TUNISIA ECONOMIC MONITOR

Strengthening Social Safety Nets for Increased Efficiency and Equity

Fall 2025

WORLD BANK GROUP

Tunisia
Economic Monitor

Strengthening Social Safety Nets for Increased Efficiency and Equity

Fall 2025

Middle East, North Africa, Afghanistan, and Pakistan

1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

Publication design and layout by The Word Express, Inc.

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ACKNOWLEDGEMENTS

The Tunisia Economic Monitor (TEM) is a report that provides information on recent economic developments and policies in Tunisia, as well as the country's economic outlook and challenges to its development. The report is aimed at a diverse audience, including policy makers, business leaders, financial market actors, and analysts and professionals working on or in Tunisia. It is produced by the Middle East, North Africa, Afghanistan, and Pakistan region of the World Bank Group's Fiscal Policy and Growth department. Each issue of the TEM contains a section on recent economic developments and a discussion on the economic outlook, followed by a special section based on the World Bank's analysis of Tunisia. The report was originally published in English with the title "Strengthening Social Safety Nets for Increased Efficiency and Equity" and was first published in 2025. In case of any discrepancy, the original English language version prevails. The report is authored by a team led by Lodewijk Smets (Senior Economist) and Mohamed Habib Zitouna (Consultant). The team also includes Riadh Ammari (Communications Specialist), Asma Bouraoui Khouja (Senior Operations Officer), and Mohamed El Aziz Ben Ghachem (Senior Social Protection Specialist). It benefited from inputs and comments from Jawhar Abidi (Consultant), Trang Van Nguyen (Senior Economist), Fairouz Othman (Consultant), and Olfa Hamza Ep Hila (Consultant). The report was prepared under the direction of Moustapha Ndiaye (Division Director, Maghreb), Jasmin Chakeri (Practice Manager, Fiscal Policy and Growth), Alexandre Arrobbio (Country Manager, Tunisia), and Abdoulaye Sy (Lead Economist, Prosperity Group). The opinions and conclusions expressed in this report are those of the World Bank staff and do not necessarily represent the views of members of the World Bank Board of Directors or the countries they represent.

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For questions or comments on the content of this publication, please Lodewijk Smets or Jasmin Chakeri.

The deadline for input and forecast preparation is November 17, 2025.

LIST OF ACRONYMS

AMG	Assistance Médicale Gratuite
CAD	Current Account Deficit
CEQ	Commitment to Equity
CIT	Corporate Income Tax
CNAM	Caisse Nationale d'Assurance Maladie
CNRPS	Caisse Nationale de Retraite et de Prévoyance Sociale
CNSS	Caisse Nationale de Sécurité Sociale
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
INS	Institut National de la Statistique
LFPR	Labor Force Participation Rate
MEE	Mechanical, Electrical, and Electronic Industries
MIS	Management Information System
NEET	Not in Education, Employment, or Training
PCT	Permanent Cash Transfers
PMT	Proxy Means Testing
SOE	State-Owned Enterprise
TFP	Total Factor Productivity
UGTT	Union Générale Tunisienne du Travail
VAT	Value Added Tax

EXECUTIVE SUMMARY

Tunisia's economy is showing signs of recovery in 2025, with progress varying across sectors. After years of moderate growth and the lingering effects of the Covid-19 crisis, real GDP expanded by 2.4 percent in the first 9 months of 2025, driven mainly by favorable weather conditions that boosted agricultural production and a revival in construction and tourism. Agricultural output grew by 9.5 percent year-on-year, reversing earlier losses, with olive oil and cereal harvests increasing sharply. Construction expanded by 5.7 percent after three years of stagnation, while tourism arrivals exceeded pre-pandemic levels. At the same time, the financial sector experienced a sharp decline (–8.8 percent) due to changes in the regulatory framework, including an increase in the corporate tax rate for financial institutions (to 40 percent). The hydrocarbon industry contracted by 10.5 percent, reflecting the phasing out of various fields and lack of new investments.

While activity has strengthened, Tunisia's recovery remains moderate compared to regional peers. The economy only regained its 2019 real GDP level in late 2024, and productivity growth has yet to turn positive. Barriers to competition, limited access to finance, and governance challenges have slowed the country's convergence with upper-middle-income economies. Furthermore, savings rates have stagnated since 2000 and declined sharply since 2010, constraining investment and the country's capacity to adopt new technologies and upgrade production.

Employment creation has improved while disparities persist in the labour market. The economy created 94,100 net jobs during the third quarter of 2025 (y-o-y), with 62 percent of the new jobs for male workers. At the same time, labor market performance remains fragile, with high unemployment (15.4 percent in the third quarter of 2025, down from 15.7 percent in the first quarter and 16 percent in 2024) and significant gender disparities. The female labour participation rate remains below 30 percent, compared to 65 percent for men, and unemployment is much higher for women (22.4 percent) and youth (40.1 percent).

External balances in 2025 reflect a widening trade deficit that is partially offset by resilient services inflows and remittances. The merchandise trade deficit rose to 9 percent of GDP in the first nine months of 2025 due to stagnating exports and rising imports. The deficit was particularly pronounced in mechanical and electrical industries as motor vehicle imports surged, while lower global energy prices slightly narrowed the energy deficit. The offshore manufacturing sector posted a trade surplus equivalent to 7.4 percent of GDP, compared to a large deficit in the onshore sector.[1] Tourism receipts and remittance inflows remained robust—

[1] The offshore sector represents totally exporting firms which, since 1972, have benefited from simplified import procedures and duty exemptions on their inputs.

each around 3.6–3.7 percent of GDP—yet the current account deficit widened to 2 percent of GDP in the first half of 2025.

Capital inflows, particularly foreign direct investment (FDI), help maintain external stability despite limited access to international markets. FDI rose by 41 percent in the first seven months of 2025, reaching 1 percent of GDP. The capital account surplus and tight controls on capital outflows kept reserves stable and the Dinar relatively firm—it has depreciated by 2.7 percent against the euro since the beginning of the year and has even appreciated slightly against the U.S. dollar. At the same time, increasing reliance on Central Bank financing to cover external repayments may weigh on local currency stability and inflation if the trade deficit persists or widens.

Inflation continued to decline throughout 2025, allowing the Central Bank to cautiously ease monetary policy. Headline inflation dropped from 10.4 percent in February 2023 to 4.9 percent in October 2025, supported by lower international prices for energy and cereals as well as subdued domestic demand. Food inflation fell to 5.6 percent, benefiting low-income households whose consumption baskets are food intensive. In response, the Central Bank reduced its policy rate by 50 basis points to 7.5 percent in March 2025. Real interest rates remained positive, but the money supply continued to grow (M3 grew by 10.7 percent as of August 2025 (y-o-y)). Sustaining price stability will require careful calibration of monetary policy and a stable policy framework.

On the fiscal front, the government has continued consolidating public finances, though debt levels remain elevated and financing constraints persist. The budget deficit narrowed from 9 percent of GDP in 2020 to 6.3 percent in 2024 due to stronger tax collection, wage bill restraint, and lower subsidies driven by lower global prices and quantity controls. Revenues increased to 29.6 percent of GDP in 2024, while expenditures were contained at 35.9 percent. At the same time, public capital investment reached 3.6 percent of GDP, constraining infrastructure renewal and growth potential. Public debt has stabilized around 84.5 percent of GDP and is increasingly financed domestically, with domestic debt accounting for 77 percent of total debt in 2024. Debt service increased by 19.6 percent in 2024, 24.1 percent for principal and 7.9 percent for interest payments.

The growing reliance on local financing has tightened liquidity conditions and likely crowded out private sector credit. The share of government borrowing in total bank credit rose to one-third in 2025, compared to 15 percent in 2019, limiting lending to firms and households. While the government has introduced interest-rate offset schemes and mandated new short-term credit lines for SMEs, their impact so far appears limited. Over time, the continued dominance of sovereign borrowing could limit financial intermediation and constrain private investment, weighing on productivity growth.

Looking ahead, Tunisia's economy is projected to grow by 2.6 percent in 2025 and stabilize around 2.4 percent in 2026–27. The rebound in agriculture and construction is expected to continue supporting growth in the near term, while tourism gradually strengthens. At the same time, structural constraints—subdued investment, limited external financing, and the current pace of reform implementation— are expected to weigh on the outlook. The current account deficit is projected to widen moderately to 2.7 percent of GDP in 2025 and 3.1 percent by 2027, while the budget deficit is expected to narrow gradually to 4.4 percent by 2027.

Sustained progress on economic reform will be key to maintaining Tunisia's recovery. Strengthening fiscal discipline, modernizing state-owned enterprises, and improving competition and investment conditions are essential to unlock a higher and more inclusive growth. A balanced policy mix—anchored in macroeconomic stability, greater private-sector participation, and a predictable regulatory environment—is important for sustaining Tunisia's economic recovery and supporting inclusive development.

Tunisia boasts a comprehensive social protection system, combining contributory insurance schemes and non-contributory assistance to safeguard the welfare of its population. The contributory system includes a pension system, medical insurance, disability support, family allowance, and maternity support. The non-contributory system is largely based on a cash transfer program and free or subsidized access to health care. Combined, the contributory and non-contributory system cover close to 80 percent of the total population and serve as a platform to mitigate shocks and protect Tunisian households' livelihoods.

The AMEN program, the main social safety net program in the country, has contributed to poverty and inequality reduction. The program has played an important role in extending multidimensional support to poor and vulnerable households, significantly expanding coverage and impact over the past decade. Key developments include the tripling of cash transfer beneficiaries households to reach about 10 percent of the total population, increases in cash transfer amounts, and the integration of health and child allowance, which have contributed to reductions in poverty and inequality. The program's targeting mechanisms and use of digital tools have enhanced its ability to reach vulnerable groups and respond effectively to shocks, as demonstrated during the Covid-19 pandemic.

At the same time, the AMEN program could be further improved to increase its efficiency. Ongoing challenges include targeting inaccuracies, regional disparities, institutional capacity constraints, and the need for further digitalization and financial sustainability. Furthermore, scaling up economic inclusion programs to empower AMEN beneficiaries would facilitate a strategic shift from social assistance to social insurance. This transition would not only strengthen the protection of vulnerable workers but also enhance the long-term sustainability and resilience of Tunisia's social protection system. Addressing these issues is essential to ensure that the program remains responsive, equitable, and efficient.

RÉSUMÉ EXÉCUTIF

L'économie tunisienne montre des signes de reprise en 2025, avec des progrès variables selon les secteurs. Après des années de croissance modérée et les effets persistants de la crise du Covid-19, le PIB réel a augmenté de 2,4 % durant les neuf premiers mois de 2025, principalement grâce à des conditions météorologiques favorables qui ont stimulé la production agricole et à une reprise dans les secteurs de la construction et du tourisme. La production agricole a augmenté de 9,5 % en glissement annuel, inversant les pertes antérieures, avec une forte augmentation des récoltes d'huile d'olive et de céréales. La construction a progressé de 5,7 % après trois années de stagnation, tandis que les arrivées touristiques ont dépassé les niveaux d'avant pandémie. Au même moment, le secteur financier a connu une forte baisse (-8,8 %) en raison de modifications du cadre réglementaire, notamment une augmentation du taux d'imposition des institutions financières (à 40 %). Le secteur des hydrocarbures s'est contracté de 10,5 %, reflétant la fermeture progressive de divers champs et l'absence de nouveaux investissements.

Alors que l'activité est plus soutenue, la reprise en Tunisie reste modérée comparée à d'autres pays de la région. L'économie n'a retrouvé son niveau de PIB réel de 2019 qu'à la fin de 2024, et la croissance de la productivité n'est toujours pas redevenue positive. Les obstacles à la concurrence, l'accès limité au financement et les défis en matière de gouvernance ont ralenti la convergence du pays vers les économies à revenu intermédiaire supérieur. En outre, les taux d'épargne stagnent depuis 2000 et ont fortement baissé depuis 2010, ce qui limite les investissements et la capacité du pays à adopter de nouvelles technologies et à moderniser sa production.

La création d'emplois se sont améliorées, mais les disparités persistent sur le marché du travail. L'économie a créé 94 100 emplois nets au cours du deuxième trimestre 2025 (en glissement annuel), dont 62 % pour les hommes. Les performances du marché du travail restent fragiles, avec un taux de chômage élevé (15,4% au troisième trimestre 2025, contre 15,7 % au premier trimestre et 16 % en 2024) en plus d'importantes disparités genre. Le taux d'activité des femmes reste inférieur à 30 %, contre 65 % pour les hommes, et le chômage est beaucoup plus élevé chez les femmes (22,4 %) et les jeunes (40,1 %).

Les équilibres extérieurs en 2025 reflètent un déficit commercial croissant, partiellement compensé par la résilience des services et des transferts des Tunisiens Résidants à l'Etranger (TRE). Le déficit commercial des marchandises a atteint 9 % du PIB au cours des neuf premiers mois de 2025 en raison de la stagnation des exportations et de la hausse des importations. Le déficit a été particulièrement prononcé pour les produits des industries mécaniques et électriques, en raison de la forte augmentation des importations de véhicules automobiles, tandis que la baisse des prix mondiaux de l'énergie a légèrement réduit le déficit énergétique. Le secteur manufacturier offshore a enregistré un excédent commercial équivalent à 7,4 % du PIB, contre un déficit important dans le secteur onshore.[2] Les recettes touristiques et les flux de transferts de fonds sont restés solides, représentant chacun environ 3,6 à 3,7 % du PIB, mais le déficit courant s'est creusé pour atteindre 2 % du PIB au premier semestre 2025.

Les entrées de capitaux, en particulier les investissements directs étrangers (IDE), contribuent à maintenir la stabilité extérieure malgré un accès limité aux marchés internationaux. Les IDE ont augmenté de 41 % au cours des sept premiers mois de 2025, atteignant 1 % du PIB. Un compte financier excédentaire et les contrôles stricts sur les sorties de capitaux ont permis de maintenir la stabilité des réserves et la relative fermeté du dinar qui s'est déprécié de 2,7 % par rapport à l'euro depuis le début de l'année, mais en légère hausse par rapport au dollar américain. Au même moment, le recours croissant au financement de la Banque centrale de Tunisie pour couvrir les remboursements extérieurs pourrait avoir un impact sur la monnaie locale et l'inflation, si le déficit commercial persiste ou se creuse davantage.

