WORLD RANK: **119** | REGIONAL RANK: **10**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

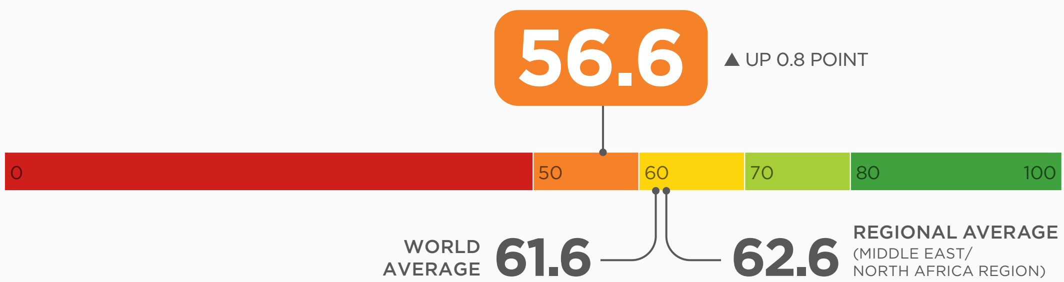
TUNISIA

Tunisia's economic freedom score is 56.6, making its economy the 119th freest in the 2021 *Index*. Its overall score has increased by 0.8 point, primarily because of an improvement in **fiscal health**. Tunisia is ranked 10th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages.

This year, Tunisia's economy remained in the ranks of the mostly unfree where it has been for more than a decade, despite the hopes for significant liberalization that were raised by the 2011 Arab Spring. The fastest path to greater economic freedom would require the government to address shortcomings in fiscal health, financial freedom, judicial effectiveness, and government integrity.

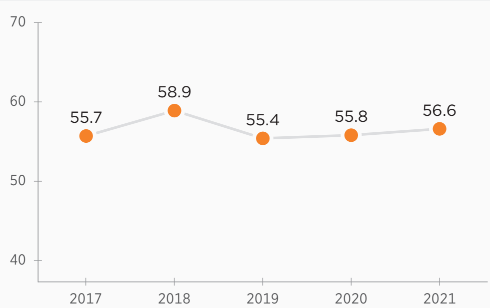
IMPACT OF COVID-19: As of December 1, 2020, 3,260 deaths had been attributed to the pandemic in Tunisia, and the economy was forecast to contract by 7.0 percent for the year.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –6.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
11.7 million

GDP (PPP):
$148.7 billion
1.0% growth in 2019
5-year compound annual growth 1.6%
$11,201 per capita

UNEMPLOYMENT:
16.0%

INFLATION (CPI):
6.7%

FDI INFLOW:
$844.8 million

PUBLIC DEBT: 71.1% of GDP

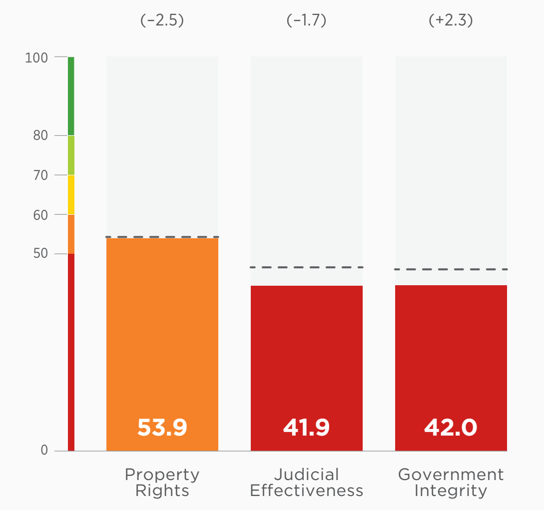
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Tunisia was the birthplace of the Arab Spring protests, which in 2011 ousted longtime President Zine al-Abidine Ben Ali. Kaïs Saïed, a politically independent center-left constitutional lawyer, was elected president in an October 2019 landslide that highlighted a strong antiestablishment sentiment among Tunisians, particularly younger voters. However, parliamentary fragmentation has led to political instability. Hizb al-Nahda, a moderately Islamist party, won the most parliamentary seats. Despite notable progress in democratization and ongoing reform efforts, Tunisia's transformation to a more market-oriented economy has been slowed by political instability and violent protests engendered by austerity measures. Key exports include textiles and apparel, food products, petroleum products, chemicals, and phosphates, with about 80 percent of exports bound for Tunisia's principal trading partner, the European Union.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

