
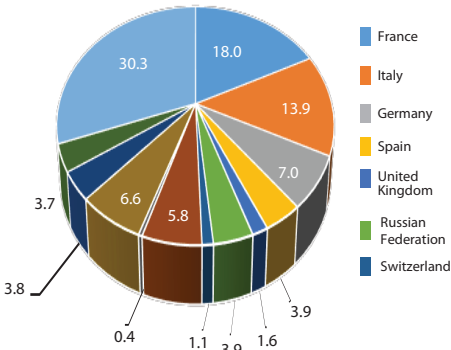


Figure 9: Import shares according to country of origin in 2014



Source: BCT (2016), ECA calculations.

3.5 Capital and financial accounts

The financial account posted a surplus balance in 2015, showing an increase of 8.7 per cent compared with 2014 and a break with the trend seen in the previous two years. This slight rise was attributable to similar growth of foreign direct investment (FDI) (7.47 per cent) and other forms of investment (8.66 per cent).

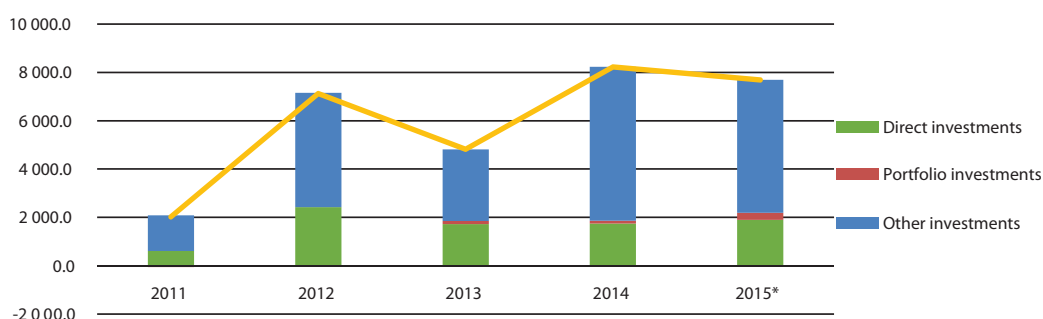
According to BCT, net entries of foreign capital achieved significant levels of more than D8 billion, the bulk of which consists of mobilizations of foreign resources in the form of medium and long-term borrowings. This situation facilitated the financing of the current deficit and strengthened the level of net foreign currency holdings at D14.102 billion, or the equivalent of 128 days of imports, at the end of 2015 (compared with D13.097 billion and 112 days at the end of 2014), reflecting a general balance of payments surplus of D783 million in 2015.

Foreign direct investment inflows (FDI) increased by 8.8 per cent in 2015 to almost D2 billion representing 19.5 per cent of the total of external medium and long term financing. According to the Tunisian authorities, FDI and, in particular, investments from these sectors excluding energy created 10,617 jobs, including 9,372 in the manufacturing sector and 987 in the services sector.

In 2015, the sectoral division of these investments revealed a resumption of investments in the energy sector and the manufacturing industries while FDI destined for the services sector showed a slight decline. The balance of portfolio investments showed a surplus of D300 million compared with D122 million in 2014 thanks to acquisitions made by non-residents.

The difficult social and security situation in Tunisia has not been particularly instrumental in preventing investments being maintained. Despite falling four places in comparison with 2014, Tunisia, ranked sixtieth, is once again the country of the Maghreb with the most favourable

Figure 10: Evolution of the financial account balance (millions of Tunisian dinars, 2011-2015)



Source: BCT (2016), ECA calculations.

business environment in comparison with its neighbours according to the “Doing Business” report. Tunisia is ahead of Morocco (seventy-first), Algeria (154th), Mauritania (176th) and Libya (188th). In the throes of a period of political transition, Tunisian indicators all plunged. In the business creation sector, Tunisia is ranked 100th out of 189 countries. The continuation of the reforms launched in recent years augurs well for 2016 and beyond.

Social development

4.1 Demography

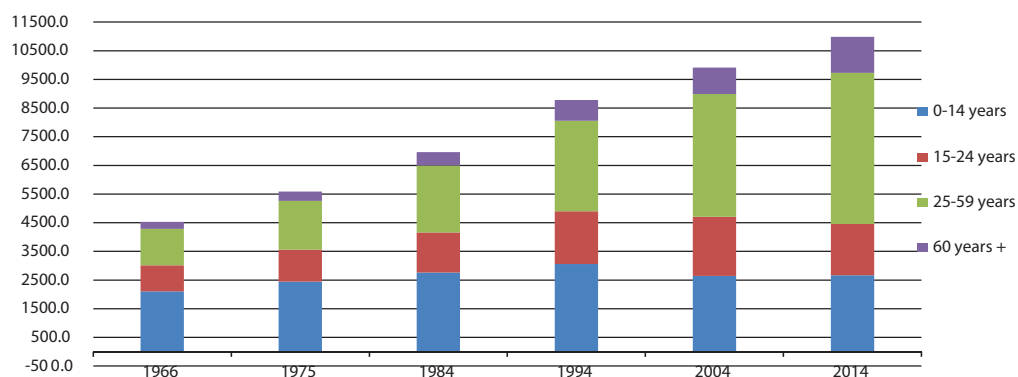
The population of Tunisia is estimated at about 11 million inhabitants (figure 11). It doubled between 1966 and 2015 from 4.5 to 10.9 million

Tunisia, with its low fertility index (2.4 per cent) and low gross mortality rate (5.7 deaths per 1,000), together with an increased life expectancy at birth (74.9 was the estimate for 2014) may be regarded as a country completing its demographic transition. Thanks to efforts made to ensure better access to health care, water, electricity and housing, the country has significantly improved the standard of living of its population.

The population aged under 15 represents 23.7 per cent of the total population; the age group of 15 to 64 represents 15.9 per cent and persons over 60 account for 11.4 per cent. The dependency rate, which is equal to the non-working population (under 15 and 60 and over) of those for 100 people of working age (15-59 inclusive) was estimated at 55.5 per cent in 2014.

Tunisia is a country which became urbanized relatively early on. The rate of urbanization is currently estimated at 67.7 per cent compared with 28 per cent in 1925. The urban system in Tunisia is characterized by a concentration of the population in the coastal

Figure 11: Evolution of the population by age group (in thousands)



Source: INS (2016) and ECA calculations.

towns, led by Tunis (over 1 million inhabitants with a density of 3,053 inhabitants per km²), followed by Sfax (955,421 inhabitants with a density of 127 inhabitants per km²) and Nabeul (787,920 inhabitants with a density of 283 inhabitants per km²).