L'inflation a poursuivi sa baisse tout au long de l'année 2025, ce qui a permis à la Banque centrale d'assouplir prudemment sa politique monétaire. L'inflation globale est passée de 10,4 % en février 2023 à 4,9 % en octobre 2025, soutenue par la baisse des prix internationaux de l'énergie et des céréales ainsi que par une demande intérieure modérée. L'inflation alimentaire est tombée à 5,6 %, ce qui a profité aux ménages à faibles revenus dont le panier de consommation est fortement axé sur l'alimentation. En conséquence, la Banque centrale a réduit son taux directeur de 50 points de base à 7,5 % en mars 2025. Les taux d'intérêt réels sont restés positifs, mais la masse monétaire a continué de croître (l'agrégat monétaire M3, qui constitue une mesure de la masse monétaire au sens large, a augmenté de 10,7 % en août 2025 (en glissement annuel)). Le maintien de la stabilité des prix nécessitera un calibrage minutieux de la politique monétaire et un cadre institutionnel et de politiques publiques, stable.

Sur le plan budgétaire, le gouvernement a poursuivi l'assainissement des finances publiques, même si le niveau d'endettement reste élevé et que les contraintes de financement persistent. Le déficit budgétaire est passé de 9 % du PIB en 2020 à 6,3 % en 2024, grâce à un meilleur recouvrement des impôts, à une maîtrise de la masse salariale et à une baisse des subventions induite par la baisse des prix mondiaux en plus des contrôles quantitatifs. Les recettes ont augmenté pour atteindre 29,6 % du PIB en 2024, tandis que les dépenses ont été contenues à 35,9 %. Les investissements publics en capital ont atteint 3,6 % du PIB, ce qui a affecté le renouvellement des infrastructures et le potentiel de croissance. La dette publique s'est stabilisée autour de 84,5 % du PIB et est de plus en plus financée au niveau national, la dette intérieure représentant 77 % de la dette totale en 2024. Le service de la dette a augmenté de 19,6 % en 2024, soit 24,1 % pour le principal et 7,9 % pour les paiements d'intérêts.

Le recours croissant au financement local a resserré les conditions de liquidité, ce qui pourrait avoir généré un effet d'éviction sur le secteur privé. La part des emprunts publics dans lecrédit bancaire total est passée à un tiers en 2025, contre 15 % en 2019, limitant ainsi les prêts aux entreprises et aux ménages. Bien que le gouvernement ait mis en place des mécanismes de compensation des taux d'intérêt et de nouvelles lignes de crédit à court terme pour les PME, leur impact semble jusqu'à présent limité. À terme, la part de plus en plus croissante des emprunts souverains pourrait limiter l'intermédiation financière et contraindre l'investissement privé, pesant ainsi sur la croissance de la productivité.

L'économie tunisienne devrait croître de 2,6 % en 2025 et se stabiliser autour de 2,4 % en 2026-2027. La reprise dans les secteurs de l'agriculture et de la construction devrait continuer à soutenir la croissance à court terme, tandis que le tourisme se renforcera progressivement. En même temps, des contraintes structurelles — investissement modéré, financement extérieur limité et rythme actuel de mise en œuvre des réformes — devraient peser

[2] Le secteur offshore représente des entreprises entièrement exportatrices qui, depuis 1972, bénéficient de procédures d'importation simplifiées et d'exonérations de droits de douane sur leurs intrants. Jusqu'à 2015, elles n'étaient pas assujetties à l'Impôt sur les Sociétés.

sur les perspectives. Le déficit courant devrait s'élargir modérément pour atteindre 2,7 % du PIB en 2025 et 3,1 % d'ici 2027, tandis que le déficit budgétaire devrait se réduire progressivement pour atteindre 4,4 % d'ici 2027.

La poursuite des initiatives de modernisation économique sera essentielle pour maintenir la reprise en Tunisie. Le renforcement de la discipline budgétaire, la modernisation des entreprises publiques et l'amélioration des conditions de concurrence et d'investissement serait de nature à appuyer une croissance plus forte et plus inclusive. Un dosage équilibré des politiques publiques — fondé sur la stabilité macroéconomique, un rôle accru du secteur privé et un environnement réglementaire prévisible — peut contribuer à soutenir la reprise économique en Tunisie et favoriser un développement inclusif.

Afin de préserver le bien-être de la population, la Tunisie dispose d'un système complet de protection sociale, combinant des régimes d'assurance contributive et une assistance non contributive. Le système contributif comprend les pensions de retraites, d'invalidité, l'assurance maladie, les allocations familiales et les indemnités de maternité. Le système non contributif repose en grande partie sur le programme «Amen Social» qui offre aux ménages pauvres et à revenus limités des transferts monétaires et un accès gratuit ou subventionné aux soins de santé. Les systèmes - contributif et non contributif- combinés couvrent près de 80 % de la population totale et servent de plateforme pour atténuer les chocs et protéger les moyens de subsistance des ménages tunisiens.

Le programme AMEN, principal programme de filet de sécurité sociale, a contribué à la réduction de la pauvreté et des inégalités. Le programme a joué un rôle important en étendant un soutien multidimensionnel aux ménages pauvres et vulnérables, élargissant considérablement la couverture et l'impact au cours de la dernière décennie. Les principaux développements qui ont contribué à réduire la pauvreté et les inégalités incluent le triplement du nombre de ménages bénéficiaires de transferts monétaires pour atteindre environ 10 % de la population totale, l'augmentation des montants des transferts monétaires ainsi que l'intégration des services de santé et des allocations familiales. Les mécanismes de ciblage du programme et la digitalisation ont renforcé sa capacité à atteindre les groupes vulnérables et à répondre efficacement aux chocs, comme cela a été démontré lors de la pandémie de Covid-19.

Le programme AMEN pourrait être encore amélioré pour en accroître l'efficacité. Les défis persistants incluent le ciblage inadéquat, les disparités régionales, les contraintes de capacité institutionnelle ainsi que la nécessité d'une digitalisation et d'une durabilité financière renforcées. De plus, l'élargissement des programmes d'inclusion économique pour autonomiser les bénéficiaires du programme AMEN faciliterait un passage stratégique de l'assistance à l'assurance sociale. Cette transition renforcerait non seulement la protection des travailleurs vulnérables, mais également la durabilité et la résilience à long terme du système de protection sociale tunisien. Traiter ces problèmes est essentiel pour garantir que le programme reste réactif, équitable et efficace.

الملخص التنفيذي

يظهر الاقتصاد التونسي علامات التعافي في 2025، مع تباين في التطور بين القطاعات. بعد سنوات من النمو المعتدل والآثار المستمرة لأزمة كوفيد19-، توسع الناتج المحلي الإجمالي - بالأسعار القارة- بنسبة 2.4 في المائة خلال التسعة أشهر الأولى من عام 2025، مدفوعا بشكل أساسي بالظروف المناخية المواتية التي عززت الإنتاج الفلاحي وانتعاش قطاعي البناء والسياحة. ونما القطاع الفلاحي بنسبة 9,5 في المائة مقارنة بنفس الفترة في العام الماضي مما عوّض التراجع السابق، مع زيادة هامة في إنتاج الزيتون والحبوب. توسع قطاع البناء بنسبة 5,7 في المائة بعد ثلاث سنوات من الركود، بينما تجاوز عدد السياح الوافدين مستويات ما قبل الجائحة. وفي الوقت نفسه، شهد القطاع المالي انخفاضا ملحوظاً (8,8– في المائة) بسبب التغيرات في الإطار التشريعي، بما في ذلك زيادة نسبة الضريبة علي الأرباح (إلى 40 في المائة). وانكمشت صناعة الطاقة بنسبة 10,5 في المائة، مما يعكس الغلق التدريجي لعدد من الحقول ونقص الاستثمارات الجديدة.

رغم تسارع وتيرة النمو، لا يزال تعافي تونس دون نظيراتها في المنطقة. لم يستعد الاقتصاد مستوى الناتج المحلي الإجمالي - بالأسعار القارة- لعام 2019 إلا في أواخر 2024 ، ولم يتحول نمو الإنتاجية إلى إيجابي بعد. وقد أسهمت التحديات التي تحول دون المنافسة، ومحدودية فرص الحصول على التمويل، والجوانب المتعلّقة بالحوكمة، إلى إبطاء تقارب البلاد مع الاقتصادات ذات الدخل المتوسط الأعلى. علاوة على ذلك، ظلت معدلات الادخار راكدة منذ عام 2000 وانخفضت بشكل هام منذ عام 2010، مما أدى إلى تقييد الاستثمار وقدرة البلاد على تبني تقنيات جديدة ورفع مستوى الإنتاج.

وقد تحسن خلق فرص العمل ولكن لا تزال هناك تفاوتات في سوق الشغل. وخلق الاقتصاد 94100 فرصة عمل صافية خلال الربع الثالث من 2025 — على أساس سنوي ، مع 62 في المائة من الوظائف الجديدة للرجال. وفي الوقت نفسه، لا يزال أداء سوق العمل هشا، مع ارتفاع معدلات البطالة (15.4 في المائة في الثلاثي الثالث من 2025، مقارنة ب 15.7 في المائة في الثلاثي الأول و16 في المائة في 2024) وتفاوتات كبيرة بين الجنسين. ولا يزال معدل مشاركة الإناث في سوق الشغل أقل من 30 في المائة، مقارنة ب 65 في المائة للرجال، والبطالة أعلى بكثير بين النساء (22,4 في المائة) والشباب (40,1 في المائة).

وتعكس التوازنات الخارجية في 2025 اتساعا في العجز التجاري يقابله صمودا جزئيا لعائدات الخدمات وتحويلات الغير مقيمين . ارتفع العجز التجاري إلى 9 في المائة من الناتج المحلي الإجمالي في الأشهر التسعة الأولى من 2025 بسبب ركود الصادرات وارتفاع الواردات. وكان العجز واضحا بشكل خاص في الصناعات الميكانيكية والكهربائية مع ارتفاع واردات السيارات، في حين أدى انخفاض أسعار الطاقة العالمية إلى تقليص عجز الطاقة بشكل طفيف. سجل الشركات المصدِّرة بالكامل فائضا تجاريا يعادل 7.4 في المائة من الناتج المحلي الإجمالي ، مقارنة بعجز كبير للشركات الأخرى. وظلت عائدات السياحة وتحويلات الغير مقيمين قوية - كل منها حوالي 3.6–3.7 في المائة من إجمالي الناتج المحلي – ومع ذلك اتسع عجز الحساب الجاري إلى 2 في المائة من إجمالي الناتج المحلي في النصف الأول من 2025.

وتساعد تدفقات رؤوس المال ولا سيما الاستثمار الأجنبي المباشر، في الحفاظ على. استقرار الميزان الخارجي على الرغم من محدودية الوصول إلى الأسواق المالية الدولية. وارتفع الاستثمار الأجنبي المباشر بنسبة 41 في المائة في الأشهر السبعة الأولى من 2025، ليصل إلى 1 في المائة من إجمالي الناتج المحلي. وأبقى فائض الحساب المالي والإجراءات المنظمة لتدفقات رأس المال إلى الخارج استقرار الاحتياطيات وثباتا نسبيا للدينار - فقد انخفض قيمته بنسبة 2.7 في المائة مقابل اليورو منذ بداية السنة وارتفع بشكل طفيف مقابل الدولار الأمريكي. وفي الوقت نفسه، فإن زيادة الاعتماد على تمويل البنك المركزي لتغطية لالتزامات الخارجية يمكن أن يؤثر على استقرار العملة المحلية والتضخم إذا استمر العجز التجاري أو اتسع.

استمر التضخم في الانخفاض طوال سنة 2025 ، مما سمح للبنك المركزي بتيسير السياسة النقدية بحذر. وانخفض التضخم من 10.4 في المائة في فيفري 2023 إلى 4.9 في المائة في أكتوبر 2025، مدعوما بانخفاض الأسعار الدولية للطاقة والحبوب، فضلا عن ضعف الطلب المحلي. وانخفض تضخم الغذاء إلى 5.6 في المائة، مما أفاد الأسر منخفضة الدخل التي تشتمل سلال استهلاكها على نسبة أعلى من المواد الغذائية. ردا على ذلك، خفض البنك المركزي سعر الفائدة الأساسي بمقدار 50 نقطة أساس إلى 7.5 في المائة في مارس 2025. ظلت أسعار الفائدة الحقيقية إيجابية،

لكن الكتلة النقدية المتداولة استمرت في النمو نمت الكتلة النقدية على معنى المؤشر M3، والذي يشكل مقياسًا للعرض النقدي بالمعنى الواسع بنسبة 10.7 في المائة اعتبارا من أوت 2025 بحساب الانزلاق السنوي. وسيتطلب الحفاظ على استقرار الأسعار معايرة دقيقة للسياسة النقدية إضافة إلي استقرار على مستوى السياسات العمومية.

وواصلت الحكومة توطيد المالية العمومية، على الرغم من أن مستويات الدين لا تزال مرتفعة واستمرار قيود التمويل. تقلص عجز الميزانية من 9 في المائة من إجمالي الناتج المحلي في 2020 إلى 6.3 في المائة في 2024 بفضل ارتفاع الضرائب، و التحكم في كتلة الأجور، وانخفاض الدعم من جرّاء انخفاض الأسعار العالمية والتحكم الكمي في المواد المدعمة. ارتفعت الإيرادات إلى 29.6 في المائة من الناتج المحلي الإجمالي في عام 2024 ، بينما تم احتواء النفقات بنسبة 35.9 في المائة. وفي الوقت نفسه، بلغ الاستثمار العمومي 3.6 في المائة من إجمالي الناتج المحلي، مما أعاق تجديد البنية التحتية وإمكانات النمو. استقر الدين العمومي بحوالي 84.5 في المائة من إجمالي الناتج المحلي ويتم تمويله لدين داخلي بشكل متزايد، حيث شكل الدين المحلي 77 في المائة من إجمالي الدين في 2024. ارتفعت خدمة الدين بنسبة 19.6 في المائة في 2024 ، و 24.1 في المائة لأصل الدين و 7.9 في المائة لمدفوعات الفائدة.

