

The Importance of a Joint IMF and EU Agreement for Tunisia: Learning from Greece's Economic Turnaround

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Brief Analysis

By choosing a pathway to stability and growth through international partnership, Tunisia can mitigate its exposure to external shocks and create a more resilient economic environment for its citizens.

Tunisia faces a critical economic crossroads. With external debt exceeding 80% of GDP, a budget deficit over 7%, and food inflation at 9%, its financial vulnerabilities are acute. Financing the budget through the Central Bank risks worsening inflation, making a joint agreement with the IMF and EU a more viable solution. Greece's economic recovery shows how international support paired with structural reforms can restore stability and growth. For Tunisia, this could help balance finances and protect vulnerable citizens from inflationary pressures.

However, past failures to implement reforms under previous IMF agreements—such as subsidy adjustments and state-owned enterprise (SOE) restructuring—raise doubts about the success of a new program. Tunisia's challenges include weak political will, entrenched interests, and social resistance to reforms. Without addressing these obstacles, any new arrangement risks repeating past mistakes. For success, Tunisia must commit to realistic, phased reforms, strengthen social safety nets to protect the vulnerable, and enhance transparency to rebuild trust. Coordinated international support, combined with domestic consensus, can help ensure reforms are implemented and the economy is stabilized. While difficult, such an approach offers Tunisia its best chance for a sustainable recovery.

Greece's Economic Transformation: A Blueprint for Recovery

In the early 2010s, Greece faced a severe crisis with surging unemployment, excessive debt reaching **130% of GDP** (<https://www.piie.com/commentary/op-eds/why-has-greeces-debt-continued-rise-after-2010>), and an economic collapse that took years to address. With support from the IMF and the EU, Greece adopted **substantial reforms, including austerity measures, tax restructuring, and privatizing state-owned assets**

<https://www.cfr.org/timeline/greeces-debt-crisis-timeline>). Although challenging, these measures gradually restored Greece's fiscal balance and paved the way for economic recovery.

The results of these reforms have been transformative. In 2023, *The Economist* <https://www.economist.com/finance-and-economics/2023/12/17/which-economy-did-best-in-2023> ranked Greece at the top among OECD countries based on GDP growth, inflation control, employment, and stock market performance. With a growth rate projected to exceed 2% in the coming years, Greece's turnaround is remarkable. Despite its GDP remaining about 14% below 2009 levels, Greece has been **reclassified as an investment-grade economy** <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3155800> by Standard & Poor's, attracting strong interest in Greek bonds and placing the Athens Stock Exchange among the world's top performers, surpassing even larger European economies like France and Germany.

Greece's experience shows how structural reforms, paired with international collaboration, can transform struggling economies. Like Greece pre-crisis, Tunisia faces high debt, fiscal deficits, and structural inefficiencies, making the comparison valuable. Greece's recovery highlights the role of reforms in attracting international investment, which Tunisia could also achieve through an IMF-EU partnership. However, Tunisia must address corruption, which deters investment and undermines reforms. Greece faced similar challenges, particularly in tax collection and public spending, but made progress through transparency and governance reforms. Tunisia can learn from this, combining structural adjustments with anti-corruption measures to stabilize its economy and foster growth.

Tunisia's economic landscape presents serious hurdles. With limited fiscal options, Tunisia faces mounting financial strain from **high external debt, a significant budget deficit, and elevated food costs** <https://www.afdb.org/en/countries-north-africa-tunisian-republic/tunisia-economic-outlook#:~:text=Outlook%20and%20risks,2024%20and%202.9%25%20in%202025.> For low-income families, who allocate a greater share of income to essentials, inflation erodes purchasing power, making necessities less affordable.

In this scenario, financing the budget through Tunisia's Central Bank might appear as a quick solution. However, it risks compounding inflation, intensifying hardship for households, and heightening the country's vulnerability to economic instability and social unrest.

A joint IMF-EU agreement could provide Tunisia with financial stability and access to expertise for implementing key reforms. While IMF assistance typically involves conditions such as subsidy adjustments and state enterprise reforms, these measures are steps toward a more sustainable fiscal framework. EU support could bring additional benefits, such as greater market access, infrastructure investment, and broader development support.

Greece's example shows that while IMF-mandated reforms were initially difficult, they **gradually led to economic recovery** <https://www.reuters.com/markets/europe/greek-economy-surges-after-decade-pain-2024-04-18/>. For Tunisia, meeting IMF and EU conditions may be challenging at first, but the potential for renewed investor confidence and sustainable growth could outweigh temporary discomfort.

Through an IMF-EU agreement, Tunisia could stabilize its economy, avoiding inflationary pressures that exacerbate hardship for its most vulnerable citizens. For households, particularly those on limited incomes, unchecked inflation directly erodes the ability to afford essentials and reduces their standard of living. Stabilizing the economy through international support can mitigate these pressures, protecting household finances and preserving quality of life.

Additionally, successful reforms could draw foreign investment, fostering job creation and economic expansion. In Greece, the positive outcomes of reform attracted international investors, boosting both the bond market and the Athens Stock Exchange. With a stable reputation, Tunisia could see similar investment interest, improving

employment, expanding the tax base, and enabling reinvestment in social services and infrastructure.

Following Greece's Path to Stability

Greece's recovery demonstrates the potential of reform and collaboration with international institutions to produce lasting economic improvements. Although Greece's GDP remains below its pre-crisis peak, the nation has managed to secure investor trust and build a foundation for future growth. For Tunisia, an IMF-EU agreement could provide a synergistic framework for long-term stability. The IMF loan would offer financial relief and a structured pathway to fiscal discipline, while EU support could complement this by providing grants, technical expertise, and trade incentives to drive sustainable growth. Together, these efforts would enable Tunisia to pursue comprehensive reforms, such as subsidy restructuring and state-owned enterprise (SOE) reform, while maintaining social stability through targeted safety nets.

Additionally, EU backing could bolster Tunisia's access to international markets by signaling stronger political and economic support, attracting foreign investment, and fostering closer trade ties. By addressing both immediate financial needs and long-term structural challenges, an IMF-EU partnership would shield Tunisia's economy from inflationary risks, stabilize its public finances, and create the foundation for inclusive, sustained growth.

By choosing a pathway to stability and growth through international partnership, Tunisia can mitigate its exposure to external shocks and create a more resilient economic environment for its citizens. However, to ensure a lasting impact, future European financial support must shift from direct budgetary aid to being strictly conditional on the implementation of well-defined and measurable reforms. These reforms should aim to reignite economic growth by restructuring state-owned enterprises, targeting subsidies more effectively, and combating corruption, which remains a key barrier to economic recovery. Transparent benchmarks and accountability mechanisms would not only enhance the effectiveness of this aid but also foster public trust in the process.

In a post-electoral context, where sovereignist rhetoric is likely to be less prominent and the need for urgent financing more pressing, a joint IMF-EU agreement becomes increasingly plausible. The IMF's role in providing financial discipline can be complemented by EU development-oriented support that is tied to visible, growth-oriented projects, such as infrastructure development, job creation, and vocational training. This dual approach would help address public skepticism by ensuring that reforms target inefficiencies and elite capture rather than imposing harsh austerity measures on the population.

The reality is that Tunisia has no alternative. Without international support, the country risks deeper economic instability, rising social unrest, and an inability to meet its financial obligations. The absence of reforms will only perpetuate the cycle of inefficiency and stagnation. A coordinated IMF-EU program offers the only viable path forward—one that not only stabilizes Tunisia's finances but also unlocks the potential for long-term, inclusive growth. By seizing this opportunity, Tunisia can secure its economic future and restore hope for its people.



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