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Kais Saied's Grip on Tunisia Comes at a High Cost

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Introduction

Following the Arab Spring in 2011, the failure of Tunisia's successive governments to address long-standing economic issues laid the groundwork for a wave of populism that culminated in President Kais Saied's power grab on July 25, 2021. Since coming to office, despite the urgent need for economic reforms, Saied has prioritized concentrating power, rebuilding the political system to centralize authority, weakening checks and balances, and cracking down on the opposition. Rather than addressing economic challenges, he has pursued an expansionary fiscal policy, maintaining a large fiscal deficit that has averaged around 8 percent of GDP over the past three years, despite the economy's stagnant growth. In 2023, the country recorded its second-lowest economic growth rate (0.4 percent) since 2015, with the lowest occurring in 2020, the first year of the coronavirus pandemic. This trend of weak growth is expected to continue in 2024, with the International Monetary Fund (IMF) projecting growth of no more than 1.6 percent.

In 2023, Saied's stance against international financial institutions led to a break with the IMF, which cost Tunisia nearly all of its traditional sources of financing. He opted to monetize the fiscal deficit, resulting in a record inflation rate of 9.3 percent that year. Since 2021, lack of structural reforms, coupled with high spending, have driven Tunisia toward unsustainable macroeconomic policies. Saied's economic improvisation, based on rejection of reforms and heavy reliance on domestic debt (given the scarcity of external debt sources), has sacrificed productive investments in favor of preserving a costly status quo. Investment has been in steady decline since 2011 and has not recovered from the shock of the coronavirus pandemic, falling from 26 percent of GDP in 2011 to 14 percent in 2023, with a record low of 13 percent in 2020, with dramatic consequences in terms of unemployment and poverty. Unemployment has risen sharply, with youth unemployment reaching 39 percent and university graduate unemployment reaching 24 percent in 2023. Seventeen percent of the population lives below the poverty line, and regional disparities mean that poverty reaches 37 percent in the center-west region.

Saied's populism, which intensified after his power grab in 2021, has been primarily aimed at securing his reelection—a goal he achieved on October 6, 2024, reportedly through the manipulation of electoral law and repression of the opposition. However, the sustainability of the regime's strategy is highly questionable. This brand of populism has proven to be both economically damaging and politically shortsighted, as it has undermined the foundations of Tunisia's economy and inflicted social costs on the most vulnerable: the poor, the unemployed, youth, and precarious workers hired under temporary contracts.

Despite Saied's claim that he acts on behalf of the poor, his economic policies have primarily benefited the well-off. His debt strategy has undermined job creation and fueled inflation, disproportionately affecting the poor, for whom basic consumption represents a significant share of household budget. Although Saied's high social spending has aimed to preserve the purchasing power of the middle and lower classes, universal subsidies are not the answer. They are fiscally costly, economically inefficient—encouraging overconsumption—and socially unfair, as they benefit the rich more than the poor. Targeted social safety nets, focused on those in need, would be a more effective solution. Removing subsidies would hurt middle-income households in the short term, but leaving them unreformed risks pushing the entire population into poverty. The middle class's main concerns are the scarcity of jobs and the poor quality of public services that have become increasingly privatized and expensive. As a result, the middle class is forced to pay for education, health care, and transportation, while the poor are left with underfunded schools, poorly equipped hospitals, and dysfunctional or non-existent transportation networks. These unsound and counterproductive policy choices have been sustained through improvised measures, which bought time until the elections and kept the country afloat. However, continuing this approach for much longer risks fueling a vicious cycle that could spark social instability.

Large, yet Unfair and Inefficient, Social Expenditures

Since 2021, Tunisia's budget has seen a rise in social expenditure—subsidies and transfers—used as a safety net to ease the worsening economic situation. Subsidies and transfers reached 12 percent of GDP in 2023, making Tunisia one of the highest spenders in the Middle East and North Africa region that year. This trend is not new, as social expenditures have gradually expanded in Tunisia since 2011, rising from 2.4 percent of GDP in 2010 to 6 percent in 2018 and 12 percent in 2023. Subsidies primarily cover petroleum products, electricity, gas, and cereals. Transfers—both social transfers and funding for state-owned enterprises (SOEs)—account for around 5 percent of GDP. Most of the SOE losses that prompted these transfers are tied to the Tunisian Company of Electricity and Gas, the Tunisian Company of the Refining Industries, or the Cereals Office. The sharp increase in subsidies initially aimed to cushion the impact of rising international food and fuel prices following Russia's invasion of Ukraine in 2022. But the trend continued into 2024, as Saied rejected any reform of the subsidy regime, citing the need to protect people's purchasing power. Subsidies and transfers remain high, estimated at 11.3 percent of GDP for 2024.