وأدى الاعتماد المتزايد على التمويل المحلي إلى تشديد ظروف السيولة ومن المرجح أن يؤدي إلى مزاحمة إستثمار القطاع الخاص. وارتفعت حصة الاقتراض الحكومي من إجمالي الإقتراض المصرفي إلى الثلث في عام 2025، مقارنة ب 15 في المائة في 2019، مما حد من الإقراض للشركات والأسر. ورغم أن الحكومة أدخلت مخططات لتعويض أسعار الفائدة وفرضت خطوط ائتمان جديدة قصيرة الأجل للشركات الصغيرة والمتوسطة، فإن تأثيرها يبدو محدودا حتى الآن. وبمرور الوقت، يمكن أن تؤدي هيمنة الاقتراض السيادي المستمرة إلى إضعاف الوساطة المالية وتقييد الاستثمار الخاص، مما يزيد من تباطؤ نمو الإنتاجية.

ومن المتوقع أن ينمو الاقتصاد التونسي بنسبة 2.6 في المائة في عام 2025 وأن يستقر بنحو 2.4 في المائة في 2026–2027. ومن المتوقع أن يستمر انتعاش الفلاحة والبناء في دعم النمو على المدى القريب، بينما تعزز السياحة تدريجيا. وفي الوقت نفسه، من المتوقع أن تؤثر القيود الهيكلية — الاستثمار المعتدل مستوى خاصة ، والتمويل الخارجي المحدود، والوتيرة الحالية لتنفيذ الإصلاح — على الآفاق المستقبلية. ومن المتوقع أن يتسع عجز الحساب الجاري بشكل معتدل إلى 2.7 في المائة من إجمالي الناتج المحلي في 2025 و3.1 في المائة بحلول 2027، بينما من المتوقع أن يتقلص عجز الميزانية تدريجيا إلى 4.4 في المائة بحلول 2027.

وسيكون التقدم المستدام في الإصلاح الاقتصادي أمرا أساسيا للحفاظ على تعافي التونسي الاقتصاد. بتعزيز الانضباط في الميزانية، وتحديث الشركات العمومية ، وتحسين ظروف المنافسة والاستثمار أمرا ضروريا لإطلاق العنان لنمو أعلى وأكثر شمولا. . وتعد الموازنة في السياسات العمومية - القائمة على استقرار الاقتصاد الشامل، وزيادة مشاركة القطاع الخاص،و إطار تشريعي متوقّع – عاملا يمكّن من دعم الانتعاش الاقتصادي في تونس وتعزيز التنمية الشاملة.

تمكنت تونس من إرساء نظام حماية اجتماعية شامل لضمان رفاهية سكانها ، يجمع بين خطط التأمين القائمة على المساهمات و أنظمة المساعدات الاجتماعية غير المساهمتية لحماية ظروف العيش الكريم للسكان. يشمل نظام المساهمة أنظمة التقاعد، والتأمين الطبي، ودعم الإعاقة، والإعانات الأسرية ، ودعم الأمومة. يعتمد نظام المساعدات الاجتماعية إلى حد كبير على برنامج تحويل نقدي للعائلات ذات الدخل المحدود النفاذ المجاني أو المدعم إلى الرعاية الصحية. يغطي النظامين ما يقارب 80 بالمئة من إجمالي السكان ويعمل كمنصة للتخفيف من الصدمات وحماية ظروف العيش الكريم الأسر التونسية.

ساهم برنامج الأمان الإجتماعي، وهو البرنامج الرئيسي للحماية الإجتماعية في التقليص من الفقر والفوارق. لعب البرنامج دورا مهما في تقديم الدعم متعدد الأبعاد للأسر الفقيرة والضعيفة، مما وسع بشكل كبير التغطية والتأثير خلال العقد الماضي. تشمل التطورات الرئيسية تضاعف عدد الأسر المستفيدة من التحويل النقدي إلى حوالي 10 بالمئة من إجمالي السكان، وزيادة مبالغ التحويل النقدي، ودمج الرعاية الصحية ورعاية الطفولة ، مما ساهم في تقليل الفقر و والفوارق. لقد عززت آليات استهداف البرنامج واستخدامه للأدوات الرقمية قدرته على الوصول إلى الفئات الضعيفة والاستجابة بفعالية للصدمات، كما ظهر خلال جائحة كوفيد19-.

وفي الوقت نفسه، يمكن تحسين برنامج الأمان الإجتماعي أكثر لزيادة فاعليته. تشمل التحديات المستمرة عدم الدقة في الإستهداف ، والفوارق بين الجهات، وقيود القدرة المؤسسية، والحاجة إلى المزيد من الرقمنة والاستدامة المالية. علاوة على ذلك، فإن توسيع برامج الشمول الاقتصادي لتمكين المستفيدين من برنامج الأمان الإجتماعي سيسهل التحول الاستراتيجي من المساعدات الاجتماعية إلى التأمين الاجتماعي. لن يعزز هذا الانتقال حماية العمال الضعفاء فحسب، بل سيعزز أيضا الاستدامة والمرونة طويلة الأمد لنظام الحماية الاجتماعية في تونس. معالجة هذه القضايا أمر ضروري لضمان بقاء البرنامج متجاوبا وعادلا وفعالا.

PART A

RECENT ECONOMIC DEVELOPMENTS

1. After years of slow growth, the Tunisian economy is showing signs of recovery in 2025, driven by favorable climatic and external conditions

Tunisia's economic recovery has been moderate since the sharp Covid-related contraction. After stalling in 2023 (0.2 percent growth) due to limited demand, drought, and regulatory constraints, the economy slightly recovered in 2024 (1.6 percent growth). As a result, real GDP reached its 2019 level in the last quarter of 2024 (see Figure 1). Barriers to competition, limited access to finance, governance challenges, and low female labor force participation have resulted in a growth divergence from regional peer countries (see Figure 2).[3]

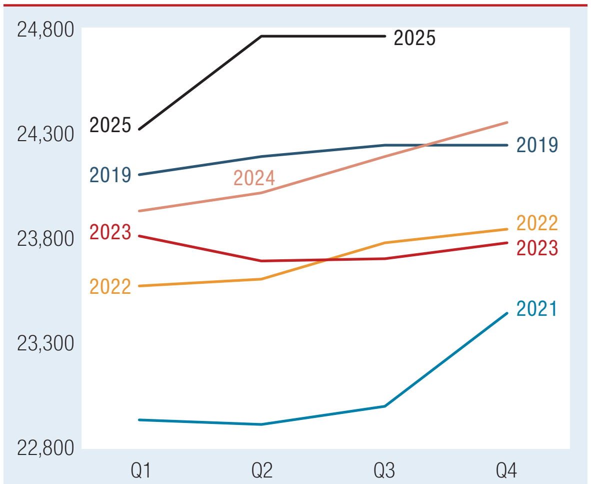
Economic growth increased 2.4 percent in the first 9 months of 2025, driven by a rebound in the agricultural sector and increased construction and tourism activity. Favorable climatic conditions supported growth in the agricultural sector in 2025 (9.5 percent growth y-on-y), recovering the 2023 losses, when sectoral GDP fell by 14 percent (Figure 3). Agriculture growth was led by olive oil (+55 percent) and cereals (+70 percent) during the 2024–25 harvest. The construction sector experienced positive growth in 2025 (5.7 percent) after four years of stagnation. While remaining below its pre-Covid level, the tourism sector contributed to growth, as reflected by increased tourist arrivals.[4] The financial sector experienced a sharp decline (–8.8 percent) due to changes in the regulatory framework, including an increase from 35 percent to 40 percent in the corporate tax rate for financial institutions. The hydrocarbon industry contracted by 10.5 percent, reflecting the phasing out of various fields and lack of new investments.

Increased economic activity in the first 9 months of 2025 translated into lower unemployment and increased labor force participation, with marked gender differences. In the third quarter of 2025 unemployment declined to 15.4 percent, down from 16 percent in Q3-2024, marking the 7th

[3] See also the 2022 and 2023 issues of the Tunisia Economic Monitor.

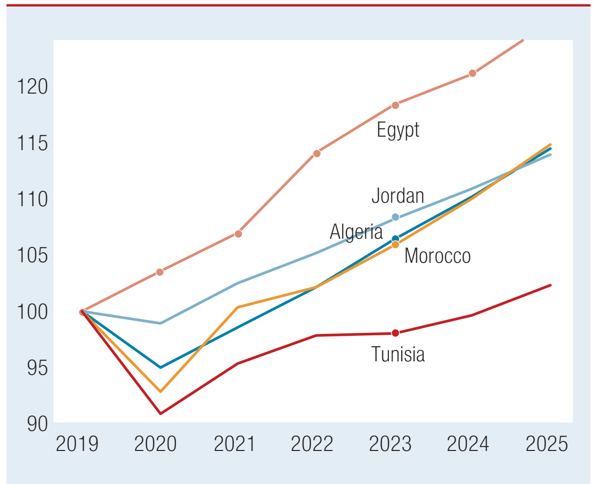
[4] From January 1 to October 20, 2025, there were approximately 9.05 million tourist arrivals, marking a 9 percent increase compared to the same period in 2024 and a return to pre-Covid levels.

FIGURE 1 • Tunisia's Economy Recovered in 2025…
(Quarterly GDP, constant 2015 TD)



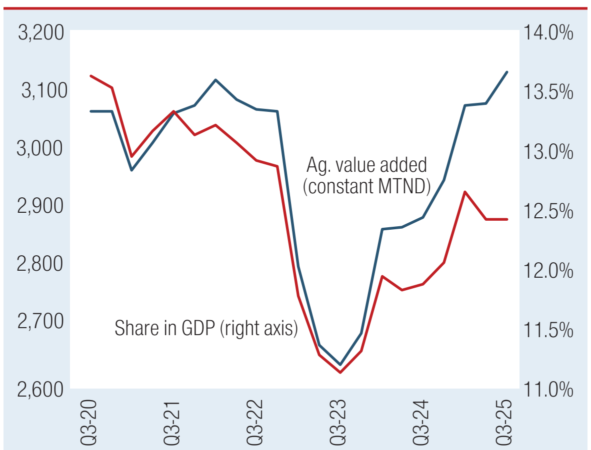
Source: Tunisia's National Statistics Institute (INS).

FIGURE 2 • …but Continues to Diverge from Regional Peers
(GDP constant prices; 2019=100)



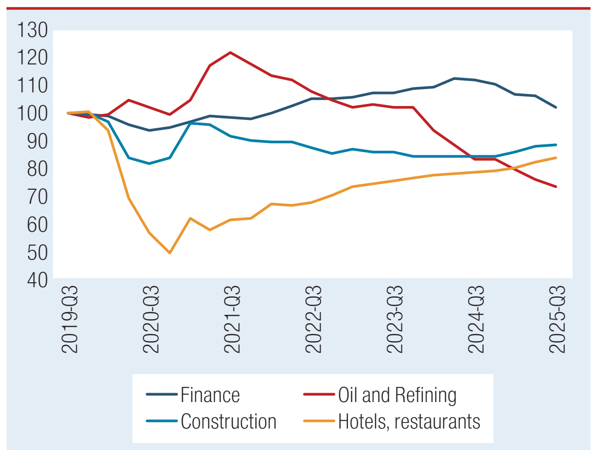
Source: World Bank Macro-Poverty outlooks.

FIGURE 3 • After a Sharp Decline in 2023, Agriculture is Expected to Return to its 2022 Level of Activity in 2025.
(Agriculture value-added, TD mln constant prices and share in GDP)



Source: INS and World Bank calculations.

FIGURE 4 • Hydrocarbons and Finance and Construction Dragged Growth in 2025
(Value-added in constant 2015 prices; 2019=100)



Source: INS and World Bank calculations.

BOX 1: THE RISE OF THE MECHANICAL AND ELECTRICAL INDUSTRY IN TUNISIA

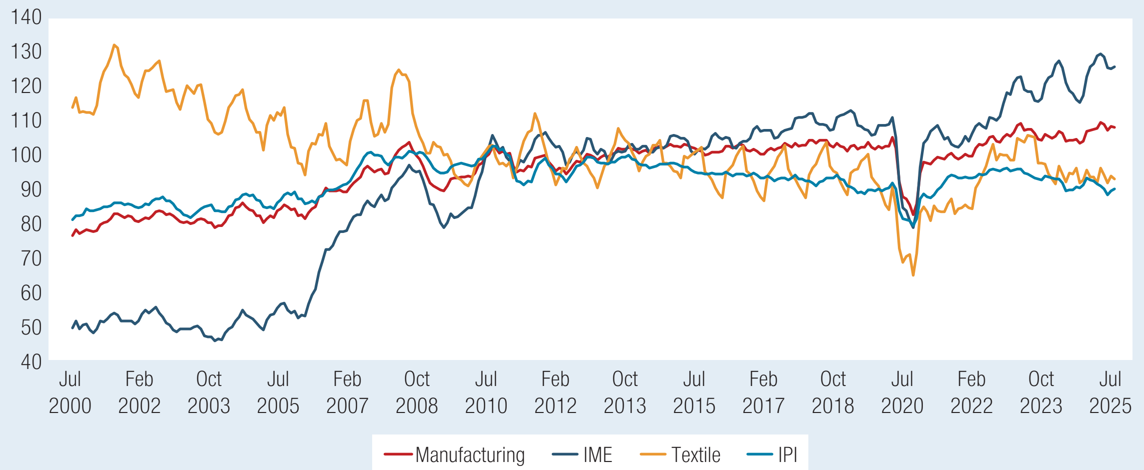
In the 1990s, Tunisia's industrial policy aimed to stimulate the development of mechanical, electrical, and electronic industries (MEE) as part of a broader strategy of openness and integration into the global economy. While the textile and clothing sector had long been the engine of Tunisian industry, the impending phase-out of preferential access to European markets, following the dismantling of the Multi-Fibre Arrangement, pushed policymakers to reorient the export-led growth model toward higher value-added activities. The focus shifted to attracting foreign direct investment and promoting the MEE industries, which benefited from the relocation of numerous European subcontracting firms, particularly in electrical wiring, components, and later in automotive and aeronautical parts (Figure B.1).

(continued on next page)

BOX 1: THE RISE OF THE MECHANICAL AND ELECTRICAL INDUSTRY IN TUNISIA *(continued)*

Tunisia pursued an active industrial policy that deliberately fostered the growth of mechanical and electrical industries through a mix of protection, targeted incentives and export-oriented measures. For example, authorities imposed local-content requirements on imports of cars to stimulate parts production. Complementary programs—notably an industrial "upgrading" policy—supported firm-level modernization via technical assistance, quality standards, workforce training, and co-financing for new equipment, helping small and medium suppliers meet the demands of assemblers and foreign investors. At the same time a focused export development program used trade facilitation and export promotion to integrate Tunisian manufacturers into Global Value Chains, accelerating economic complexity. As a result, the productive fabric expanded around emerging industrial clusters in Sousse, Sfax, and Greater Tunis, driving a sharp increase in manufacturing exports from the mid-1990s onward.