4.2 Poverty and employment

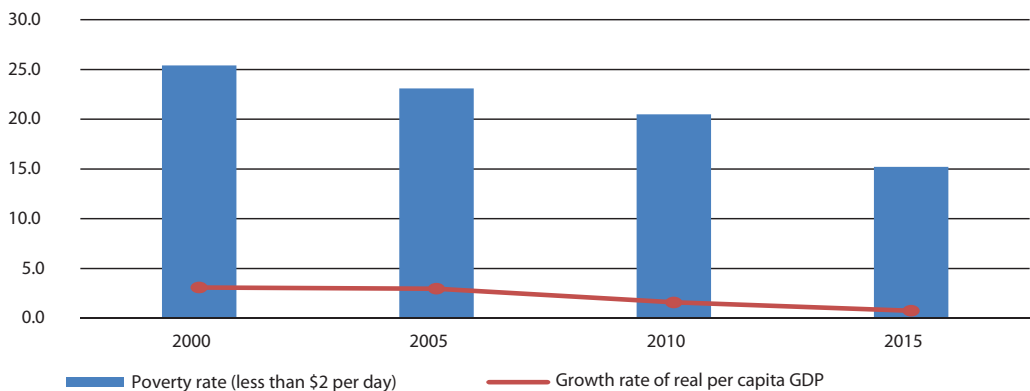
Prevalence of poverty

Tunisia halved the relative poverty rate between 2000 and 2010 from 32.5 per cent to 15.5 per cent. Over the same period, the extreme poverty rate was reduced by almost one third from 12 per cent in 2000 to 4.6 per cent in 2010.

Following independence, Tunisia made significant public investment in capacity building for individuals, a strategy which enabled it to greatly reduce its human development deficit. The human development report for 2015 shows that Tunisia has a human development index of 0.721 placing it ninety-sixth in the world, just behind Algeria (eighty-third) and Libya (ninety-fourth) and ahead of Morocco (126th).

Nevertheless, the economic and development model, which certainly reduced poverty significantly, is experiencing problems in reducing social and regional inequalities. The inequalities between the different regions of the country constitute in this regard another major problem which is undermining social progress and preventing the benefits of growth from being equitably divided. The differences in development between the rich regions, often metropolitan and coastal areas where economic activity is concentrated, and the poor regions, generally remote and rural, are such that they illuminate the limits of the development model.

Figure 12: Prevalence of poverty



Sources: INS Tunisia (2016).

Table 2: Evolution of the poverty index in the different regions

	Relative poverty as a percentage		Extreme poverty as a percentage	
	2000	2010	2000	2010
Greater Tunis	21	9.1	4.3	1.1
North-east	32.1	1.03	10.5	1.8
North-west	35.3	27.7	12.1	8.8
Centre east	21.4	8.0	6.4	1.6
Centre west	49.3	32.3	25.5	14.3
South-east	44.3	17.9	17.5	4.
South-west	47.8	21.5	21.7	6.4

Source: INS (2016).

The Tunisian revolution was rooted in youth unemployment and regional inequalities. The Gini index stands at 0.398 in Tunisia (2014). Compared with the subregion, this is a slightly more unequal situation than in other countries such as Algeria (0.353), Morocco (0.395) or Egypt (0.344). Furthermore, although from 2000 to the period of the revolution the national situation improved, it concealed a divide between the regions of the interior and the rest of the country, a gap which worsened considerably over the decade. In 2010, in the Greater Tunis area, 1.1 per cent of the population lived in extreme poverty whereas in the south-west region this figure stood at 6.4 per cent.

Policies targeting social development

The main instrument used to maintain the population's standard of living is the subsidy programme which has three components: the general compensation fund, the energy subsidy and the transport subsidy. These compensation and subsidy expenses cost the State of great deal of money and their cost (regulated prices of basic food commodities, fuel and transport) amounted in 2012 to D3.630 billion TND, or 5 per cent of GDP (compared with 3.7 per cent in 2008 and 0.7 per cent in 2001).

For the 2014 budget, a package of D4.242 billion was allocated to direct subsidies, including D1.407 billion for basic commodities, D2.450 billion TND for hydrocarbons and electricity and 385 million TND allocated for school and university transport as well as for lower cost or free transport for the most impoverished social categories. These different types of subsidies granted by the State certainly helped to reduce poverty and to maintain in general the purchasing power of the population. Its universality, however, had an adverse impact on its efficiency, because the system benefited the whole population, particularly the wealthy classes, because it is they who consumed relatively the most of these products. According to the data produced by the national budget and consumption survey of 2010, only 9.2 per cent of the food subsidies went to the poorest households, with 60.5 per cent going to middle-

class households, 7.5 per cent to the rich population, while 22.8 per cent were transferred outside household use (the catering trade, cafes, tourism, illegal cross-border trade)⁴.

Following these findings, the country initiated a reform of the redistribution system, notably by reducing the subsidies granted to the energy intensive industries and raising the price of electricity. For 2015, the package was reduced and brought down to D820 million. The country intends to continue along this route and has plans to reduce it to D579 million in 2016.

The unemployment rate in Tunisia remains structurally high and in 2015 stood at 15.2 per cent. The most affected are young people aged between 15 and 24 who have a 35 per cent unemployment rate. Young women are more affected by these circumstances (37.4 per cent) than men (34 per cent). A number of social and cultural norms may serve to explain the low participation of women in the job market.

Since the early years of this century the situation has been quite critical; between 2010 and 2011, the unemployment rate rose from 13 per cent to around 18 per cent, mainly due to political and economic uncertainties in the wake of the revolution. The situation had a dual consequence: first, the fall in tourism earnings and a lack of visibility among investors, who postponed their projects, and second, the intervention of rating agencies which, in 2011, reduced the country's score, thereby making access to funding for projects and businesses more expensive.

The job market in Tunisia is characterized by insufficient global supply in relation to overall demand. It should be noted that 2015 was a period when the Tunisian economy lost almost 12,000 jobs compared with the creation of 45,000 jobs in 2014 as a result of underperformance in employment in the tourism, agriculture and fishery sectors in particular. Industry, the vector of structural transformation, also lost 16,000 jobs.

Table 3: Evolution of the unemployment rate in Tunisia between 2005 and 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Unemployment rate as a percentage	12.5	12.4	12.4	12.3	13.0	18.3	17.6	15.9	14.8	15.2
Men						15.0	14.6	13.3	11.4	12.4
Women						27.4	25.6	23.0	22.2	22.2
Unemployment rate of young people aged 15 to 24										
Men						40.8	35.7	33.4	33.7	34.0
Women						45.5	41.8	37.7	37.6	37.4
Total						42.3	37.6	34.7	34.9	35.0

Source: INS Tunisia.

⁴ *Analyse de l'Impact des Subventions alimentaires et des Programmes d'Assistance sociale sur la Population pauvre et vulnérable* (INS Tunisia CRES June 2013).

