

# Tunisia

In MENA ES 2013-14, the top three business environment obstacles identified by Tunisian firms were political instability; workforce skills; and competitors' practices in the informal sector (Chart 1). Young firms were much less concerned about competitors' practices in the informal sector; instead, they were worried about corruption and access to land.

## Political instability is a major concern as is intense competition from informal firms

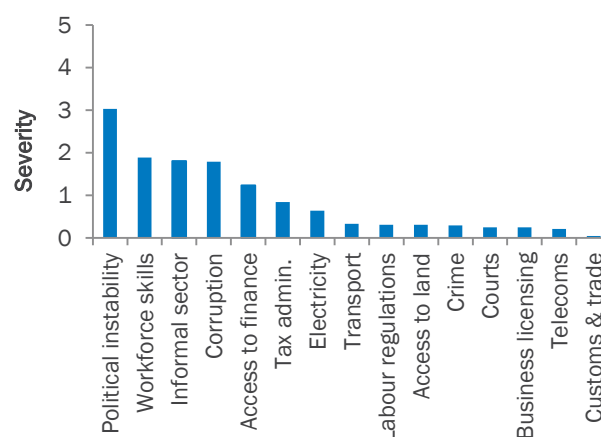
Tunisia experienced the first uprising in the MENA region known as the "Jasmine Revolution" which led to the ousting of President Zine Al-Abidine in January 2011. Compared with its neighbours, the country's political transition has been the most peaceful. Nevertheless, **political instability** emerged as the top obstacle faced by Tunisian firms, reflecting the repercussions of the country's political transition, the impact of instability in Libya and its spillover effects in Tunisia, as well as the threat of terrorism.

**Inadequate workforce skills** were the second most severe constraint. Tunisia has the 14th highest youth unemployment rate in the world (31.2%) as well as the highest unemployment rate in SEMED (13.3%). The shortfall in the number of jobs is exacerbated by a higher education system that is not meeting the needs of the private sector.

**Competitors' practices in the informal sector** came in third place. 45.2% of firms (especially older firms and SMEs) reported competing with firms in the informal sector, above the SEMED average of 40.2% and the average in the rest of the EBRD region of 38.8% (Chart 2). Tunisia's informal economy accounted for 38% of GDP in 2013 compared with 30% in 2010. A recent World Bank study indicated, for example, that the Tunisian government is losing a significant amount of public revenues (that is, duties, value-added and other taxes) due to informal trade with Libya and Algeria.

As in the other SEMED countries, **corruption** was among the top four business environment obstacles. Firms reported paying on average 2.7% of total annual revenue in informal payments or gifts to public officials to "get things done" with regard to customs, taxes, licences and regulations. This is above the SEMED and rest of the EBRD region averages of 0.9% and 1.0%, respectively (Chart 3). SMEs reported making relatively larger informal payments than bigger firms – 1.5% of the contract value in informal gifts to secure government contracts, compared with 0.3% for large firms.

Chart 1. Business environment obstacles



Estimated for a hypothetical "average" firm. Higher values correspond to a weaker business environment.

Chart 2. Competition from the informal sector

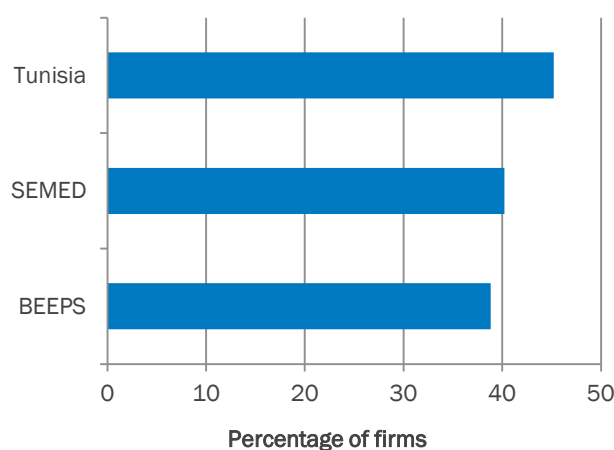


Chart 3. Informal payments to "get things done"