FIGURE B.1 • Industrial Production Index *(6-months average with 2010 = 100)*



Source: World Bank calculations from INS data.

Offshore mechanical and electrical industries have become a cornerstone of Tunisia's export performance, accounting for half of merchandise exports and attracting significant foreign investment. The Tunisian economy has had a Revealed Comparative Advantage in this sector since the 2000s—with a stagnation starting after 2010—and since 2010 for aeronautical parts (Figure B.2). They also represent a major source of employment, accounting for more than 13 percent of private employment in 2022, against 4 percent in 1996 (Figure B.3).

TABLE B.1 • Sectoral Contributions to GDP Growth (first two quarters only)

Industries	2010–2013	2013–2016	2016–2019	2019–2022	2022–2025
Agro-food Industries	0,298	0,151	0,315	0,185	0,052
Textile, Apparel and Leather Industries	–0,117	–0,186	–0,012	–0,009	–0,190
Oil Refining Industry	0,130	–0,150	–0,045	0,100	–0,126
Chemical Industries	–0,241	0,111	–0,062	0,052	–0,005
Building Materials, Ceramics and Glass Industries	0,078	0,030	–0,123	–0,010	–0,048
Mechanical and Electrical Industries	0,262	0,101	0,301	–0,090	0,364
Other Manufacturing Industries	–0,036	0,021	–0,037	–0,038	–0,004

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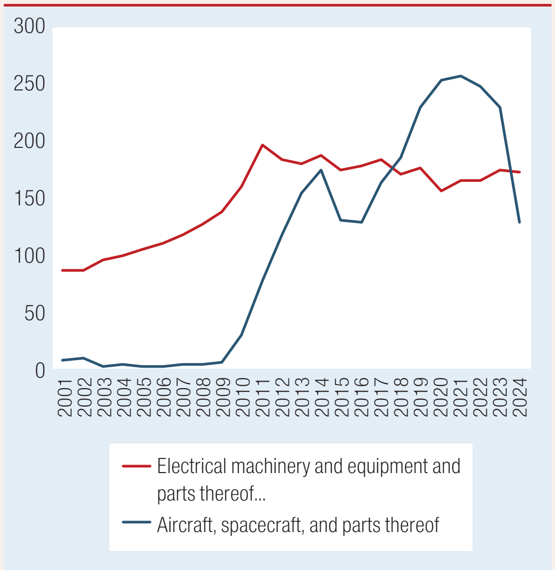
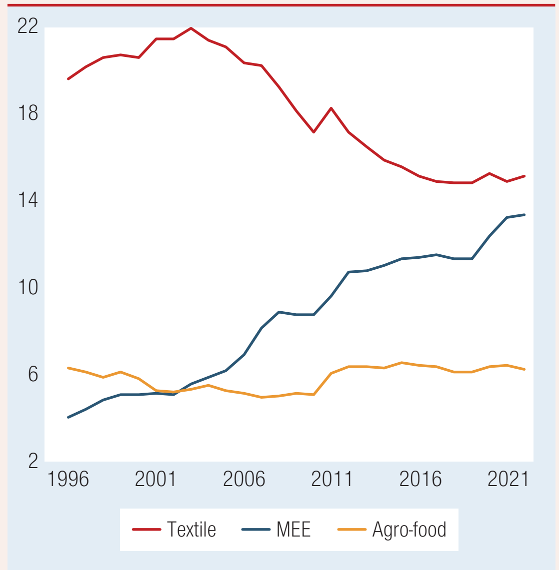
BOX 1: THE RISE OF THE MECHANICAL AND ELECTRICAL INDUSTRY IN TUNISIA *(continued)*

FIGURE B.2 • Revealed Comparative Advantage Indicator for MEE



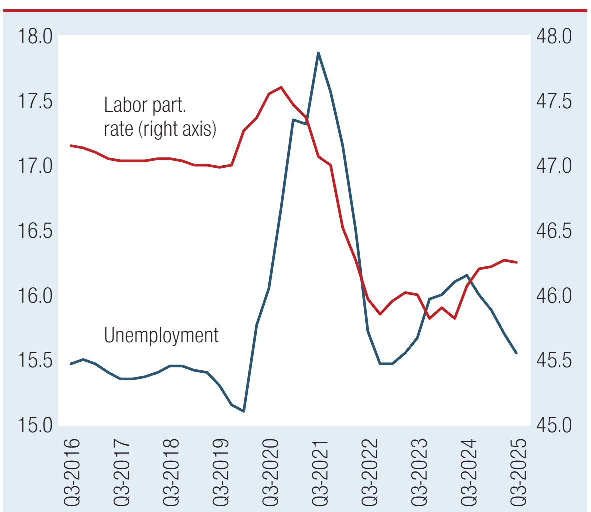
Source: World Bank calculations from International Trade Center Data, INS, and RNE.
Note: The Revealed Comparative Advantage indicator is calculated by dividing a country's share of world exports in a specific commodity by the share of that country's total exports in the global total exports of that commodity. A value greater than 100 indicates a revealed comparative advantage, while a value less than 100 indicates a comparative disadvantage.

FIGURE B.3 • Share in Private Sector Employment



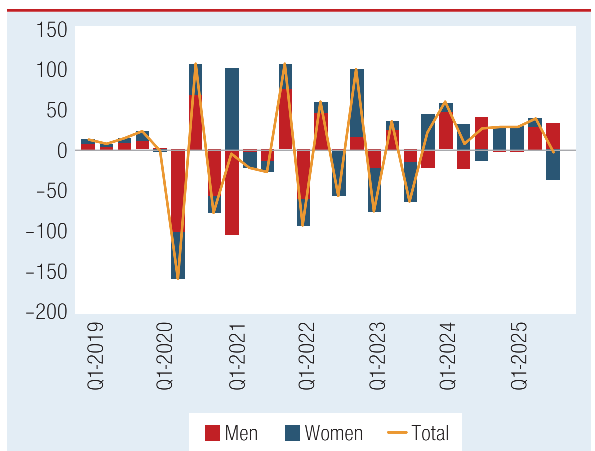
Source: World Bank calculations from International Trade Center Data, INS, and RNE.
Note: The Revealed Comparative Advantage indicator is calculated by dividing a country's share of world exports in a specific commodity by the share of that country's total exports in the global total exports of that commodity. A value greater than 100 indicates a revealed comparative advantage, while a value less than 100 indicates a comparative disadvantage.

FIGURE 5 • Labor Participation (slightly) Up, Unemployment (slightly) Down



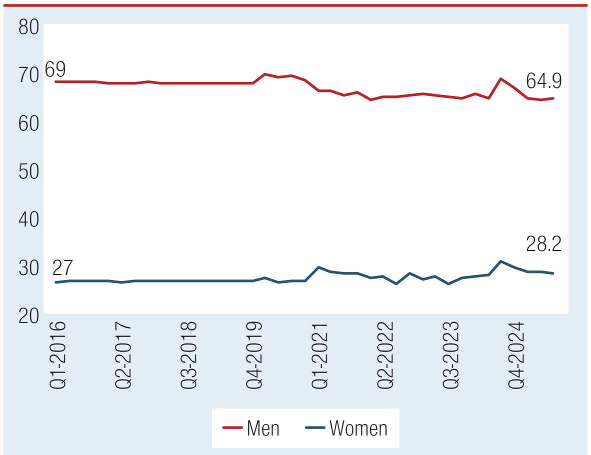
Source: World Bank staff calculations based on INS.

FIGURE 6 • The Economy has Continued to Create Jobs from the 4th quarter of 2023 to the 2nd quarter of 2025 *(Quarterly net change in jobs, '000)*



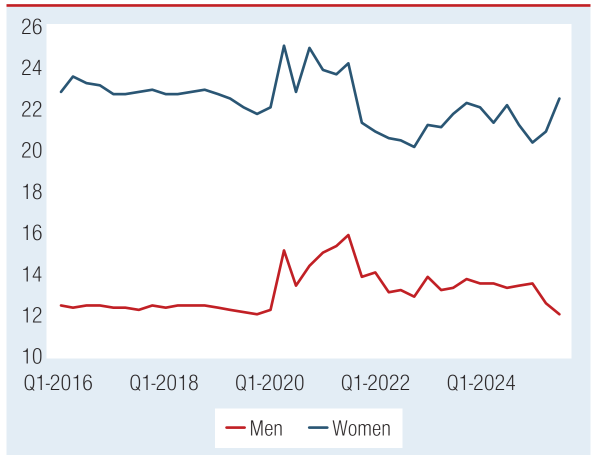
Source: World Bank staff calculations based on INS.

FIGURE 7 • The Participation Rate among Women is Slowly Increasing while Remaining Below that for Men



Source: World Bank staff calculations based on INS.

FIGURE 8 • The Unemployment Rate for Women is Eight Percentage Points Higher than that for Men



Source: World Bank staff calculations based on INS.

consecutive quarter of year-on-year decrease. At the same time, the labor force participation rate remained stable (46.1 percent in Q3-2025). While progress has been made, women continue to suffer a large penalty in the labor market, with an unemployment rate at 22.4 percent (versus 12.1 percent for men) and a participation rate of only 28.2 percent (versus 64.9 percent for men) in Q3-2025 (Figures 7 and 8).[5]

The economy created 94,100 net jobs during the third quarter of 2025 (y-o-y), with 62 percent of the new jobs for male workers (Figure 6). The increase reflects the 7th successive quarter with net job creation from the 4th quarter of 2023 to the 2nd quarter of 2025, mostly in construction and agriculture. Increased job creation since Q4-2023 has compensated for the job losses experienced during Covid-19 and the 2023 downturn in agriculture, which largely affected women (total working population reached 3.61 million in Q3-2025 as compared to 3.57 million in Q4-2019). Furthermore, the tilting of new job creation towards women appears part of a longer-term trend: since Q4-2019, the employed labor force has increased for women (+84,300 jobs) and decreased for men (−44,700 jobs).

[5] These data are based on quarterly employment surveys conducted by the INS in accordance with ILO standards. During the fourth quarter of 2024, the employment survey was not conducted due to the general census. The figures represent the averages for Q3-2024/Q1-2025.

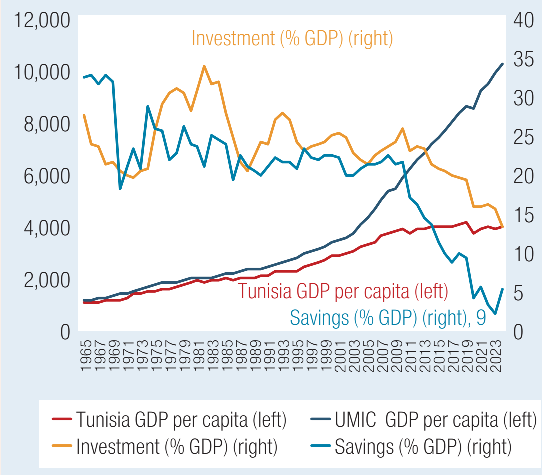
BOX 2: THE LONG-TERM ECONOMIC SLOWDOWN DUE TO LIMITED INVESTMENT AND SUBDUED PRODUCTIVITY GROWTH

The 2025 recovery contrasts with a long-term decline in investment and productivity, which accelerated after 2010. While the Tunisian economy grew at a similar pace as that of upper-middle income countries throughout the 1970s and 1980s, it started to diverge in the 1990s, a trend that was reinforced in the 2000s and more so after 2010. The slowing of Tunisia's economic development is associated with a marked decrease in investment and saving rates, particularly after 2010 (Figure 9). Lower investments typically constrain a country's ability to bring modern technologies from abroad and diffuse them domestically, which is a key transition towards upper-middle income status (World Bank, 2024). Furthermore, productivity growth – the fundamental driver of long-term economic growth—turned negative after 2012 (Figure 10), indicative of structural constraints. A notable exception to the country's growth slowdown includes the mechanical and electrical sector, which has replaced the textile industry as an engine for industrial growth (Box 1).

(continued on next page)

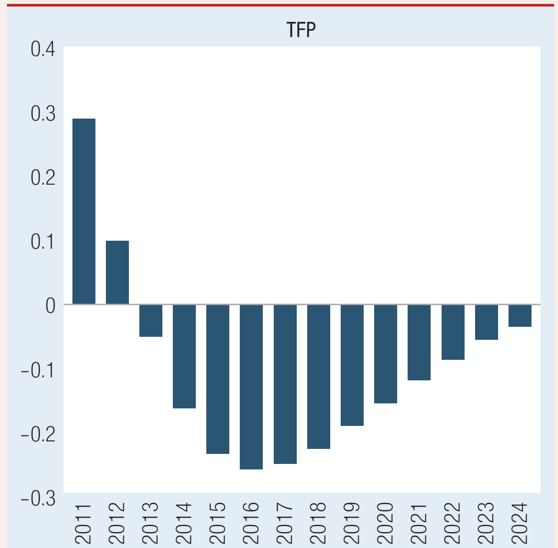
BOX 2: THE LONG-TERM ECONOMIC DECLINE DUE TO SLOW INVESTMENT AND NEGATIVE PRODUCTIVITY GROWTH *(continued)*

FIGURE B.4 • Investment and Savings Rates have Been Declining, Especially after 2010
(percent of GDP and constant 2015 USD)



Source: World Development Indicators.

FIGURE B.5 • and Productivity Growth Turned Negative since 2013
(TFP growth)



Source: MFMOD, World Bank.