Analysis reveals some significant disparities related to age and gender. In fact, the unemployment rate of young people (16-24) for the same period was almost 35 per cent and consequently affected more than one in three young persons of the working age. Unemployment also affected almost twice as many women (22.2 per cent) as men (12.4 per cent).

Although an active policy of gender equality is currently in force to enforce the principles included in the new constitution of Tunisia of 2014, the persistence of certain social and cultural norms seems to hinder the implementation of this policy, particularly with respect to female participation in the job market. Programmes designed to raise awareness, complemented by specific measures related to gender equality, at both legislative and institutional levels, including in the fight against violence against women, are being prepared, in order to guarantee the success of this policy.

Regional variations in exclusion levels, particularly in the rural areas, among the non-agricultural working population and in regions in the west and south of the country pose a severe challenge to the Government of Tunisia. A more equitable spatial distribution of development initiatives and programmes is needed to combat human exclusion, particularly in relation to access to employment, education, basic health services and improvements in living conditions.

The 2016-2020 development plan is helping to consolidate the vision predicated on combating human exclusion by devoting an entire section to the themes of human development and social inclusion, reducing the gaps between the regions, protecting and enshrining fundamental rights, particularly of the most vulnerable groups. The goal of this new vision is to establish a national foundation for social protection which enshrines the principles of fairness and social justice for every element of the population without discrimination. This foundation guarantees the right to basic social services: access to universal care, a guaranteed minimum wage for categories with specific needs, particularly the elderly, the disabled and children, and the guarantee of decent housing for low income families. Another goal of this vision is to guarantee the supply of appropriate and quality services and facilities in health and education in every region of the country.

4.3 Health

Investments in medical coverage, vaccination, access to clean water and toilets, but also in terms of raising living standards resulted in increased life expectancy and an unprecedented decline in maternal and child mortality. Tunisia is one of the countries where life expectancy has increased the most in Africa, rising from an average of 42 years in 1960 to 74 years in 2012, which is an increase of almost 32 years in the space of 50 years. In the new constitution, ratified in January 2014, the right to health even became a constitutional right.

Very significant advances have also been made in maternal and child health. The mortality rate in children under five fell from 177 deaths per 1,000 children in 1970 to 51 deaths in 1990 and to 15 deaths in 2015.

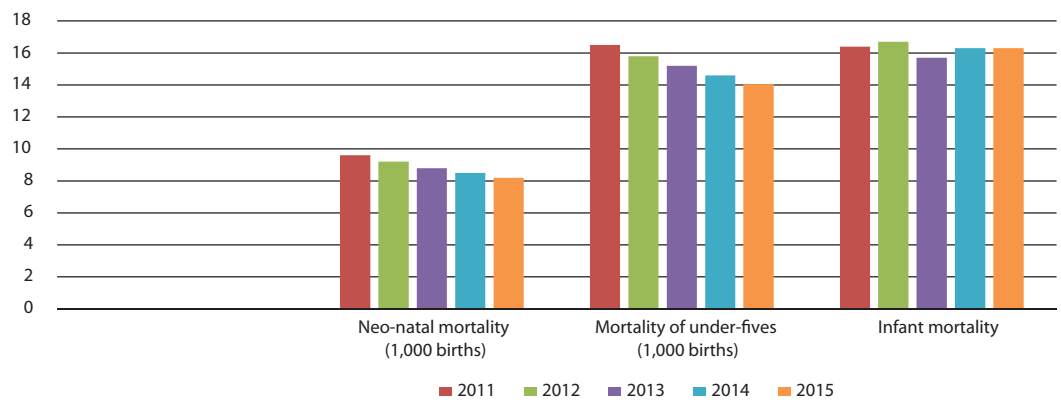
The maternal mortality ratio (per 100,000 live births), the most common measurement of maternal health, fell from 130 to 44.8 between 1990 and 2014.

According to figures from the World Health Organization, the country has 12.2 doctors and 32.8 nurses per 10,000 inhabitants. The health sector budget is in the region of 7 per cent of GDP and 13.3 per cent of budget spending.

The diagnostic exercise conducted in 2014 in the context of the social dialogue for policies, strategies and national health plans shows that Tunisia has made remarkable progress in eradicating and eliminating many contagious diseases. Some major causes for concern remain, however:

- The decline in maternal mortality is remarkable, but this reduction remains below the Millennium Development Goal, which is an annual reduction of 4.5 per cent, and appears to have reached a plateau;
- There is a marked regional disparity, as maternal mortality may vary by as much as 100 per cent between regions. These disparities are also evident in access to reproductive health services (contraception, pre- and post-natal care, attended births);
- A relatively high proportion of infant mortality is observed in the perinatal period;
- There is a problem related to the development of waterborne diseases in the rural areas where more than one in 10 households still does not have access to clean water and 1 in 6 households does not have access to improved sanitation facilities;
- Although the mental health sector poses major challenges, this sector has been relatively neglected in recent years;
- Almost one in 6 children is overweight;
- The demographic transition means that there will be an ageing Tunisian population in the 21st century: 5 per cent of the population was aged over 65 in 1996, 10 per cent in 2011 and an elderly population of 19 per cent is forecast by 2039. This demographic evolution and its associated medical conditions raise the issue of care for the elderly.

Figure 13: Evolution of mortality rates, 2011 to 2015



Source: INS, EDS 2005 & 2010.

The reform of the health system launched on the basis of this diagnosis includes four priority areas which reflect the main demands of citizens and health professionals: social justice with respect to health care; high quality community services allowing all citizens to benefit from health delivery systems; good governance of the health system and finally, the development of the public sector. This reform also aims to strengthen public confidence in health facilities and, for health professionals, to reinforce their sense of being part of a team.

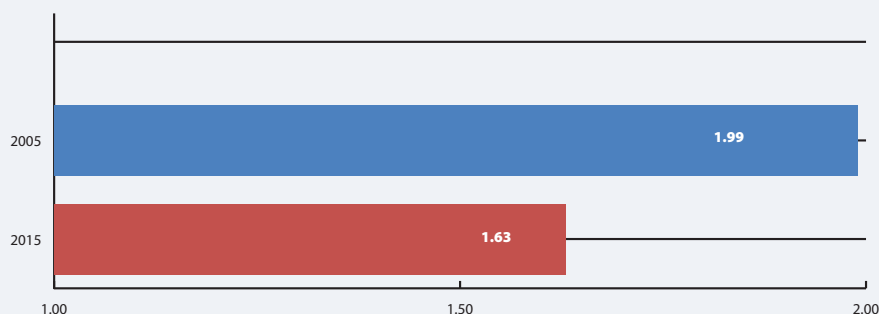
Box 3: Measuring human exclusion in Tunisia

The African social development index was developed by ECA in response to the request from member States to develop a contextualized indicator of social exclusion for Africa. The index was developed with the idea that economic growth should be expressed by an improvement in the standard of living of every citizen.