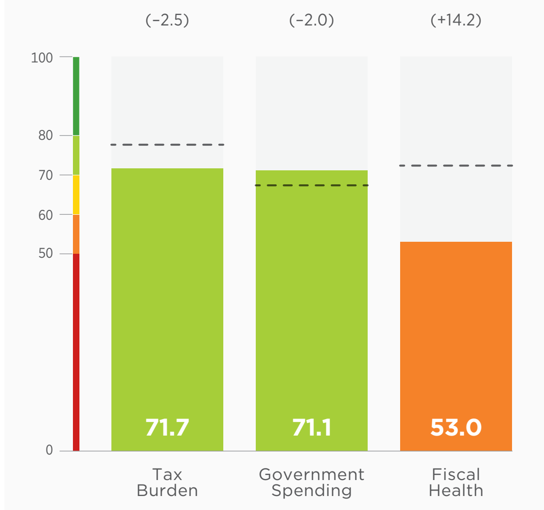
12 ECONOMIC FREEDOMS | TUNISIA

RULE OF LAW



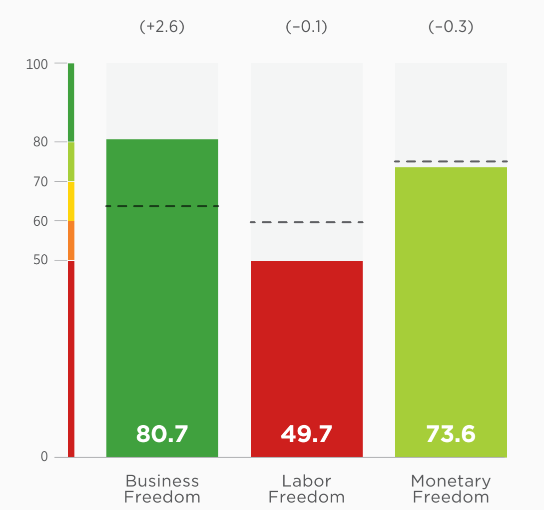
Secured interests in property are enforced, but protection of property rights is vulnerable to corruption. Clarity of titles is poor, and the lack of titles for large portions of agricultural land is the cause of many disputes. The judiciary is generally independent, but judicial reform has stalled. Corruption is endemic at all levels of government and law enforcement. High-level officials act with impunity. Anticorruption efforts promised during the Arab Spring have been implemented weakly if at all.

GOVERNMENT SIZE



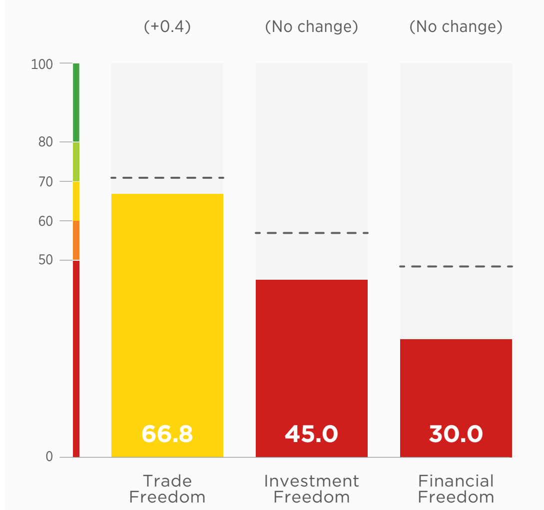
The top individual income tax rate is 35 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 31.2 percent of total domestic income. Government spending has amounted to 31.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.8 percent of GDP. Public debt is equivalent to 71.1 percent of GDP.

REGULATORY EFFICIENCY



Expansion of the one-stop shop to include more services has made it easier to start a business. Fees for starting a business have been reduced. Tunisia currently suffers from a brain drain as many with specialized skills leave to seek work elsewhere. The government continues to face pressure from foreign lenders to reduce energy subsidies, which the IMF forecast would consume 1.7 percent of GDP in 2020.

OPEN MARKETS



Tunisia has seven preferential trade agreements in force. The trade-weighted average tariff rate is 9.1 percent with 13 formal nontariff measures in effect. The overall benefits of trade remain undercut by other institutional shortcomings. Despite the adoption of revised investment codes that offer more flexibility to foreign investors, the overall investment regime lacks efficiency and clarity. The financial sector, dominated by banking, remains fragmented.