The Tunisian government's decision to maintain high social expenditures and avoid reforming the universal subsidy system or the SOEs responsible for importing fuel and basic food products stems from a debt management strategy driven by populist ideology on one side and political calculations on the other. Saied's rejection of an IMF agreement has worsened the scarcity of external funding, forcing Tunisia to rely increasingly on its domestic financial sector, including the central bank, to cover its budget deficit. The growth of the deficit, driven by the president's insistence on maintaining high levels of social expenditures, has triggered a vicious cycle: rising deficit, crowding out of private-sector financing, inflationary pressures, reduced consumption due to inflation, declining investment, worsening employment and social conditions, and increasing public discontent —which the regime seeks to mitigate through large social expenditures that drive up deficits even further.

By keeping subsidies unreformed and consequently prices of basic food products fixed, the regime has sought to neutralize the potential anger of the poor and middle class—particularly the state-dependent middle class, which includes around 645,000 members of the Tunisian General Labor Union (UGTT), 7.4 percent of the working-age population. In 2022, in the wake of a nationwide UGTT strike, the government and the UGTT signed an agreement for a modest 3.5 percent salary increase for public sector employees over the following three years (2023–2025). But this increase has now fallen below inflation, eroding workers' purchasing power.

Rather than using political capital to implement bold subsidy reforms, authorities have since 2022 been reducing subsidy expenditures through rationing, leading to shortages. While such rationing may be socially tolerable in the short term, with objections stifled by repression, it is unsustainable in the long run. A more effective solution would be to replace universal subsidies with a broad, targeted social safety net, but this is politically difficult and if pursued before the October 2024 election might have undermined Saied's hopes for reelection. Such a reform would require targeting households based on their income and setting thresholds for cash transfer eligibility before increasing prices gradually, and this would risk sparking anger among those excluded. Previous attempts to eliminate subsidies, in 1978 and 1983, triggered widespread protests. Rather than pursuing meaningful reform, Saied has opted to maintain the status quo.

The deteriorating economic situation in the country, marked by low growth and rising unemployment, has pushed the government to maintain high levels of spending on social protection schemes. However, these safety nets are becoming increasingly ineffective in protecting Tunisians, as shown by the growing dissatisfaction with the decline in public services—particularly education and health care, which have become costly for the middle class. Additionally, the scope of social protection remains limited, failing to adequately cover the expanding poor population.

Tunisia's social protection system consists of two main components: social security programs for workers in the public and private sectors, who form most of the country's middle class, and an assistance program for the poor known as the AMEN Social Program.[1] According to the latest estimation of 2020, social protection accounted for more than 7.5 percent of GDP, higher than the average rate of the Arab world (4.6 percent of GDP). This includes social security funds for public and private sector employees (excluding health assistance) and cash transfers for the poor. Despite the impacts of the coronavirus pandemic and ongoing economic stagnation, monetary transfers for the poor have remained relatively stable at around 0.8 percent of GDP annually since 2018. This stagnation reflects that, despite the worsening economic situation, resources allocated by the state to assist the poor and vulnerable population have not increased.

Tunisia's social safety nets could be improved by increasing coverage and better targeting the most vulnerable. Currently, 30 percent of Tunisians are covered by the AMEN program, which offers both cash transfers and free or subsidized access to health care for the poor. With the financial support of international partners, AMEN delivers monthly cash transfers and free medical services to 333,000 poor households (over 10 percent of Tunisia's population).The coronavirus pandemic significantly increased the number of households receiving assistance from around 260,000 households in 2019 to around 310,000 households in 2023. Cash transfers increased from 180 dinars ($60) in 2020 to 200 dinars ($65) in 2022, then to 220 dinars ($73) in 2023, and finally to 240 dinars ($80) in 2024. However, given rising inflation and worsening economic conditions, the impact of increased cash transfers remains questionable, casting doubt on their effectiveness in driving sustainable, long-term poverty reduction.

