International Labour Organization | METI

Funded by the European Union

Policy brief for Tunisia

The impact of trade and investment policies on productive and decent employment

December 2024

Tunisia. 2016 © Marcel Crozet/ILO

▶ The nexus between trade, investment, and employment

Tunisia's national development strategy prioritizes exports and investment, supported by decades of policies fostering economic liberalization and institutional development, which drove significant inflows until the late 2000s. However, structural economic imbalances, including regional disparities and high unemployment, particularly among vulnerable groups, persist despite these efforts and have been exacerbated by shocks like the COVID-19 pandemic, which caused an 8.8% contraction in economic growth. While the National Employment Policies (2016–2020) attempted to address these issues, their impact remains largely unobservable.

The main implications of the trade, employment, and investment policies are:

- **Manufacturing sector as an economic pillar**: Investment and trade policies have strengthened the manufacturing sector as the main driver of FDI, exports, and formal employment. However, this sector remains vulnerable to external shocks, such as the COVID-19 pandemic.
- **Onshore-offshore duality**: The economic division between the onshore (protected) and offshore (liberalized) sectors has allowed Tunisia to diversify its economy. However, this duality has also created structural imbalances, requiring reforms to harmonize benefits between these sectors.
- **Institutional challenges and need for coordination**: The lack of effective coordination between institutions involved in trade and investment policies limits their impact. Better synchronization and participatory monitoring mechanisms are essential to improve policy efficiency.
- **Impact on employment and the private sector**: A weak business environment and structural challenges (corruption, limited access to financing, political instability) hinder the private sector's role in job creation. Investment policy reforms are needed to boost economic competitiveness.
- **Necessary reforms and interventions**: Regular and participatory reforms involving stakeholders must be implemented to optimize the quality and quantity of jobs, particularly for youth and women, who remain the most vulnerable in the labour market.

▶ Sectoral approaches to the development of export-oriented value chains and industries

The value chain analysis aims to identify bottlenecks and opportunities to expand markets and exports, thereby generating more and better employment opportunities. These measures will help channel the necessary support from governments, workers' organizations, and employers' associations to boost the sector's competitiveness, enhance exports, and equip workers with relevant skills. The assessment combines desk research, enterprise data collection, and interviews with key actors. Its goal is to develop a roadmap to support the sector in building capacity and identifying the skills needed to enhance competitiveness and export potential. The analysis follows the ILO methodologies "Trade and Value Chains in Employment-Rich Activities" (TRAVERA) and "Skills for Trade and Economic Diversification" (STED) and is based on the key elements of the ILO's approach to decent work market systems.

The sector selected by the Policy Working Group members for assessment is the aromatic and medicinal plants sector (AMP). The AMP sector in Tunisia holds significant potential for production, exports, and job creation, particularly in disadvantaged regions rich in forest landscapes like the North-West and Central-West. Despite Tunisia's diversity of 300 to 492 AMP species, only a small fraction is systematically utilized for essential oil extraction. The sector contributes 0.8% of agricultural production value, 1% of exports, and 0.9% of agricultural working days annually, with AMP cultivation spanning 1,396 hectares for medicinal plants, 3,154 hectares for aromatic plants, and 1,000 hectares for organic plants, alongside wild plants in forested areas.

Tunisia. 2016/02 © Marcel Crozet/ILO

Opportunities

Main opportunities include mastering various species such as rosemary, geranium, mint, and rose, which are very tangible opportunities. Moreover, the existence of projects focusing on AMP production demonstrates a strong commitment to this sector. Other opportunities include, in particular, the presence of a private sector that is highly innovative in terms of products, as well as a multitude of women's agricultural development groups focusing on the AMP sector. Additionally, the sector benefits from organic and fair-trade exchanges, which improve export potential, and public policies, including subsidies and training programs, that support sustainable agriculture. Collaborative initiatives with international partners focus on cultivation, processing techniques, and local distribution to enhance product visibility.

Challenges

The AMP value chain faces several challenges, particularly the lack of a specific development strategy, the deficiency of data on cultivated areas, and poor coordination between public institutions. Problems related to supply and treatment systems also hinder progress, and there is no pricing policy or technological surveillance.

Recommendations to maximize the potential of Tunisia's aromatic and medicinal plants (AMP) sector:

First, enterprises should prioritize financial management, including training in accounting, cost calculation, and improving communication and interpersonal skills. Training in product quality techniques, such as drying, storage, and packaging, along with specialized training in distillation and the production of cosmetic products, is essential for sector diversification and meeting local and international demands. Marketing skills, particularly digital marketing, should be enhanced to leverage the digital economy and maintain competitiveness in global markets. Additionally, developing skilled labour through continuous training on technical, commercial, and environmental challenges is crucial for the sector's growth. Structural measures, such as dedicated funding, capacity-building, regulatory reform, and investment in equipment, are also needed to support the sector's development.

▶ The potential trade and employment effects of infrastructure investments

The **employment and trade impact assessment** of the SONEDE network performance improvement programme in Tunisia utilized both quantitative and qualitative analyses to evaluate the project's effects on employment and trade. The study provides actionable insights for addressing unemployment, particularly among youth and women, and for tackling the challenges of water scarcity in Tunisia. It highlights the importance of aligning workforce training with industry needs, promoting decent work conditions, and ensuring long-term sustainability in resource management. These findings can guide future infrastructure investments and policy frameworks for inclusive economic development.

Tunisia. 2016/02 © Marcel Crozet/ILO

Key findings

- **Employment Impact**: The project has created a significant number of direct, indirect, and induced jobs across various sectors.
- **Workforce Composition**: Employment is predominantly filled by men over 35, with younger workers holding a smaller share. Many younger workers occupy non-qualified positions, even when hired permanently.
- **Job Stability and Informality**: A notable proportion of jobs are permanent and offer social benefits, but a significant share remains precarious, involving temporary roles without formal contracts.
- **Impact on Trade**: The project improves water distribution in southern and central regions, mitigating water shortages and reducing production costs for water-intensive products.

Recommendations for improving the employment and economic outcome of infrastructure investment

The following recommendations were arrived at through consultation with the Policy Working Group members in Tunisia:

- Public projects should include systematic evaluations of their employment impact to incorporate job creation during project selection.
- Efforts are needed to promote women's participation in construction-related jobs.
- Address the critical shortage of skilled and experienced workers, exacerbated by migration, inadequate training, and low societal value of manual labour.
- Encourage the recruitment of local labour over the habitual reliance on experienced external workers.
- Strengthen collaboration between vocational training programs and employers to ensure workers are equipped with the skills required by the labour market.

▶ About METI

"Mainstreaming Employment into Trade and Investment" (METI) is a four-year regional programme, funded by the European Union and implemented by the International Labour Organization. The overall objective of the programme is to enable policymakers in the Southern Mediterranean region to incorporate employment issues into trade and investment policies, and to design and implement interventions that ultimately optimize the quantity and quality of employment created in the region.

Contact details	**International Labour Organization** Route des Morillons 4 CH-1211 Geneva 22 Switzerland	DOI: https://doi.org/10.54394/SMPK8585 E: meti@ilo.org W: www.ilo.org/meti

ilo.org

International Labour Organization
Route des Morillons 4
CH-1211 Geneva 22
Switzerland