This instrument's calculations based on available national data should contribute to the mapping and evaluation of the effectiveness of social policies in the reduction of human exclusion at the national and subnational levels. The Index should also assist countries to improve their data collection and to build capacities for monitoring progress made in the fight against poverty and exclusion. As a political tool, the African social development index complements the efforts of the member States to design more inclusive social policies. It also facilitates monitoring of the implementation of Agenda 2063 and the sustainable development goals which lay particular emphasis on inclusion as a driver of sustainable and equitable development.

The outcomes of the African Social Development index for Tunisia show that, notwithstanding the economic and political problems faced by Tunisia in the recent past, the level of human exclusion was contained at 18 per cent for the period from 2005 to 2015 (figure A).

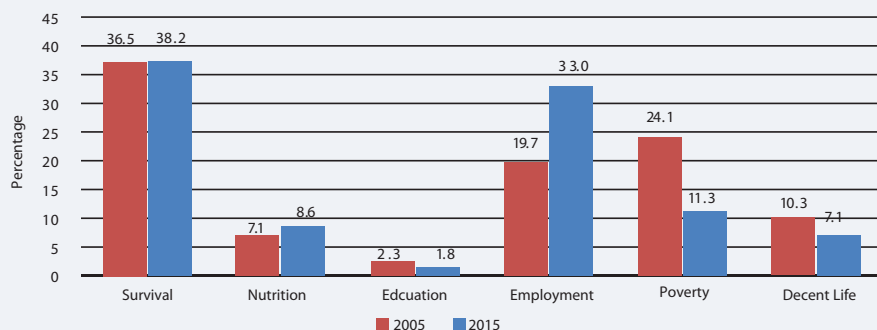
Figure A: Human exclusion index in Tunisia



Source: INS, Calculations based on national data

Analysis by aspect of exclusion shows the importance of the contribution of youth employment to total exclusion. In 2015, one third of exclusion throughout the life cycle came from exclusion during the transition years between school and the job market. This constitutes a major challenge for Tunisia, particularly as today almost half (between 43 and 50 per cent) of the population not working in the agricultural sector is in the informal sector (Government of Tunisia, 2014). Furthermore, the relative weight of child mortality has probably worsened over time. This deterioration could be due to limited access to health care services for certain social groups, or to cost sharing systems which were introduced following a review of public spending.

Figure B: Human exclusion factors in Tunisia



Source: INS, Calculations based on national data.

4.4 Education

Enrolment ratio

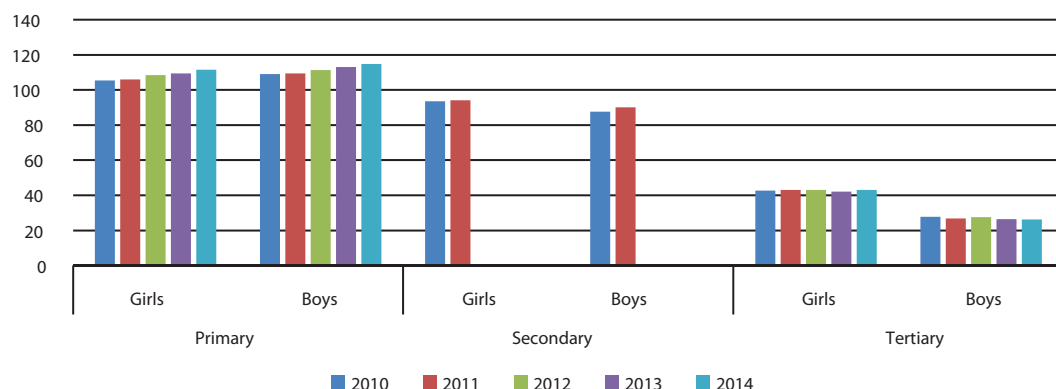
One of the most important advances made by the country concerns education and particularly school enrolment. Tunisia has recorded a significant increase in the net enrolment ratio in the primary sector (99 per cent) and consequently has already achieved or even exceeded the minimum target, which was a net enrolment ratio of 95 per cent for 2015.

In addition to physical investments, the country also put in place a legal arsenal to ensure improved school enrolment such as compulsory free education for children between 6 and 16 years of age. These measures led to a sharp increase in the enrolment of girls to the point of achieving parity in the primary sector. The enrolment ratio in secondary education also climbed from 90.43 per cent in 2010 to 92.06 per cent in 2012. In the tertiary sector, the net ratio remained stable at around 35 per cent with a ratio of 41.3 per cent for girls and 26.29 per cent for boys.

The country launched an in-depth reform of its educational system in 2016 focusing on four main axes: governance of the educational system, equity, school life and achievements of pupils.

The most important institutional measures are:

- Preparation of a national framework of reference for the status of educational institutions.
- Overhaul of the school disciplinary system.
- Establishment of a plan for the development of the “digital school”.
- Design of a professional framework for head teachers which must make provision for training before they take up their post.

Figure 14: Gross enrolment ratio

Source: INS (Statistical Yearbook 2014) and UNESCO (Country profile 2016).

With respect to pupils, it is recommended that preschool education which is compulsory and free should be supported by other measures (preparation of a unified programme, establishment of a monitoring system, creation of appropriate learning material, etc.). This measure forms part of the fight against inequality of opportunity and academic failure at an early age.

4.5 Gender equality and women's empowerment in Tunisia

The status of gender equality and women's empowerment is measured in terms of the key areas, including employment, education, health, business, access to credit and access to land, as indicated in box 4. These areas are important for assessing progress in improving women's lives and their contribution towards achieving sustainable and inclusive growth in Africa.

Calculation of scores is based on the gender status index, one of the components of African gender development index. For each key indicator, the score calculated is an unweighted arithmetical average: the male/female ratio of the indicator values is multiplied by 10 and the result is rounded to the nearest whole number. A score of zero represents the highest level of inequality, while a score of 5 represents an average equality level and a mark of 10 indicates full parity. Levels of parity of over 10 signify situations where women have outstripped men, independently of the level of development of the field concerned.

The majority of the figures used to calculate the scores are drawn from the most recent available data. For some indicators, however, countries do not have disaggregated data. In such cases, international data are used and their sources include the results of surveys of the National Statistical Institute (INS) of Tunisia, the employment survey of 2012, the maternal mortality survey of 2010, the multiple indicator cluster survey of 2011/12, the Interparliamentary Union report of 2016 and the World Bank Report of 2014.