Despite providing free healthcare for the poorest citizens and subsidized medical services for another 620,000 low-income households, the AMEN program is unable to ensure quality healthcare because of the medical sector's deterioration, medicine shortages, and growing privatization. The poor performance of Tunisia's health system during the coronavirus crisis reflects the long-standing decline of the sector. Since 2011, Tunisia's public healthcare infrastructure has stagnated despite demographic growth and worsening poverty, while the number of private healthcare facilities increased by 28 percent between 2010 and 2018. On the eve of the coronavirus crisis, the public health expenditures had even decreased from over 7 percent of GDP in 2018 to just 5 percent in 2019. This deterioration in public healthcare has worsened in recent years as a result of declining investments, which have primarily affected the poor.

High social expenditures are not addressing Tunisia's structural problems—they are merely buying time. Meanwhile, the number of vulnerable people continues to grow, and the lack of investment is accelerating the decline of public services with disastrous social consequences. Youth inactivity driven by unemployment, early dropping out from schools, and a lack of professional training facilities, is a significant problem in Tunisia. A large proportion of Tunisia's young people are not in education, employment, or training (NEET). A recent study from the United Nations Development Programme revealed that more than one in four young people aged between fifteen and twenty-nine fall into the NEET category. This reflects the country's structural unemployment and inability to integrate younger generations, who are often excluded from the economy and from social protection schemes. It also highlights the inefficiency of social spending in the absence of investment and job creation.

How Populism Buys Time

Economic policymaking under Saied has been characterized by improvisation and short-termism. Constrained by limited financial resources and fearful of social unrest, Saied's regime has resorted to three main tactics: restricting imports to preserve the central bank's reserves, using a carrot-and-stick approach to keep vulnerable populations obedient and avoid the ballooning of the wage bill, and building clientelist networks to maintain support among the poor. These tactics reflect a populism focused on buying time and securing survival—rather than pursuing meaningful reforms.

Since 2022, because it lacks foreign currency for which to buy them, the government has been restricting imports of key basic products over which the state holds a monopoly. This reduction in the importation of basic food products has led to recurring shortages of subsidized items such as semolina, flour, cooking oil, rice, and sugar. This made it difficult to offset the poor agricultural seasons of 2022 and 2023 through increased imports. Tunisia's cereals harvest over the nine first months of 2023 was reduced by two-thirds because of drought, and the Cereals Office was unable to increase imports enough to make up for the loss. Yet despite improvements in the agricultural trade balance in 2024, shortages persisted. In the first nine months of 2024, food product exports rose by 35.4 percent, driven primarily by higher olive oil exports (62 percent). Meanwhile, imports declined by 11.1 percent, largely because of reduced purchases of sugar (down by 39.6 percent) and cereals (down by 19 percent). These shortages have been especially impactful for products imported and distributed by SOEs. Already burdened with high debt and lacking sufficient budgets, SOEs have been unable to ramp up purchases abroad.

These shortages have had two major consequences. First, they have fueled the growth of a black market, especially for sugar and semolina. Poorer citizens spend hours queueing in front of supermarkets on distribution days to buy sugar, which is then resold at a higher price on the black market. The sight of long queues outside supermarkets has become commonplace. Second, the shortages have driven an increase in cross-border illegal trade with Algeria. Thousands of Tunisians now travel to Algeria to buy food, and informal trade networks between the two countries have expanded. In response to this demand, supermarkets have begun to open in Algeria's border regions. However, Algerian authorities have also started cracking down on the large-scale informal trade of subsidized goods.

The shortages are unsustainable both socially and politically. Saied has refused to take political responsibility for the shortages. Instead, he has been relying heavily on conspiracy theories, blaming "speculators" and using conspiracy theories as an "ideology of excuse" to evade accountability.