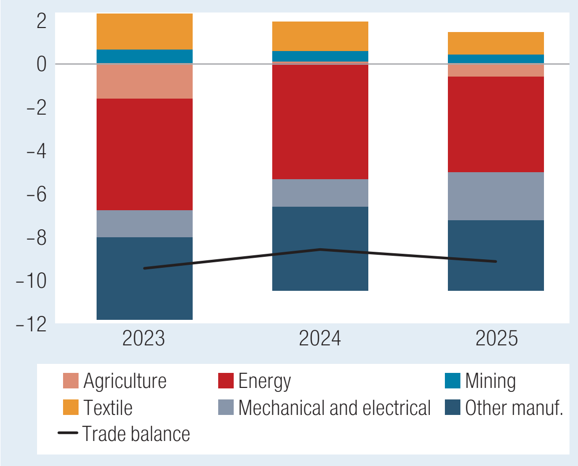
2. An increase in the current account deficit was offset by a surplus in the capital account, keeping the level of foreign reserves stable

Tunisia's merchandise trade deficit increased during the first 9 months of 2025 due to stagnating exports and rising imports. The trade deficit increased to 9 percent of GDP, up from 8.5 percent during the first 9 months of 2024. Exports stagnated in nominal terms (25 percent of GDP during the first 9 months of 2025 against 29.1 in 2024), compared with a 5 percent increase in imports (34 percent of GDP during the first 9 months of 2025 against 37.5 in 2024). The deficit in non-energy merchandise trade is driven by the agro-industrial sector and the mechanical and electrical sector (Figure 9). The deficit in the mechanical industries doubled from −1.2 percent of GDP to −2.2 percent of GDP, due to increasing imports of motor vehicles (+1.4 TND bn). The energy deficit, which accounts for half of the trade deficit, shrunk by 4 percent due to a decline in global energy prices (the price for a barrel of oil dropped USD 16 between October 2024 and October 2025). The agricultural surplus in 2024 (0.1 percent of GDP) turned into a deficit in 2025 (−0.6 percent of GDP) due to lower olive oil prices.

The trade deficit masks a significant disparity between the offshore and onshore sectors.[6] Indeed, the onshore sector's deficit (30.5 billion dinars during the first nine months of 2025, 16.4 percent of GDP) is partially offset by a 1.38 bn TND (7.4 percent of GDP) surplus in the offshore sector (Figure 10). The latter is driven by the mechanical and electrical industries, whose offshore surplus reached 4.8 percent of GDP during the same period, compared with a deficit of around 6.7 percent for the

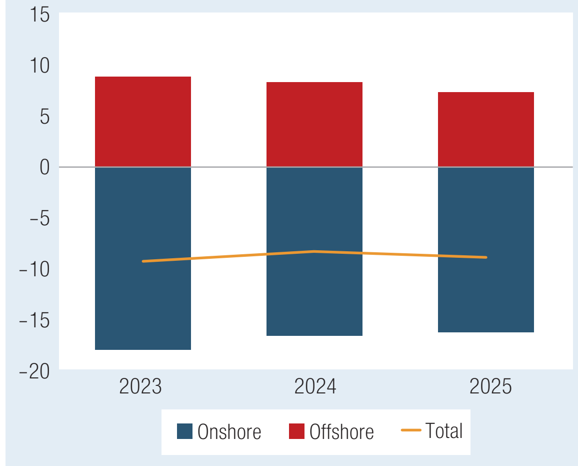
6 The offshore sector consists of totally exporting firms. This regime was established in 1972 in order to develop exports. Companies that export all of their production benefited from exemption from CIT and customs duties on their inputs. Several reforms have been introduced since then to bring offshore and onshore regimes closer together.

FIGURE 9 • Agriculture and Mechanical Industries have Led the Increase in the Goods Trade Deficit
(Trade balance by sector January-September 2025, percent of GDP)



Source: World Bank staff elaboration based on INS data.

FIGURE 10 • The Onshore Sector Deficit is (almost) Half Offset by the Offshore Sector Surplus
(Trade Balance January-September, TD million)



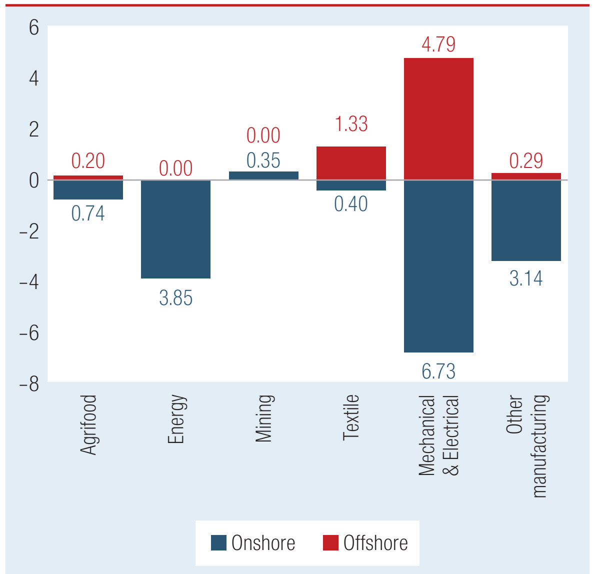
Source: World Bank staff elaboration based on INS data.

onshore component (Figure 11). Textiles and clothing come in second, with surplus from offshore companies reaching 1.3 percent of GDP between January and September 2025.

Service exports and remittances did not offset the goods trade deficit, leading to an increase in the current account deficit. As of October 1, 2025, tourism receipts grew by 8.2 percent (on an annual basis), reaching TND 6.3 billion, or 3.6 percent of GDP. Tourism receipts were slightly lower than remittance inflows (TND 6.5 billion or 3.7 percent of GDP), which also recorded an 8 percent increase, remaining a key source of foreign exchange for the country. Increased interest rate payments (+9.4 percent increase) combined with a widening trade deficit resulted in a CAD of 2 percent of GDP in the first half of 2025, up from a 1.2 percent deficit in the same period in 2024 (Figure 12).

Capital inflows, particularly foreign direct investment (FDI), and capital controls helped maintain external stability despite limited access to international markets. FDI rose by 41 percent in the first seven months of 2025, reaching 1 percent of GDP (Figure 13). The capital account surplus, combined with strict controls on capital outflows, has kept reserves stable: at the end of 2024, foreign reserves covered

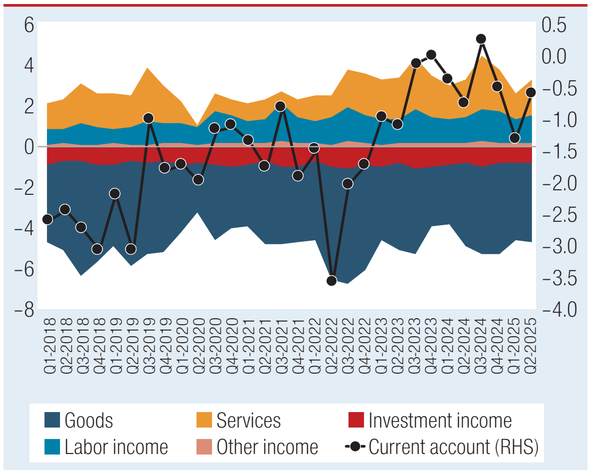
FIGURE 11 • Offshore Mechanical and Electrical Industries Lead Tunisian Merchandise Exports
(% GDP nine months 2025)



Source: World Bank staff elaboration on INS trade data.

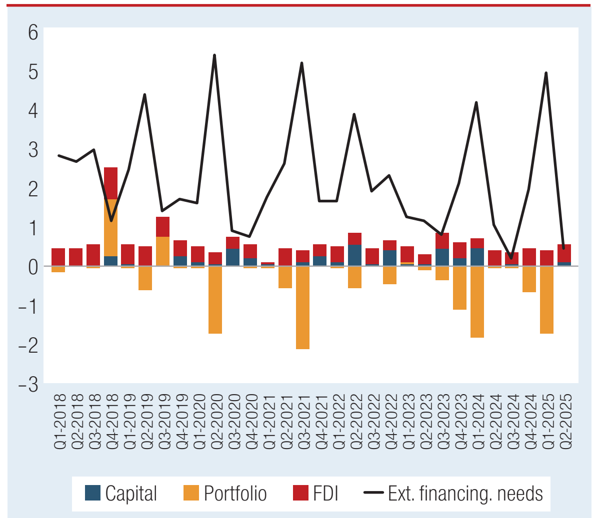
4 months of imports, on par with the previous year. At the same time, greater use of Central Bank financing to cover external repayments may add pressure on currency stability and inflation should the trade deficit deepen.

FIGURE 12 • The Current Account Deficit Widened from 1.2 to 2 Percent of GDP in the First Half of 2025 *(Percent GDP)*



Source: World Bank staff estimates based on Central Bank of Tunisia data.

FIGURE 13 • Limited FDI, Portfolio and Capital Flows put Pressure on Tunisia's Financing of its External Needs *(Percent GDP)*[a]



Source: World Bank staff estimates based on Central Bank of Tunisia data.
[a] External financing requirements are defined as the sum of the current account balance, the capital account, FDI, portfolios, and the repayment of the principal of external debt.

While foreign reserves have remained resilient, meeting external financing needs requires careful management as the country has limited access to international capital markets. External financing needs increased to 5.8 percent of GDP in the first half of 2025—a 19.4 percent year-on-year increase, with debt reimbursement accounting for 53 percent. Given limited external financing options,[7] the authorities are increasingly relying on domestic sources to cover their financing needs, including FX borrowing from the Central Bank to repay external debt. That is, the 2025 Budget Law authorized the Central Bank to lend to the government directly up to 7 billion dinars (4.1 percent of GDP), to be repaid over 15 years without interest. The Government used this facility, drawing on foreign reserves to repay external debt, including a US$1 bn loan (1.9 percent of GDP) to the international financial market.

The Dinar has overall remained stable, although a continued use of monetary financing may create pressures on currency and price stability. The current level of foreign reserves provides a buffer vis-à-vis imports and external debt repayments in the short term.[8] The dinar remained fairly stable—even appreciating against the US dollar (Figure 15)—in the face of large recent reimbursements. However, the use of reserves to reimburse external debt could carry some challenges to currency and price stability. That would particularly be the case if the trade deficit—the largest component of the current account deficit— continues to expand.

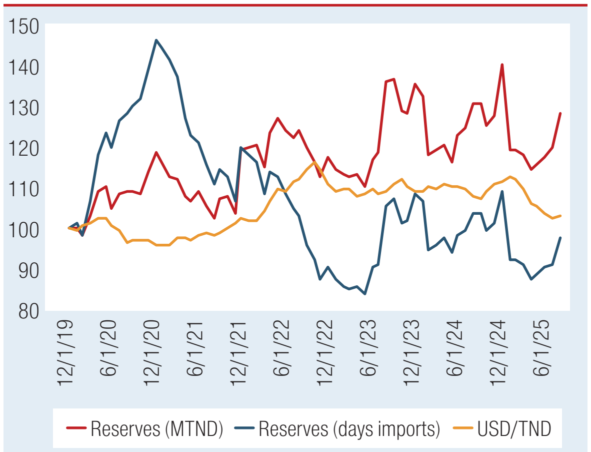
3. Inflation continued to moderate, leading the Central Bank to lower its main policy rate

Inflation continued to moderate from the peak of February 2023 on the back of lower global prices and low domestic demand. Year-on-year price infla-

[7] The Tunisian government has not been able to issue foreign-denominated bonds since 2019, as its sovereign credit rating has been consistently assessed as noninvestment grade (including by Moody's, Fitch Ratings and Rating and Investment Information). Fitch recently upgraded its rating from CCC+ to B-, reflecting an improvement in Tunisia's external position, resilient net foreign direct investments (FDI) and disbursements from multilateral and bilateral partners, which contribute to resilient international reserves.

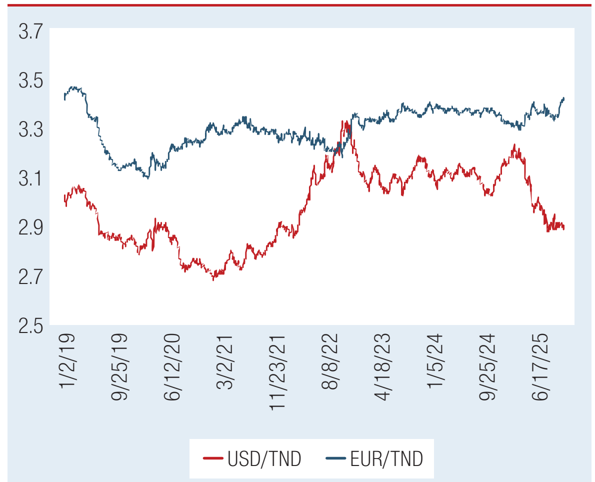
[8] In the context of an Afreximbank loan, some reserves have been placed in a long-term deposit with the bank. These deposits are recorded as official foreign reserves but are not freely available, suggesting that foreign-reserve cover in Tunisia may be lower.

FIGURE 14 • Reserves Recovered after the Drop in 2024
(reserves in TD and in days of imports and TND-USD exchange rate; 2020=100)



Source: World Bank staff estimation based on Central Bank of Tunisia data.

FIGURE 15 • The Dinar has Remained Fairly Stable against the Euro in 2025 and has Appreciated by 8 Percent against the Dollar



Source: World Bank staff estimation based on Central Bank of Tunisia data.

tion continued its gradual decline from its recent peak of February 2023 (10.4 percent), reaching 4.9 percent in October 2025, the lowest level since April 2021 (Figure 15). This followed the reduction in core inflation to 5.1 percent (October 2025) from 6.3 percent (October 2024) driven in part by a limited domestic demand.[9] The decline in international prices—especially cereals and energy—compounded this effect, helping reduce the pressure on domestic prices. Relatedly, electricity and gas inflation declined from 14.9 percent in February 2023 to −2.2 percent in October 2025.[10]

Food inflation dropped considerably over the past two years, benefiting the purchasing power of the poorest. Food inflation peaked at 15.2 percent in June 2023 due to persistent droughts and reduced supply following import compression of agricultural goods. Since then, disinflation occurred, with food inflation standing at 5.6 percent in October 2025, down from 9.3 percent a year earlier and in line with core inflation. These developments benefit the purchasing power of poor households, for which food accounts for a relatively greater share of expenditures.[11]

With declining inflation, the Central Bank lowered its main policy rate. In March 2025, the Central Bank's board decided to reduce the key policy rate by 50 basis points to 7.5 percent.[12] The decision was motivated by the reduction in the inflation rate and the need to boost economic growth. The real interest rate continues to remain positive in the face of the rate reduction, reaching 2.6 percent in October 2025, its highest level since Covid-19 (Figure 16). Maintaining price stability would require careful consideration in monetary policy choices going forward, including through policy rate changes within a stable policy framework.