Box 4: Evaluation of gender equality in Tunisia

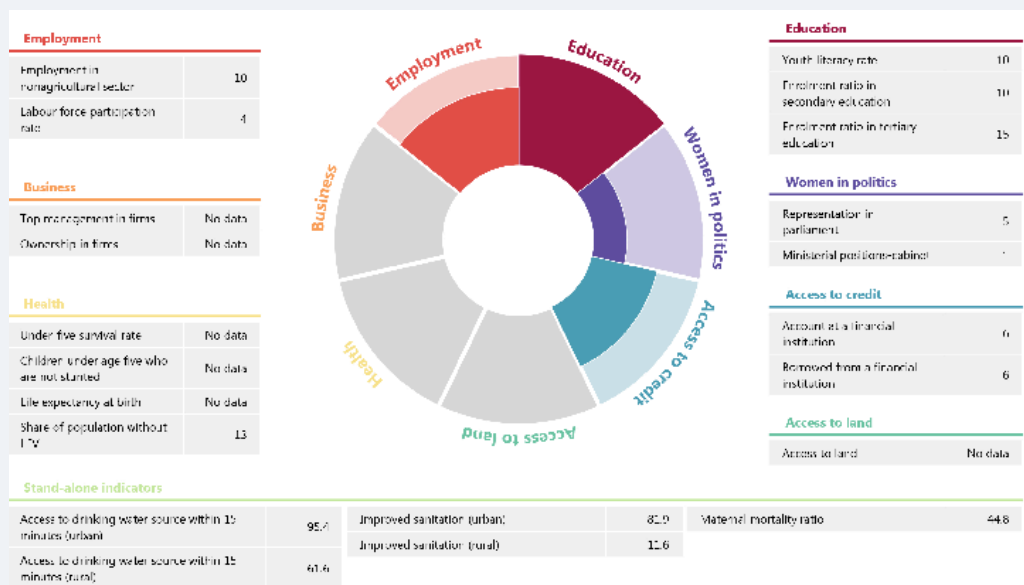
In Tunisia, the figures reveal parity in the areas of education and employment in the non-agricultural sector. The rate of enrolment in secondary education and the literacy rate of those aged between 15 and 24 attest to full parity (10) between men and women. The gross enrolment ratio in tertiary education shows that women have outstripped men, since 60.7 per cent of university students are women and only 39.3 per cent are men. The equality score achieved in tertiary education is 15.

The percentage of women holding ministerial posts is very low (10.5 per cent) compared with that of men (89.5 per cent). Female representation in parliament shows that the country has achieved the average parity score (5), since women hold 31 per cent of the seats and men hold 68.7 per cent.

Tunisia also has an average parity score (6) for access to credit through accounts and loans in financial institutions.

The maternal mortality rate is lower in Tunisia than in the majority of African countries (44.8 maternal deaths per 100,000 live births).

The working population rate is considerably higher among men who account for 70.3 per cent of the labour force and women only 25.8 per cent.



Source : African Union Commission and ECA, 2015.

Thematic analysis: Reviving the tourism sector in Tunisia

The efforts to develop the tourism sector in Tunisia date from the 1960s and were intensified with effect from 1971. At that time, when the charter flights development model was in full swing, European tour operators began to express a need for destinations located about three hours away from the majority of the big European capitals. The creation of the airline Tunisair supported the ambition to turn tourism into an asset for the social and economic development of the country. After half a century, it cannot be said that this was an unsuccessful initiative. From 43,110 in 1961, the number of visitors rose to 641,000 in 1971 and then to more than 6 million by 2014. The contribution of tourism to GDP is one of the highest in the world with an estimate of about 17 per cent in recent years, whereas for the rest of the continent it is an average of about 7 per cent according to the World Tourism Organization. This section analyses the current situation of Tunisian tourism, its contribution to structural transformation in Tunisia and puts forward a number of recommendations for its revival following the crisis of recent years.

5.1 Current status of tourism in Tunisia

Tourism has become one of the biggest and most dynamic economic sectors in the world. The average annual growth of world tourism between 2000 and 2015 was 3.9 per cent. In 2015, for the sixth consecutive year, world tourism expanded to achieve a total of 1,186 million travellers. These results were influenced by three main factors: (i) exchange rate fluctuations, (ii) lower prices for oil and other basic commodities and (iii) increasing concerns in the world about safety and security.

Tourism in Tunisia is mass tourism which developed principally in four regions of the country: Tunis-Zaghouan, Nabeul-Hammamet, Sousse-Kairouan and Yasmine-Hammamet. The sector, established and driven by the Government of Tunisia, is managed by a number of actors: the State itself through the Ministry of Tourism and more especially its National Tourism Office which plays a key role of supervision and control, the private sector through tourism promoters and managers, the financial sector through the National Tourism Development Bank and tour operators mainly operating abroad.

Tourism development initiatives which have built the sector are all state-run, a top-down approach which has made a significant contribution to the success of tourism, but which is increasingly challenged by a private sector which demands to have its say. The Federation

Table 4: Some indicators for the tourism sector

Destinations	International tourist arrivals (millions)					Variations (per cent)		Annual average (per cent)	Earnings from international tourism (variation in per cent)			
	2000	2005	2010	2014	2015*	2014/13	2015/14	2005-15*	2012/11	2013/12	2014/13	2015*/14
Tunisia	5.1	6.4	6.9	6.1	4.5	-3.2	-25.2	2.1	30.4	1.7	10.7	-35.1
North Africa	10.2	13.9	19.7	20.4	18.0	-1.4	-11.7	2.6	8.2	-2.1	5.2	-9.8
Africa	26.2	34.8	50.4	55.3	53.5	1.1	-3.3	4.4	6.2	2.4	2.4	2.4
Middle East	22.4	33.7	54.7	52.4	53.3	6.7	1.7	4.7	1.8	-4.6	7.4	4.3
Europe	386.6	453.2	489.4	580.2	607.7	2.3	4.7	3.0	1.8	4.1	4.3	3
Asia and the Pacific	110.4	154	205.5	264.3	279.2	5.7	5.6	6.1	7.6	9.3	5.3	4
Americas	128.2	133.3	150.2	181.9	192.6	8.5	5.9	3.7	4.7	6.7	6.4	7.8
World	674	809	950	1134	1186	4.2	4.6	3.9	4.3	5.9	5.1	4.4

Source: INS & World Tourism Organization; *provisional figure.

of Hoteliers generally expects the State to take initiatives and to date has not yet really had any influence over the sector (Christie and others, 2013).

The Government paid particular attention to the tourism sector over the last decade because of its importance to the national economy. According to national estimates, the numbers of international visitors to Tunisia have considerably decreased over the last few years. A drop of 25.2 per cent in 2015 and 2.6 per cent in 2014 followed several acts of terrorism perpetrated in the country. The decline of international arrivals in Tunisia is the result of the decline in its market consisting of the European countries of France, Germany, Italy and the United Kingdom of Great Britain and Northern Ireland, together with the market in its neighbouring country, Libya.