In the absence of coherent economic governance, Saied's regime has used a carrot-and-stick tactic to control the growing discontent among vulnerable populations. The case of deputy or substitute teachers, who have been demanding permanent employment in the public service for years, highlights the social costs of the regime's debt strategy. Protests by substitute teachers have exposed Saied's unfulfilled promises to reform labor laws and end precarious, short-term employment contracts. These teachers, numbering between 12,000 and 17,000, represent nearly 10 percent of Tunisia's teaching workforce. Yet they are paid less than half the salary of regular teachers, receive wages for only nine months of the year, and lack full access to social insurance. For over a decade, the Ministry of Education has resorted to precarious hiring because of budgetary constraints, claiming that 97 percent of its budget is consumed by wages. The use of minimally paid and precariously employed substitute teachers (mu'alimun nuwwab), especially in disadvantaged areas, has been a practice since the era of former president Zine El Abidine Ben Ali, but expanded after his overthrow in 2011. This mode of precarious hiring in the education sector was used to ease social anger among unemployed university graduates and to fill staffing gaps without offering job security.

Despite multiple promises from Saied to end the temporary staffing system, no long-term contracts have been offered. The government has once again delayed the hiring of substitute teachers until 2025, announcing in the 2025 budget law that 7,592 teachers will be hired—yet without providing clear plans for budgeting or reliable growth forecasts. While the government projects a 3.2 percent growth rate, the IMF has recently forecasted only 1.6 percent for Tunisia in 2025. Despite planning to increase expenditures in 2025, the government has firmly rejected an IMF bailout, which means that financing needs won't be met. Once again, the promises made to substitute teachers seem likely to be unfulfilled.

Since his power grab, Saied's strategy sought to keep social expenditures high while controlling the wage bill from ballooning. Before Saied's constitutional coup in 2021, public-sector wages reached a staggering 16.1 percent of GDP in 2020, before stabilizing at around 14.5 percent in 2022 and 2023 and then falling to 13.6 percent in 2024. In 2023, Saied launched a campaign to review public-sector hirings from the previous decade, hoping to trigger layoffs and free up positions. However, after months of investigation, the campaign failed, leaving the president with no option but to ignore the demands of substitute teachers.

In order to sustain a support base among the poor, Saied has employed clientelism through the promotion of so-called communitarian companies, state-funded and state-controlled enterprises presented as a solution to unemployment. These cooperatives are overseen by regional governors and supported financially by state-owned banks. In rural areas, poor people have expressed hope that this system will deliver tangible benefits, and communitarian companies have been created in sectors such as transportation and services. However, these projects have generally failed to turn a profit. Rural communities have repeatedly called for easier access to state-owned lands, but Saied's approach has failed to address the crucial issue of land access. His policies offer no clear answers to the critical issues of land ownership and usage. Economically, these companies have so far proven inefficient. However, they reflect an attempt to neutralize dissent from the poor by building patronage networks and sustaining Saied's political support base. With Saied's reelection on October 6, 2024, the expectations of this support base—particularly regarding access to land—will likely intensify, potentially clashing with entrenched interests within the bureaucracy and private sector.

Conclusion

The reelection of Saied, with 90 percent of the vote, may not reflect long-term satisfaction with his leadership from the public. The low voter turnout (28 percent) and the extremely low participation of youth (6 percent of those ages eighteen to thirty-five) highlight widespread disaffection and disenchantment. While many became disillusioned with democracy in 2019, which opened the door to populism, the low turnout shows that Saied's strategy of maintaining the status quo and buying time failed to expand his support base.

As the financial crisis intensifies, Saied's regime will face a moment of truth in 2025 amid acute social and economic challenges. Addressing the urgent need for financing and implementing essential reforms to break the cycle of high spending, debt, and economic stagnation will be critical. However, these difficult reforms will require Saied to put his political capital on the line. Just as economic frustrations led to a stalled transition in 2021, the social costs of populism may trap Tunisia in turbulent times resulting from economic stagnation, rising inflation and looming risks of depreciation of the dinar. For now, Tunisians seem to be muddling through the crisis, often choosing migration over protest. It remains to be seen how Tunisia's population, weary from dashed hopes, will respond in the future.

About the Author

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Endnotes

1 The poverty thresholds are 1,501 Tunisian dinars ($500), 1,703 Tunisian dinars ($566), and 1,878 Tunisian dinars ($626) per person per year for rural areas, smaller cities, and larger cities respectively.

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