4. The government is engaging in fiscal consolidation, but debt levels remain elevated

The budget deficit has decreased from 9 percent of GDP in 2020 to 6.3 percent in 2024, through

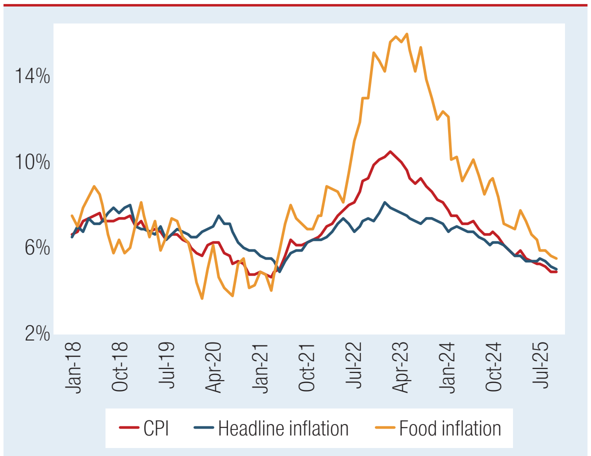
[9] Core inflation is computed by excluding energy and food products from the CPI.

[10] Although the consumer price of energy products has not been revised since 2022, statistics show a y-o-y decline in energy prices since February 2025.

[11] According to the 2021 Household Budget survey, the share of food in total expenditures is 35.5 percent for the bottom quintile of the income distribution and 27.2 percent for the top quintile.

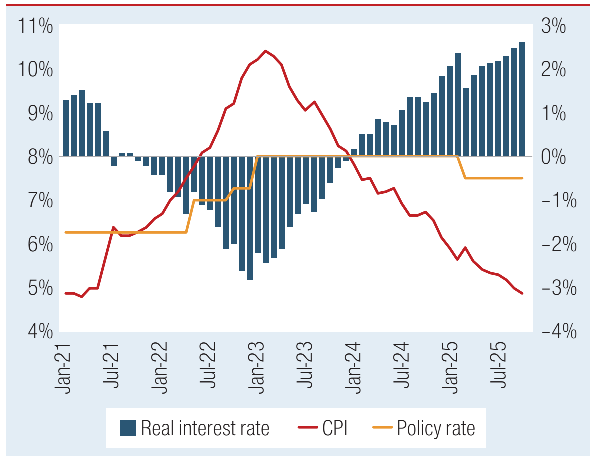
[12] Other rates were also cut by the same amount, including the deposit facilities (6.5 percent), the overnight lending facilities (8.5 percent) and the floor savings' rate (6.5 percent).

FIGURE 16 • Inflation Started to Decline in 2023 and has Now Reached its pre-Covid Average
(Year-on-year percent increase)



Source: Central Bank of Tunisia.

FIGURE 17 • Real Interest Rate is at the Highest Level since March 2021
(real interest, inflation and policy rates, in percent)



Source: World Bank estimates based on Central Bank of Tunisia.

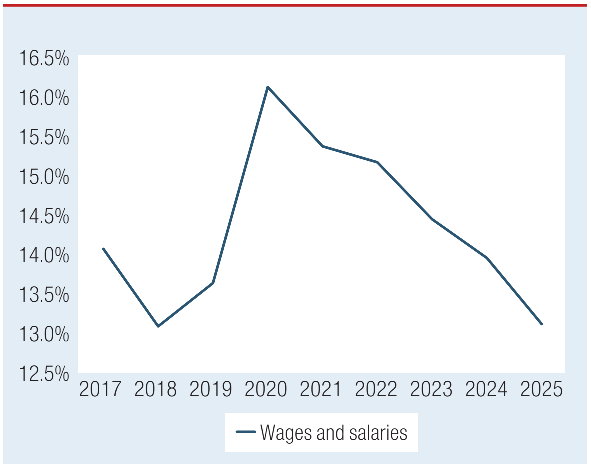
a combination of revenue and expenditure measures. Efforts since 2021 have led to a reduction in the budget deficit (Figure 21). Revenues increased from 25.6 percent in 2020 to 29 percent of GDP in 2024, supported by improved tax collection (26.1 percent of GDP in 2024 against 22.7 percent of GDP in 2020). Spending growth was limited—total expenditures reached 35.9 percent of GDP in 2024 compared to 34.7 percent in 2020, due to the wage bill compression (in GDP terms), rationalization of public sector hiring and lower subsidies relative to GDP. Transfers to public institutions (subsidies and operating transfers) accounted for 28.9 percent of total expenditure and 10.9 percent of GDP in 2024. The main transfers relate to energy (4.5 percent of GDP), food (1.8 percent of GDP), social security funds (1.4 percent of GDP), and transportation (0.6 percent of GDP).

Revenues increased (y-o-y) during the first eight months of 2025 but fell short of Budget Law projections. The budget execution report indicates that tax revenues grew by 6.4 percent year-on-year (y-o-y), below the 8.4 percent growth anticipated in the Budget Law. Total tax revenues reached 15.7 percent of GDP as of August 31, a decrease from 17.1 percent of GDP recorded during the same period in 2024. Tax collection was affected by a modest uptick of indirect taxes, specifically Value Added Tax (VAT), which grew by 4.0 percent to 4.1 percent of GDP. Conversely, direct taxes demonstrated greater resilience (8.0 percent growth to 6.8 percent of GDP), despite the near-stagnation in their largest component—labor income taxes— (+0.4 percent) following the revision in the PIT rate revisions decided in the 2025 Finance Act. The increase in direct taxes was supported by CIT which rose by 15.2 percent during the first 8 months. When excluding oil companies, CIT grew 31.4 percent over the first eight months of 2025.

The authorities have managed to restrain wage bill growth, which remains high by international standards. The public wage bill grew by 3 percent in the first three months of 2025 relatively to the same period in 2024. While the wage bill remains high by international standards, it declined from 15.1 percent of GDP in 2022 to 13.3 percent in 2024 and from 41.5 percent of total public expenditures to 38.9 percent (Figure 18). The relative compression of the wage bill follows the agreement between the government and the trade union (UGTT) in October 2022 and the maintained control of public sector recruitment. After the sharp increase in subsidy spending in 2022 due to rising international prices, it fell to 7.7 percent of GDP in 2023 and 7.1 percent of GDP in 2024. This includes a reduction in energy subsidies from 4.4 percent to 4.0 percent of GDP, driven by the reduction in international prices (Figure 19).

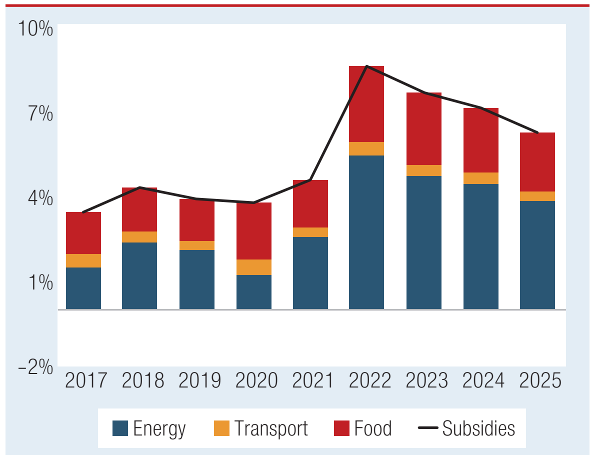
Reversing the decline in public capital expenditure would help revive economic growth.

FIGURE 18 • Wage Bill Remains High at 14 percent of GDP



Source: Ministry of Finance.

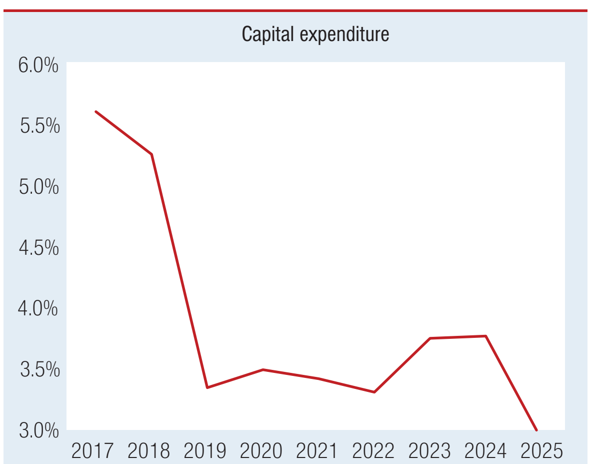
FIGURE 19 • Subsidies Reach almost 7 Percent of GDP in 2025



Source: Ministry of Finance.

While capital expenditures increased by 7.8 percent in 2024, they declined slightly as a percentage of GDP (from 3.7 percent in 2023 to 3.6 percent in 2024), remaining well below pre-Covid levels (Figure 20). With moderate economic growth and employment creation, successive governments over the past decade have increased recurrent public expenditures to provide public employment and to keep market prices for basic goods and services below cost recovery. These measures crowded out public investments by the government with crucial infrastructure remaining underfunded. Reversing this decline in capital expenditures is crucial to help revive Tunisia's growth trajectory and improve service delivery.

FIGURE 20 • Capital Expenditure Continue to Decline, Which is Affecting Long-Term Growth Prospects



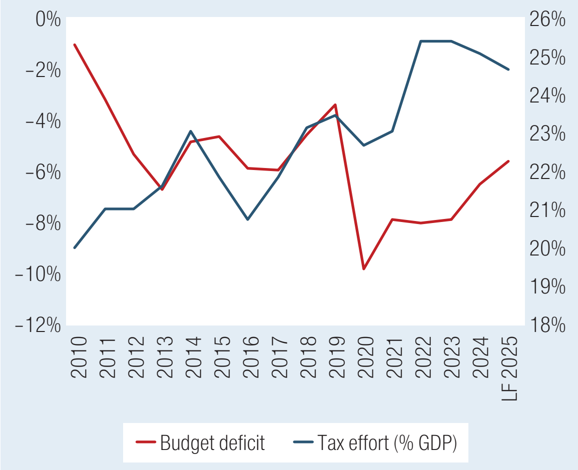
Source: Ministry of Finance.

Public debt has stabilized and is increasingly financed by domestic sources. Since 2019, Tunisia's public debt has risen from 67.8 percent of GDP to a peak of 84.6 percent in 2023, where it has since stabilized (Figure 22). In August 2025, the total debt stock reached TND 135 billion (84.5 percent of GDP).[13] The combination of a challenging external financing environment and increasing public debt has led to a greater reliance on the domestic banking sector for debt financing. The share of domestic debt in total public debt has risen from 29.7 percent in 2019 to 77 percent in 2024 (Figure 22). This shift has required substantial direct financing and increased refinancing operations by the Central Bank to support the local banking system.

The sustained use of local funding to finance public debt poses a risk of crowding out credit to the private sector. Liquidity injections through refinancing operations have redirected bank resources toward government lending, thereby limiting the availability of credit for other segments of the economy. Over recent years, the government's share

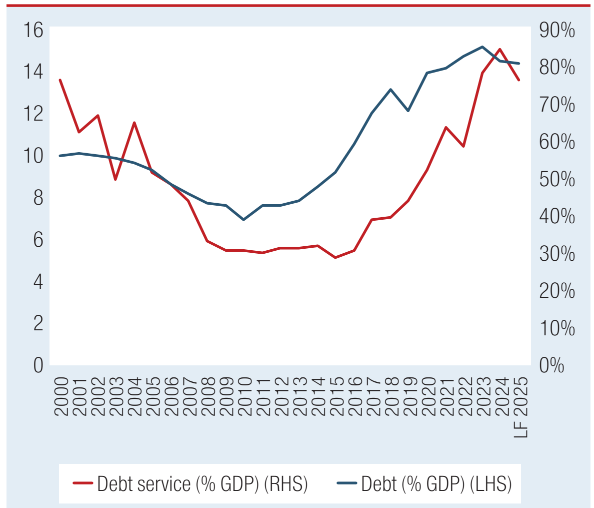
[13] These statistics do not take into account guaranteed debt (incurred by SOEs). As of June 30, 2023, guaranteed debt reached 14.3 percent of GDP (57 percent of which is external).

FIGURE 21 • Budget Deficit is Slowly Declining though Remaining High Despite Increased Tax Effort



Source: Ministry of Finance.

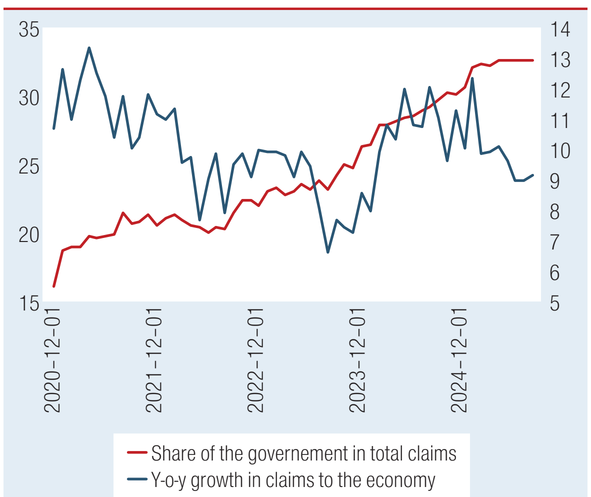
FIGURE 22 • Public Debt and Debt Servicing Reached Historical Peak in 2024



Source: Ministry of Finance.

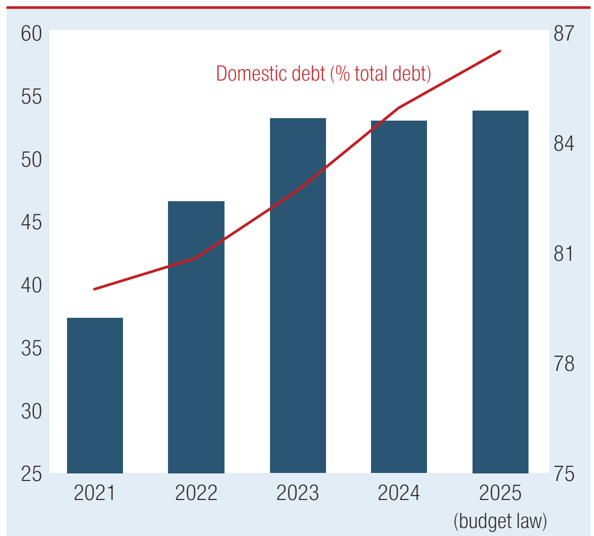
of total bank credit has steadily increased, reaching one third in August 2025 compared to 15 percent in 2019 (Figure 23). Amid limited overall credit growth, this rising share of claims on the government has displaced credit to the rest of the economy, which grew by only 3 percent in August 2025 relative to August 2024. In response, the government has introduced measures in various finance laws to partially offset interest rates for SMEs. Additionally, following the revision of the law on bank checks in August 2024, banks are required to allocate at least 8 percent of their previous year's profits for short-term financing lines (up to two years) without interest or collateral for small businesses and individuals. However, decreasing claims to the private sector suggest these measures have not yet yielded significant results (Figure 23).