An analysis in terms of tourism earnings shows a significant decline in 2015. From growth of 10.7 per cent in 2014, tourism earnings fell to -35.1 per cent in 2015 (table 4). This significant drop also impacts on the number of jobs created by the sector. In 2000, 79,000 jobs were created, while in 2014, the sector generated 96,000 jobs, which is an annual rate of increase of 1.4 per cent.

5.2 Tunisia in the Mediterranean tourism sector

Tunisia shares many assets with the other countries of the region which make these countries natural competitors in the tourism sector. Its first asset is being part of the Mediterranean basin. The Mediterranean is the cradle of Western civilisation and some of the oldest cultures of humanity developed on its shores (Arab, Byzantine, Carthaginian, Egyptian, Greek and Roman). From very early on, trade routes crisscrossed the Mediterranean.

Five African countries, five Asian countries and 11 European countries are, like Tunisia, denizens of the Mediterranean basin, with an estimated total population of 426 million people. "Eight great cultural and linguistic systems, three great religions, countries as diverse as the tiny island of the State of Malta (360 km²) or the vast expanse of Algeria (3.6 millions km²) and populations ranging from 380,000 in Malta to more than 67 million in Egypt meet on the shores of the Mediterranean"⁵. Notwithstanding the multiple differences in their style and in their level of economic, social and political development, these 21 countries of the Mediterranean region maintain very strong cultural links among themselves. Consequently, these countries have two major assets which are nature and culture; in addition they have the geographical proximity of Europe, the epicentre of departures which makes some of these destinations direct competitors of Tunisia, operating in the same area of activity with, in some instances, the advantage of better institutions and infrastructures.

In 2015, according to WTO, the European countries of the southern Mediterranean attracted 225.2 million tourists (up 4.8 per cent on 2014) while the North African countries recorded 18 million arrivals, down 11.7 per cent on 2011. Another trend is that the southern shores of the Mediterranean are once again among the leaders in world tourism destinations according to their annual growth rate since 2000, reaping the benefit of their proximity to Europe.

With respect to visitor numbers, Tunisia appears to be one of the most visited destinations in comparison with the other Mediterranean competitors. In absolute terms, the comparison of arrivals with its competitors shows that Tunisia ranks third among the Mediterranean destinations in Africa, behind Morocco and Egypt, but far ahead of Algeria.

Figure 16 shows that with each succeeding year since 2010, Africa has seen a gradual decrease in the numbers of international visitors whereas Spain, Greece and Turkey have seen their

Table 5: Tourism earnings in millions of euros in some Mediterranean countries

Earnings in millions of euros in 2014	Earnings in millions of euros in 2015	Variation 15/14 (per cent)	Earnings per tourist in 2015	
258				Algeria
7056	6003	-14.9	589.9	Morocco
7208	6065	-15.9	663.6	Egypt
2359	1354	-42.6	252.7	Tunisia
17793	15673	-11.9	664.1	Greece
29552	26616	-9.9	674.2	Turkey
65111	56526	-13.2	828.6	Spain

Source: National tourism office, Tunisia.

⁵ See : http://geotourweb.com/nouvelle_page_34.htm.

visitor numbers climb. Between 2014 and 2015 Tunisia recorded a decline of 25 per cent in its visitors, Egypt 5 per cent, Morocco 1 per cent and Algeria 25.7 per cent, whereas over the same period Greece and Spain respectively posted growth of 7 per cent and 5 per cent. Spain broke a record for the third consecutive year for it already showed + 7 per cent in 2014 with earnings of 124 billion euros, amounting to 14 per cent of national GDP. It was also a record year for Greece with 14.5 billion euros of revenue. The scale of the shift towards countries like Spain and Greece (and indeed even Portugal) is such that Econostrum⁶ (2016) speaks of a mass migration of tourists from the south to the north of the Mediterranean.

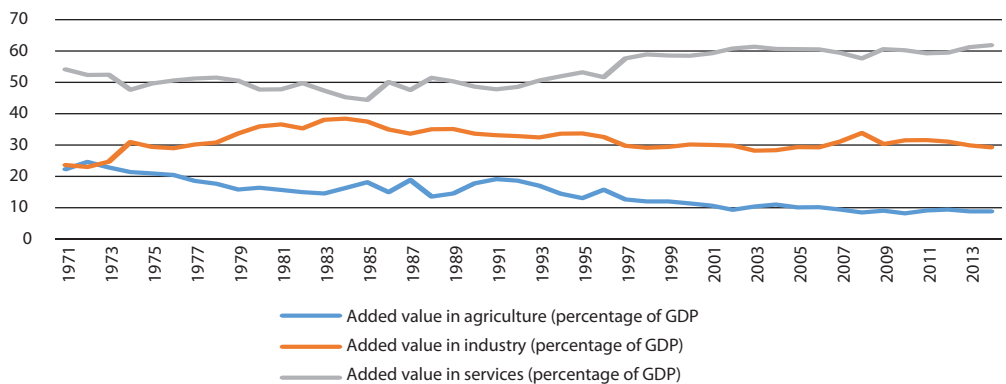
Tourism earnings also plunged spectacularly in Tunisia (42.6 per cent), a greater drop than in the other countries where they varied between 9 and 15 per cent. Reasons include the security situation and other external factors (cf. 5.1).

These economic fluctuations are a reminder of the extremely volatile nature of a development policy based on tourism flows, leading to questions concerning the capacity of tourism to drive structural transformation in Tunisia.

5.3 Tourism: a source of structural transformation in Tunisia

The services sector has always been the most important added value sector for Tunisia. The launch of the tourism sector in 1971 coincided with the beginning of the progressive rise of the industry's share in GDP, peaking at 38.42 per cent in 1985 before stabilizing at an average of about 30 per cent in the following years. The share of services in GDP began its rise in 1984 (38.42 per cent) to peak at 61.9 per cent in 2014. Services therefore experienced a progressive rise in Tunisian GDP, driven by a tourism sector which experienced a constant progression during this period. This happened while the agricultural sector saw its share in

Figure 15: Sectoral added values as a percentage of gross domestic product



Source: ECA, National data.