FIGURE 23 • The Share of Net Claims on Central Government Continues to Increase while Claims on Economy (excluding Central Government) Falters *(percent and y-o-y percent increase,)*



Source: Central Bank of Tunisia.

FIGURE 24 • Tunisia Increasingly Relies on Domestic Financing of the Debt *(Domestic debt, % of total debt (left axis) and TD mln (right axis))*



Source: Ministry of Finance.

OUTLOOK

5. In the medium term, the economy is expected to grow 2.4 percent on average, with marked downside and some upside risks

The economy is expected to grow 2.6 percent in 2025, driven by a recovery in agriculture and construction. After limited growth in 2023–2024, Tunisia's economy is projected to expand by 2.6 percent in 2025, supported by a rebound in agricultural production—particularly olive oil and cereals—and increased construction activity. Growth estimates for 2025 have been revised upward from 1.9 percent in spring 2025, following strong second quarter results, with quarterly growth reaching 3.2 percent year-on-year. Favorable climatic conditions have enabled the agricultural sector to recover from losses in 2023, while the construction sector is also rebounding after four years of stagnation. The tourism sector is expected to contribute positively to growth in 2025. Nevertheless, heightened global trade uncertainty may weigh on the economy by dampening external demand, especially from the EU, Tunisia's main export market. Additionally, a 14 percent decline in value added by financial activities in the first half of 2025 is exerting downward pressure on overall economic growth.

In the medium term (2026–27), economic growth is expected to moderate to an average of 2.4 percent, reflecting a tight financing environment and barriers to market entry. In the near term, rising trade uncertainty, constrained external financing, and continued reduction in energy dependency could pose challenges to growth and macroeconomic stability. Medium-term prospects could improve substantially if Tunisia undertakes reforms to strengthen fiscal policies, modernize state-owned enterprises, and promote greater competition.

The current account deficit is projected to rise to 2.7 percent of GDP in 2025, reflecting a widening trade deficit partially offset by moderate growth in tourism receipts and lower oil prices. In the medium term, the deficit is expected to increase slightly to 3.1 percent of GDP by 2027. With foreign direct investment projected to remain stable and minimal portfolio inflows, external financing pressures are likely to remain elevated. Given limited external financing options, authorities may resort to foreign exchange borrowing from the Central Bank.

Public finances and the external position are expected to stabilize. The budget deficit is projected to reach 5.7 percent of GDP in 2025, as subsidy and wage bill growth remains subdued and tax revenues increase moderately. Over the medium term, the deficit is expected to decline slightly to 4.4 percent of GDP by 2027, driven by efforts to contain the wage bill and subsidies. Public debt is forecast to decrease marginally, reaching 83.6 percent of GDP in 2027, down from 84.5 percent in 2024.

Gross financing needs remain elevated, increasing reliance on sovereign lending. In nominal terms, gross financing needs are expected to reach TND 28 billion in 2025 and TND 27 billion in 2027, due to rising debt repayments. Financing the deficit will remain challenging, given the strategy to limit external indebtedness. With few alternative financial inflows, sovereign lending would need to cover most external financing needs to avoid reliance on monetary financing through reserves. Monetary financing of the budget carries significant risks, including potential crowding out of private sector credit, inflationary pressures, and vulnerabilities in the banking system, even as external risks are reduced.

TABLE 1 • Key Macroeconomic Indicators, 2021–27

Variable	2021	2022	2023	2024	2025	2026	2027
Real GDP Growth, at constant market prices	4.7	2.8	0.2	1.6	2.6	2.5	2.2
Private Consumption	3.3	1.9	0.8	1.1	4.0	3.6	3.3
Government Consumption	2.2	1.2	−0.2	1.4	2.5	−0.6	−1.2
Gross Fixed Capital Formation	4.0	2.2	2.0	1.2	−0.5	4.3	4.4
Exports, Goods and Services	11.9	17.4	9.0	−1.6	8.8	3.3	2.3
Imports, Goods and Services	10.9	11.6	5.1	3.9	10.8	4.1	3.5
Real GDP Growth, at constant factor prices	4.8	2.7	0.0	1.6	2.6	2.5	2.2
Agriculture	−2.3	2.1	−16.2	9.0	8.1	2.5	2.0
Industry	9.8	0.7	−0.9	−2.2	2.5	1.9	2.4
Services	4.1	3.5	2.9	2.0	1.9	2.8	2.2
Inflation (Consumer Price Index)	5.7	8.3	9.3	7.0	5.7	5.2	4.8
Current Account Balance (% of GDP)	−5.9	−8.8	−2.3	−1.9	−2.7	−2.9	−3.1
Foreign Exchange Reserves ($ bn)	8.1	7.4	8.5	8.8	8.5	7.9	7.2
Fiscal Balance (% of GDP)	−7.7	−6.9	−7.3	−6.3	−5.7	−5.3	−4.4
Revenues (% of GDP)	25.7	29.6	29.0	29.6	27.1	26.7	26.4
Expenditures (% of GDP)	33.4	36.5	36.4	35.9	327	32.1	30.7
Debt (% of GDP)	79.3	82.4	84.6	84.5	84.9	84.0	83.6
Primary Balance (% of GDP)	−4.9	−3.6	−3.4	−2.3	−1.7	−1.2	−0.6
GDP Nominal in US$ (millions)	45,521	44,988	48,200	51,329	59,835	65,029	70,796

* The figures for 2020–2024 are based on government data; 2025–27 are based on World Bank staff projections.

PART B

TUNISIA'S NON-CONTRIBUTORY SOCIAL SAFETY NET PROGRAM: CHALLENGES, OPPORTUNITIES, AND IMPACTS

Summary

Tunisia boasts a comprehensive social protection system, combining contributory insurance schemes and non-contributory assistance to safeguard the welfare of its population. *The contributory system includes a pension system, medical insurance, disability support, family allowance, and maternity support. The non-contributory system is largely based on a cash transfer program and free or subsidized access to health care. Combined, the contributory and non-contributory system cover close to 80 percent of the total population and serve as a platform to mitigate shocks and protect Tunisian households' livelihoods.*

The AMEN program, the main social safety net program in the country, has contributed to poverty and inequality reduction. *The program has played an important role in extending multidimensional support to poor and vulnerable households, significantly expanding coverage and impact over the past decade. Key developments include the tripling of cash transfer beneficiaries households to reach about 10 percent of the total population, increases in cash transfer amounts, and the integration of health and child allowance, which have contributed to reductions in poverty and inequality. The program's targeting mechanisms and use of digital tools have enhanced its ability to reach vulnerable groups and respond effectively to shocks, as demonstrated during the Covid-19 pandemic.*

At the same time, the AMEN program could be further improved to increase its efficiency. *Ongoing challenges include targeting inaccuracies, regional disparities, institutional capacity constraints, and the need for further digitalization and financial sustainability. Furthermore, scaling up economic inclusion programs to empower AMEN beneficiaries would facilitate a strategic shift from social assistance to social insurance. This transition would not only strengthen the protection of vulnerable workers but also enhance the long-term sustainability and resilience of Tunisia's social protection system. Addressing these issues is essential to ensure that the program remains responsive, equitable, and efficient.*

Tunisia has a comprehensive welfare system—including health and social insurance, subsidies, and targeted cash transfers. Tunisia's welfare programs have formed a crucial part of the country's social compact for many decades, with price stability and targeted social assistance programs contributing to poverty reduction and providing safety nets for the vulnerable. Spending on subsidies amounted to 7.1 percent of GDP in 2024 (see Part A), while spending on social promotion and security programs amounted to 1.8 percent of GDP.

The country's contributory system provides a pension system, medical insurance, disability support, family allowance, and maternity support.[14] Tunisia's contributory social security system is structured around three main pillars. The National Social Security Fund (CNSS), established in 1960, manages schemes for the private sector and covers retired, survivors, and disability pensions, family benefits—including child allowances and single salary supplements, and social insurance such as sickness and death benefits. The National Pension and Social Welfare Fund (CNRPS), created in 1975, oversees public sector schemes, providing pension and death benefits for state employees, local authorities, public institutions, and certain public enterprises, along with special regimes for government officials, parliament members, and governors. Lastly, the National Health Insurance Fund (CNAM), founded in 2004, administers cash benefits for illness, maternity, work-related accidents, and occupational diseases in the private sector, as well as healthcare services for insured individuals across both public and private sectors.

Tunisia's non-contributory social protection system is largely based on a cash transfer program and free or subsidized access to health care. For decades, the country operated a fragmented, poorly targeted, and largely paper-based system of social assistance programs. In 2019, after a series of reforms, the government set up an integrated social safety net program: the AMEN Social program. AMEN provides unconditional permanent cash transfers (PCT) to the 10 percent poorest households and family allowance for children 0–18 of the poorest households. Furthermore, AMEN beneficiaries receive free or subsidized access to health care, while the program also aims to facilitate access to education, housing, and employment.

[14] While the focus of the TEM is on the non-contributory system, it is important to note that the country's pension schemes are experiencing structural deficits, which is increasing fiscal pressure. For instance, in 2024 the government spent 1 percent of GDP to supplement social fund reserves and contributions collected by CNSS and CNRPS. See Box X for further detail.

BOX 3: PENSIONS AND AGING IN TUNISIA — IMPLICATIONS FOR A SUSTAINABLE SOCIAL SYSTEM

Tunisia is experiencing a significant demographic transition towards an aging population, which has clear implications for its labor market and social security system.

Demographic Trends: As of 2024, 16.9 percent of the Tunisian population is aged 60 or older. This aging trend is compounded by a falling fertility rate, which is currently at 1.7 births per woman—a level below the replacement rate (generally 2.1births per woman). Collectively, these dynamics signal a structural decline in the number of new labor market entrants, an increase in old-age support needs, and a growing necessity for higher labor force participation and productivity to sustain the economy.

Labor Market Pressures: The Tunisian labor market is currently characterized by subdued participation. The Labor Force Participation Rate (LFPR) remains low (45 percent), particularly among women (30 percent). This low participation is combined with high unemployment (15.3 percent) and a significant rate of youth who are Not in Education, Employment, or Training (NEET). These conditions severely depress the contributory base essential for funding pensions and health coverage. Simultaneously, the LFPR for the 55–64 age group is notably low: 58.6 percent for men and a mere 12.1 percent for women in 2023.

Social Security, Informality, and Poverty: Almost half of total employment is classified as informal, i.e., lacking legal and social protection (paid leave, formal contracts, etc), reducing the contributory base and putting increased pressure on contributions and/or benefits. Given the country's limited fiscal space, there is a need to strengthen the coverage, adequacy and coherence of the social security system to mitigate financial sustainability risks.

BOX 4: SOCIAL SAFETY NETS IN ACTION DURING COVID-19

During the Covid-19 pandemic, the AMEN Social Program demonstrated strong shock responsiveness. In 2022, the program continued to provide emergency cash transfers to mitigate the socio-economic impact of the crisis. Over 900,000 households received one-time or short-term financial assistance, particularly during lockdowns and periods of economic disruption. The program utilized its digital infrastructure and national social registry to rapidly identify and reach affected families. This ensured that aid was delivered efficiently and transparently. The emergency response was coordinated with national and international partners, enhancing the program's capacity to respond to large-scale shocks. The use of mobile payment systems and digital platforms facilitated the swift distribution of funds, minimizing delays, and reducing administrative burdens. The program's ability to adapt to the evolving crisis underscored its role as a resilient social safety net. It not only addressed immediate needs but also laid the foundation for long-term recovery and resilience among vulnerable populations.

A 2022 IBM study evaluating the effects of the Covid-19 emergency cash transfer found that many recipients, particularly those with limited or no literacy, heavily relied on informal networks—such as family, friends, and neighbors—for information about the program. These groups also showed a preference for traditional media sources like TV and radio. Notably, there was a strong inclination to receive payments through La Poste, which enjoys a high level of public trust (87 percent according to a 2021 IFC study). By contrast, alternatives like SOE banks and mobile payment operators were less favored, often due to limited financial literacy, inadequate communication, and the perceived difficulty of using ATMs. The research also pointed to some limitations in beneficiary databases and to coordination challenges in complaint handling between the Ministry of Social Affairs and payment service providers. Key recommendations included enhancing communication strategies, clarifying support and complaint processes, and updating regulatory frameworks to foster innovation and efficiency.

Combined, the contributory and non-contributory system cover close to 80 percent of the total population. About 7.2 million people are covered by CNRPS and the CNSS for health insurance, corresponding to 60 percent of the total population. The non-contributory system covers about 2 million people, 18 percent of the population. The PCT system covers 385,000 households, while 620,000 households benefit from subsidized health care in 2025, representing about 20 percent of the total population. As such, the country's social protection system can serve as a platform to mitigate shocks and protect Tunisian households' livelihoods, as evidenced during the Covid-19 pandemic (see Box).

The AMEN program

The AMEN Social Program offers a package of services aimed at improving the well-being of the poorest households. One of the core components is the provision of monthly cash transfers amounting to 260 TND per household. These permanent cash transfers (PCT) are intended to help families meet their basic needs, including food, clothing, and shelter. In addition to cash assistance, the program provides free medical coverage for PCT beneficiaries (Assistance Médicale Gratuite – AMG1) in addition to a subsidized health card program (AMG2). Beneficiaries have access to public healthcare services, including consultations, medications, and hospital care. The program also introduced child allowances to support families with children aged 0 to 18. Additional support is provided for school supplies and transportation. Furthermore, the program offers micro-grants and vocational training. These initiatives aim to target women, youth, and persons with disabilities, enabling them to start income-generating activities.

TUNISIANS SHARE HOW THEIR LIVES CHANGED THROUGH AMEN

Across Tunisia, families supported by the AMEN Social Program are regaining stability, dignity, and hope. Through monthly cash transfers and access to health coverage, the program is helping more than 333,000 poor and 620,000 low-income households improve their living conditions.

"When I used the prosthesis and stood on my legs, I felt like I was born again," says Abdallah, one of many Tunisians whose lives have been transformed.

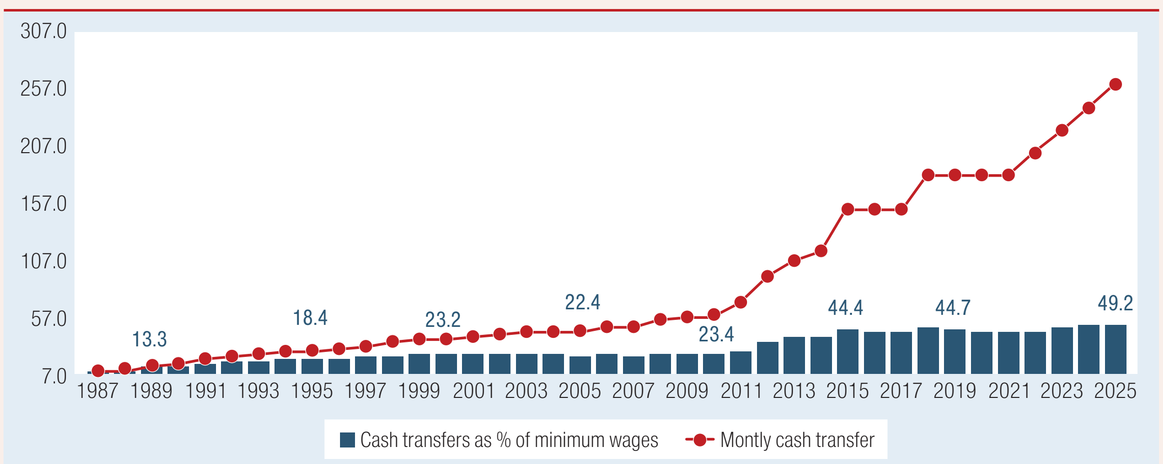
Explore the full story and discover how AMEN continues to create opportunities for Tunisia's most vulnerable citizens: https://www.worldbank.org/en/news/feature/2024/11/14/tunisians-share-how-their-life-changed-through-the-amen-program.

Over the years, the social assistance program significantly expanded coverage and improved its targeting. In 2010, the cash transfer program covered 124,000 households, but after the revolution its coverage increased significantly, to 385,000 households in 2025. Over the same period, the monthly cash allowance nearly quintupled, rising from 57 TND in 2010 to 260 TND in 2025 (about 50 percent of the minimum wage—see box below). In total, about one million households are enrolled in the AMEN program, encompassing both poor and low-income families. For targeting, the program now relies on Proxy Means Testing (PMT), which is designed to be more equitable. Over the past three years, significant progress has been made in implementing key steps of the targeting process as the proportion of PCT beneficiaries in the poorest quintile (Q1) rose from 30 percent in 2022 to 44 percent in 2025. Furthermore, the program hosts a digital social registry, which is regularly updated to reflect changes in household conditions. Digital tools and beneficiary tracking aim to ensure that the program remains responsive to emerging needs.

The AMEN program has contributed to poverty and inequality reduction. A recent fiscal incidence analysis based on the Commitment to Equity methodology (CEQ)[15] indicates that more than 50 percent of the total expenditure on PCT is received by the poorest 20 percent of households, providing substantial income support (Figures 1 and 2). Furthermore, less than 7 percent of the PCT goes to the top 30 percent. As such, the AMEN program—cash transfers,

15 The Fiscal Incidence Analysis employs the Commitment to Equity (CEQ) methodology using the 2021 National Survey on Budget, Consumption and Household Living Standards *(Enquête Nationale sur le Budget, la Consommation et le Niveau de vie des ménages*, EBCNV), along with administrative data and regulations for the year 2024. The fiscal incidence analysis is a collaboration between the World Bank and the Ministry of Finance.

BOX 5: MONTHLY CASH TRANSFER AND GUARANTEED MINIMUM WAGE, 1987-2025

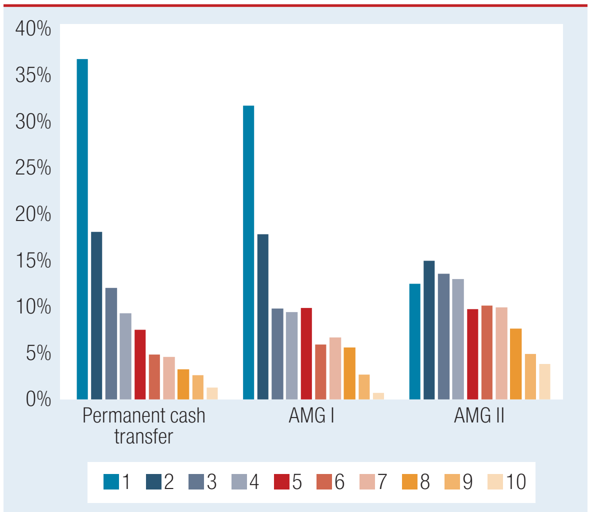


The ratio of the permanent monthly allowance to the guaranteed minimum wage has clearly increased over time, notably during 2011–2025. In 2025, this transfer accounted for close to 50 percent of the minimum wage, compared to 23.4 percent in 2010, 18.4 percent in 1995, and just 7.9 percent in 1987.

This trend indicates that further narrowing the gap between the current value of the permanent monthly allowance and the minimum wage enhances the relevance of the *Social cash transfer*, positioning it as a potential cornerstone of Tunisia's distributive policy—especially if integrated into a comprehensive framework for minimum social transfers within a *Social Protection Floor*.

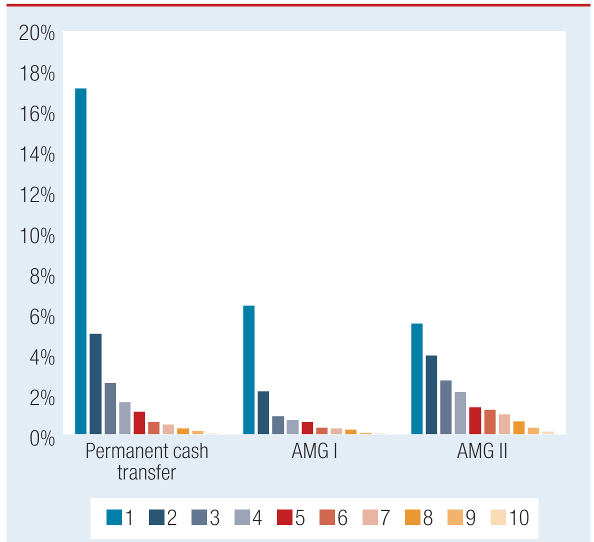
Nevertheless, it is important to recognize that a continued narrowing may negatively impact labor market participation, as evidenced by comparative studies and international research. Therefore, there is a need for supporting measures, such as implementing an advanced information system to monitor beneficiaries and routinely update their demographic, economic, financial, and property data. Additionally, greater emphasis could be placed on developing effective *exit strategies* from social assistance, including empowering AMEN beneficiaries to transition out of assistance through innovative approaches such as behavioral change initiatives, asset transfers, and microcredit schemes for income-generating activities.

FIGURE 25 • A Large Share of AMEN Cash Transfers Goes to Low-Income Households
Concentration of benefit programs across market income deciles (as % of total expenditure for each category) in 2024



Source: World Bank staff calculations.

FIGURE 26 • AMEN Cash Transfers Represent an Important Share of Household Income for Low-Income Households
Incidence of benefit programs as % of market income, across market income deciles in 2024



Source: World Bank staff calculations.

family allowances, and back-to-school grants—has contributed to inequality reduction. The marginal contribution[16] to inequality reduction shows that AMEN reduced inequality by 1.09 Gini points, with the bulk of inequality reduction coming from the cash transfer program. Further reductions in inequality are attributed to free and subsidized healthcare, contributing with an additional 0.09 and 0.22 points, respectively. Furthermore, the marginal contribution to poverty reduction indicates the AMEN program reduced poverty by 2.14 percentage points, again with the majority driven by monthly cash transfers.

The benefits of healthcare services are primarily concentrated among the lower income groups. Approximately 50 percent of the in-kind benefit of free medical care (AMG1) expenditure goes to the poorest 20 percent of the population (Figure 25). For the lowest income group (the first decile), the AMG1 is equivalent to 6.4 percent of their market income (Figure 26). On contrast, the subsidized health care service, AMG2, is more concentrated among households in the second-lowest income decile, who receive 15 percent of its total benefits (Figure 25). Nevertheless, AMG2 remains a significant in-kind benefit for the poorest decile, valued at 5.5 percent of their market income, compared to 3.9 percent for the second decile (Figure 26).

While the program made significant progress in expanding coverage and modernizing service delivery, several challenges remain. These challenges can be grouped into five main areas: targeting and coverage, institutional capacity, digitalization, financial sustainability, and harmonization.

AMEN's targeting system is prone to inclusion and exclusion errors while regional disparities persist. Only about 40 percent of households benefiting from the program are classified among the poorest 20 percent (Figure 25). Outdated or incomplete data means some deserving families are left out, while less vulnerable ones continue to receive benefits. Efforts are underway to enhance targeting performance, but challenges persist in ensuring consistent application of eligibility criteria and the scor-

16 The marginal contribution of a fiscal intervention to inequality/poverty reduction is calculated by taking the difference between the inequality/poverty indicator without the fiscal intervention and with it (Lustig, 2022).

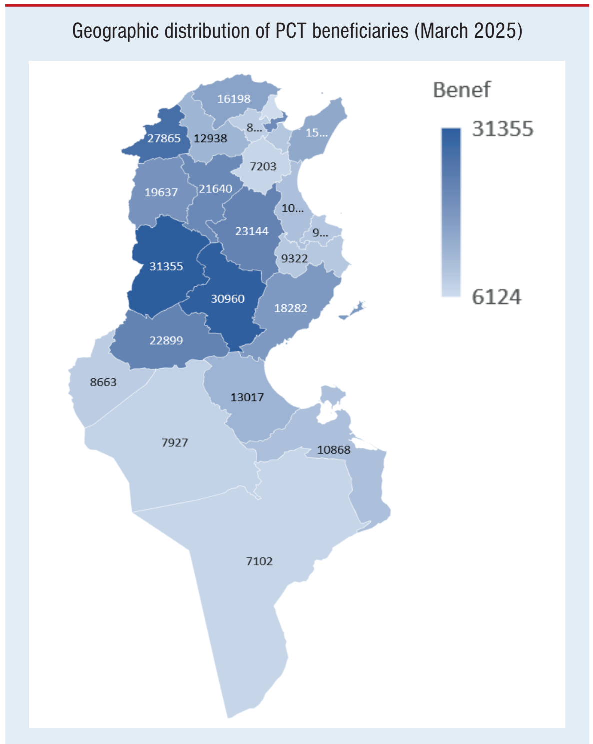
ing PMT formula. Reaching remote and underserved areas remains difficult due to logistical constraints. For example, more than 40 percent of PCT are concentrated in governorates of Kasserine, Sid Bouzid, Jendouba, Kairouan, Gafsa and Siliana (Figure 27). Strengthening integration between AMEN program and other social programs would enhance efforts to reduce regional inequalities.

Institutional capacity continues to be challenging for an effective implementation of the Amen Program. Effective implementation of the Amen program requires strong coordination and capacity at central, regional and local levels. A measured reform implementation pace has hindered progress, especially regarding the adoption of the new targeting system. Furthermore, most of local social promotion units lack social workers needed to conduct and update social surveys or address grievances. These capacity gaps are particularly noticeable in disadvantaged regions. Human capacity constraints are also present at both regional and central level, with limited resources to manage a 1 million-household program.

While progress has been made in digitalizing service delivery, information and payment systems can be further improved. Modernizing the AMEN program has involved significant investments in information system and digital tools, including through better identification of registered individuals and a new management information system (MIS). The program's MIS is progressing toward full interoperability with national databases, and ongoing enhancements are expected to strengthen its capacity for automated data cross-checking and fraud detection. Progress toward digitalization and interoperability in the payment chain is underway, with improvements expected to enhance monitoring, auditing, and the efficiency of payment delivery.

Tunisia's fiscal constraints are challenging for the long-term viability of the AMEN program. With a budget of USD 528 million in 2025—equivalent to 1 percent of GDP—the program must strike a balance between dynamic horizontal expansion, aligned with the country's socio-economic context, and vertical adjustments to account for inflation and the needs of different population groups, while ensuring the delivery of quality services. The continuous expansion of PCT coverage and benefits could exceed available resources, challenging about the program's ability to maintain support for all eligible households in a context of limited fiscal space (see Part A).

FIGURE 27 • Geographic Distribution of the PCT Program



Source: *https://catalog.data.gov.tn/fr/dataset/repartition-des-tmp-par-sexe-et-gouvernorats-pour-le-mois-de-janvier-2024.*

Harmonization between Tunisia's non-contributory AMEN program and the broader contributory social security system needs to be completed. The disparity in benefit levels—particularly in child allowances and health coverage—could create unintended incentives for low-income workers to opt out of formal employment and rely on the AMEN program. This undermines efforts to expand contributory coverage and weakens the financial sustainability of the social insurance system. Informal workers, who represent a significant share of Tunisia's labor force, often face administrative and financial barriers to enrollment, further exacerbating exclusion. To address these gaps, aligning benefit formulas and eligibility criteria across schemes is essential. Extending contributory coverage to informal workers through simplified enrollment and subsidized contributions, while ensuring parity in core benefits such as family allowances, would promote equity and reduce fragmentation. A unified registry and interoperable delivery systems are also critical to streamline administration and improve targeting across the social protection landscape.

There is a need to enhance effectiveness and efficiency of social protection in Tunisia. Priority actions would include: (i) strengthen the accuracy of identifying and selecting poor households to minimize inclusion and exclusion errors, thereby ensuring a fairer and more efficient allocation of resources, (ii) modernizing the delivery systems of the AMEN program by strengthening institutional capacities at central and local levels, (iii) increasing access to job opportunities, particularly for youth and women, through more effective employment services and programs, (iv) strengthen social services integration and social insurance coverage extension to informal and non-poor workers, and (iv) strengthening national governance and leadership of social programs, advancing digitalization across the service delivery chain, and simplifying citizen access will collectively enhance efficiency, reliability, and service quality. Scaling up economic inclusion initiatives and strengthening labor market programs (at the Ministry of Social Affairs and Ministry of Employment and Vocational Training) can help in supporting a transition away from dependency toward self-sufficiency. Finally, to promote female labor force participation, access to affordable childcare is essential, while mobility barriers need also to be addressed.

WORLD BANK GROUP
1818 H Street, NW
Washington, DC 20433