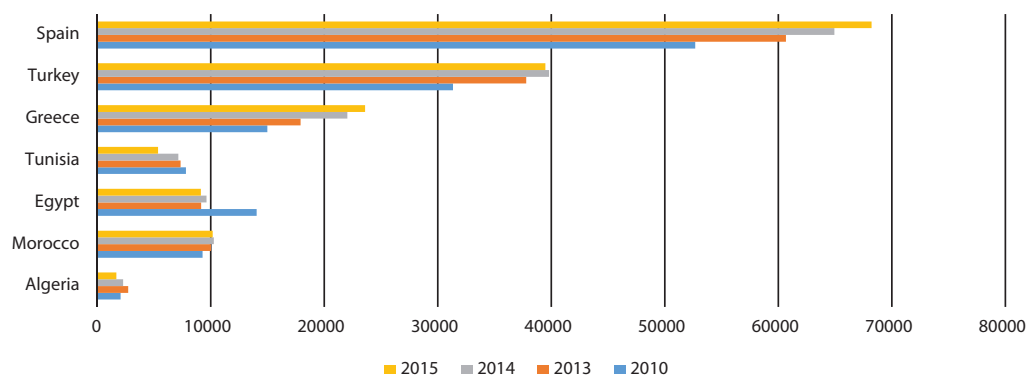
⁶ http://www.econostrum.info/Le-tourisme-se-deplace-massivement-du-sud-vers-le-nord-de-la-Mediterranee_a21387.html.

GDP gradually decline. From 43,110 in 1961, the number of arrivals had already reached 641,000 in 1971 and more than 6 million in 2014.

Therefore the Tunisian tourism sector progressively contributed to changing the structure of the Tunisian economy with a significant impact on growth and employment.

Less recent data⁷ confirms this progressive impact of tourism on the Tunisian economy. In fact, in 2006 the Tunisian tourism sector accounted for 6.5 per cent of GDP and provided 340,000 jobs, of which 85,000 were direct employment, that is to say 11.5 per cent of the working population engaged in a significant share of seasonal work. In 2007, Tunisia had hosted more than 6.7 million tourists, mainly from France and Libya. The earnings generated by tourism had risen to D3.05 billion. In comparison with 2006, the number of visitors had increased by 3.2 per cent, earnings were up by 8 per cent in Tunisian dinars (3 per cent in euros) and the number of bed nights had climbed to 37.4 million, to achieve an average occupation rate of 51.6 per cent. In 2008 Tunisia hosted more than 7, 048,999 tourists (D3.2 billion in earnings). The French were no longer the largest group of visitors with 1,395,255 (+4.5 per cent) tourists and now occupied second place. The tourism sector contributed 6 per cent of national GDP and 12 per cent of current earnings. It accounted for 14 per cent of exports of goods and services and employed 482,400 people (direct and indirect employment). According to the estimates of the World Travel and Tourism Council⁸, the number of workers should approach 530,000 in 2024.

Figure 16: Evolution of international tourist arrivals in the Mediterranean countries between 2010 and 2015 (thousands of visitors).



Source: ECA, 2016 based on WTO data, 2016.

⁷ Taken from <http://geotourweb.com>, and published by Rahmouni, (2015), director of IHET (business management school) of Tunis, 2015.

⁸ World Travel and Tourism Council, 2014, quoted by Le Figaro.

Although the majority of jobs are in hotels, travel agencies, airlines and other passenger transport services, other sectors are closely associated with tourism, such as catering and the leisure industry. Therefore tourism maintains a privileged relationship with agriculture. The sector is a major consumer of market garden and fishery products and even olives and olive oil. Tourism also supports the arts and crafts sector being the primary consumer of its products.

The problems faced by Tunisian tourism are less recent, however, than they might appear (see figures 17 and 18). The data below even suggests serious structural problems:

- (i) A progressive rise in capacities, whereas the occupation rates are at a standstill or falling (figure 17).
- (ii) A gradual decrease in the numbers of visitors from the usual sources (graph 20), the European countries, a decline which dates from before the period in which the scale of security problems was ramped up. In six years (2009-2015), the tourist traffic fell by 66 per cent. While Europe constituted a traditional market for Tunisia, the number of European tourists in 2015, 1.3 million people, fell by almost 54 per cent compared with 2014 when arrivals rose to 2.8 million. This drop is even more striking in comparison with 2010 when the number of tourists rose to 3.8 million, a benchmark year for Tunisian tourism, according to data from the National Tourism Office. In 2015, in fact, all the indicators went into the red: decline in bed nights (-50 per cent), earnings (-45 per cent), occupation rate (-30 per cent), closure of hotels (234 totalling 100,000 beds) and a “major failure to earn for the 350,000 operators in the crafts sector, many of whom are doomed to unemployment”.

Figure 17: Hotel capacity (right axis) and occupation rate (2000-2015)

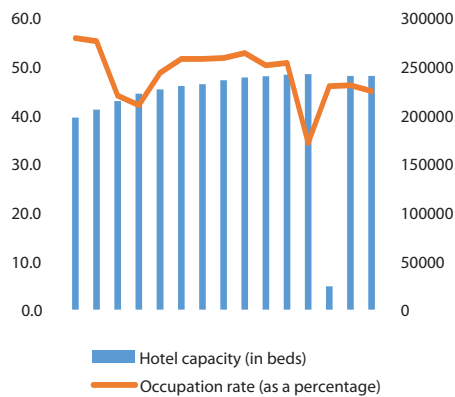
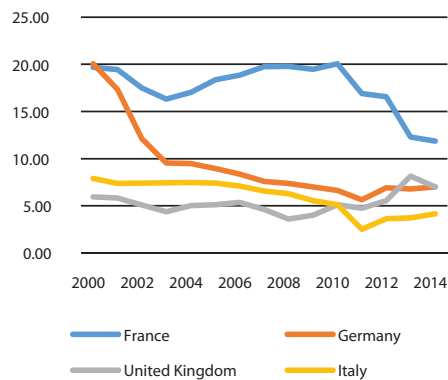


Figure 18: European tourist arrivals in Tunisia in 2002-2014



Source: ECA, based on national data.

- (iii) The surge in competition from new destinations which, even without the advantage of geographical proximity, are managing to capture a growing number of tourists. These regions include South-east Asia and the Pacific region.
- (iv) The somewhat inflexible seasonal nature of current tourism activity (40 per cent of tourism activities are concentrated into the period between June and September);

To these factors, tourism specialists add the low level of development of “alternative” tourist activities (ecotourism, agri-tourism), and the slow, hesitant and often poorly coordinated development of new tourism products and above all the overindebtedness of hotels. In 2015 they had accumulated debt of D4 billion.

The authorities made efforts to support and revive the sector in 2015. Emergency measures were adopted by the Ministry of Tourism, the majority of which were designed to provide direct assistance to tourist facilities. This is why it was decided to grant the sector exceptional loans (repayable over seven years) to finance its activities for 2015 and 2016. The repayment of their loans can be deferred or rescheduled, as can the tax debt of the tourism institutions as well as those payable to gas, water and electricity companies.

The Ministry of Tourism also made a commitment whereby the State would take responsibility for CNSS contributions (social security) of the employees for six months renewable, as well as granting an allowance of D200 per month to those undergoing technical unemployment. Other measures announced directly targeted tourists: cancellation of the revenue stamp of D30 imposed on foreigners leaving the country; reduction of fares for Tunisians living abroad; facilitation of visas for investors from China, India, the Islamic Republic of Iran and Jordan.

Experts insist that one of the keys to the success of Tunisian tourism actually lies in the development of air transport and, in particular, the intensification of charter flight traffic, particularly from 1985. This was facilitated by the installation of specialized infrastructure with the major hotel construction programme of the 1970s. The Government of Tunisia rolled out a programme of equipment in airports in various regions of the country (Tunis in 1962, Monastir in 1968, Djerba in 1964, followed by Sfax in 1978, Tozeur (1978), Gabès (1978) and Tabarka (1992).

The problems of the sector therefore require the Government to implement measures that go beyond mere short-term economic measures. Tunisia needs to make structural efforts to ensure that its previous spending on the development of support facilities continues to bear fruit.

5.4 Towards a transformative revival of tourism: the need for long-term action

One of the fundamental characteristics of Tunisian tourism is that it is what is known as “package tour” tourism with 80 per cent of international arrivals coming in groups. This means that the tour operators, mostly based in Europe, hold many of the keys to the success of the long-term sustainability of tourism investments in Tunisia. Consequently, this poses a risk to the support investments made by the Government of Tunisia. For example, in 2015, when the Government was increasing its efforts to reassure the international community about the security situation, the main tour operators had all removed the destination of Tunisia from their packages, compromising the success factors and simultaneously sending signals to individual travellers. Consequently, it is a matter of urgency to pursue a policy of promoting Tunisia in new target markets which will reduce dependence on the European markets, which was already too significant for most of the country’s exports.

In addition to the diversification of the markets, the country must also hasten the process of diversification of products which remains weak, notwithstanding the efforts made by the operators to offer their clients new products: health tourism, health tourism, Saharan tourism. Tunisia has become the second thalassotherapy destination in the world (behind France) with 250 000 people taking the waters every year, 50 per cent of whom are Europeans, but the facilities to host visitors make it possible to do much more. Medical tourism in general is taking off in Tunisia with, according to “Géotourisme” (2015), the number of foreign patients seeking medical care and convalescent stays in hotels rising from 50,000 in 2004 to over 150,000 in 2007. Almost 70 per cent of these patients come from the other countries of the Maghreb and 12 per cent from Europe⁹. The statistics on sub-Saharan Africa are not of course available, but it is clear that Tunisia is, with Morocco, increasingly becoming a destination for medical tourism for patients from that part of the continent. Medical tourism now seems to be an important factor in the strategy of diversification of products which will strengthen geographical diversification. Unlike competing countries such as Thailand or India, Tunisia has the advantage of being close to Europe and Africa, but is also able to provide prices in this sector which are between 40 and 70 per cent lower than those offered in Europe. A number of government actions are clearly moving towards the development of this product. For example, since 2005, care provided to foreigners has been subject to an exemption of 6 per cent, the rate of the value added tax (VAT) applied to this kind of service.

⁹ Each patient spends an average of 4,000 euros per week compared with only 300 euros for an ordinary tourist. Open heart surgery costs half what it costs in Europe, D10,000 TND (4,125 euros).

Golf tourism is also being developed and appears to be a high added value sector. The same is true of Saharan tourism which is gradually being developed in the south of the country.

The “Plan Bleu” (for Mediterranean development) and the Economist Intelligence Unit have prepared a number of possibilities for the development of tourism through the Mediterranean region by 2025. These estimates assume that the arrivals in its 21 bordering countries could amount to 379 to 578 million tourists by 2025. Therefore, resources must be gathered and there will be potential to boost the structural transformation of the country. The 3+1 vision of the Government of Tunisia, which is based on four key axes: diversification of supply, quality and training, branding, marketing and the updating of the sector, is an important step, but it seems that it does not completely respond to the needs of the key actors, notably the private sector for which the greatest urgency lies in managing the overindebtedness of its hotels.

6. National data quality evaluation

Methodological note: The quality of national data sources for key indicators in the country profiles was evaluated. The results are presented in colour codes, with green indicating that the data source is “good”; yellow, “satisfactory”; and red, “needs improvement”.

The evaluation focused on the transparency and accessibility of the national data sources, while taking into account the periodicity of the published data based on the timeliness and frequency of the data updates in accordance with international standards. It measured the comparability of the data series based on length, definition and standard units of measurement. Also reviewed were the accessibility of the data to the general public, the format of the data and the ease with which the data can be downloaded and shared. In addition, data citations, together with references to primary or secondary sources, were assessed. Lastly, the completeness of metadata for data release and the clarity of documentation and notes were evaluated.

Demography	Value	Evaluation
Population (millions)	10 983 (2014)	1
Child (0-14 years)	2 611 (2014)	1
Adult (15-64 years)	7 510 (2014)	1
Aged (65+ years)	861 (2014)	1
Municipal population (%)	67.7 (2014)	1
Life expectancy at birth (years)	74.9 (2014)	1
Crude death rate (deaths per 1000 population)	5.9 (2015)	1
Crude birth rate (births per 1000 population)	5,9 (2015)	1
Taux brut de natalité (pour 1 000 habitants)		
Key Macroeconomic and Sectoral Performance	Value	Evaluation
Real GDP growth rate (%)	1.5 (2016)*	1
GDP, current prices (Million TND)	8 176 (2015)	1
Inflation rate (%)	4.9 (2015)	2
Current account balance (Million TND)	-7 552(2015)*	2
Economic trends and Performance Indicators	Value	Evaluation
Inward flows of foreign direct investment (Million TND)	1 965 (2015)	3
Total Exports (Million USD)	29 146 (2016)	1
Total Imports (Million USD)	41 766 (2016)	1

Education, employment, and living conditions	Value	Evaluation
Literacy rate (15-24) (%)	97.4 (2015)	1
Net enrolment rate in Primary (%)	98.6 (2013/2014)	4
Population national poverty line (%)	15.2 (2015)	1
Unemployment rate (%)	15.2 (2015)	1
Youth unemployment rate (%)	35.0 (2015)	1
Health	Value	Evaluation
Under 5 mortality rate (per 1,000)	14.1 (2015)	1
Maternal mortality ratio per 100,000 live births	44.8 (2014)	1
Prevalence of underweight children under five years of age (%)	2.1 (2014)	1
Infant mortality rate per (per 1,000 live births)	15.3 (2015)	1

Data Sources Code Index

1. National Institute of Statistics
2. Central Bank of Tunisia
3. “FIPA-Tunisia” (Agency for the promotion of foreign investment)
4. Ministry of Education

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