



The Business Climate: Legislative Reforms to Enhance Tunisia's Attractiveness

On December 20th, 2018, Afkar organized a new edition at the Bardo Museum under the theme:

“The Business Climate: Legislative Reforms to Enhance Tunisia's Attractiveness”

More than forty participants attended this sixth edition and actively contributed to the discussions. Present around the table were Tunisian Administration officials, non-governmental organizations, private sector enterprises and members of the Assembly of People's Representatives. The discussion had **Aslan Berjeb**, Managing Partner of Berjeb Laweys, as moderator, and **Emna Kharouf Ben Tanfous**, Managing Partner of Deloitte Consulting Tunisia, as rapporteur.

This edition began with a panel of three speakers: **Mehdi Ben Abdallah**, President of the Tunisian Council of Mixed Chambers, **Atef Majdoub**, President of the General Authority of Public-Private Partnerships, and **Zied Ladhari**, Minister of Development, Investment and International Cooperation. They presented the work and initiatives underway to promote the appeal of the Tunisian business climate, facilitate the investment process, particularly through a **transversal law**, and set out the recurring concerns raised by investors.

Afkar gathers a critical mass of empowered stakeholders around a problem requiring urgent action to establish a dialogue between the diverse entities in order to address the issue and to develop implementable solutions. This year, Afkar is implementing six editions of Afkar to address economic challenges in Tunisia.



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In the ensuing dialogue, stakeholders identified recommendations around four main sub-themes:

1. **Visibility of the Tunisian Business Climate**
2. **The Investment Process**
3. **Public Private Partnerships**
4. **Investment Governance**

The exchanges focused on ways to boost investment and enhance Tunisia's attractiveness for local and foreign investors as well as for companies at all stages of the investment lifecycle.

To enhance **Tunisia's visibility**, the speakers explored historical sectors of investments as well as ongoing opportunities to promote the country's offerings. However, those around the table recommended to explore more nuanced approaches such as:

1. Tunisia's economic **value proposition** needs to be rethought. It would be useful to **focus** on a limited number of sectors with **strong competitive advantages** to have better results.
2. **Tunisia's ranking** in international investment indicators, such as Doing Business, must continue to progress.
3. **Marketing** Tunisia for investment should be developed and **differentiated**, in particular by adopting new tools: bringing site locators, stronger public-private synergies to attract leaders in certain sectors, etc.

The State must ensure that certain investment **prerequisites** are put in place to **improve the attractiveness and competitiveness** of Tunisia for local and foreign investors. The main prerequisites are logistics, energy

and financing. Measures have been proposed to move quickly in addressing some of these prerequisites; for example, eliminating 50-dinar bills to act on liquidity, encouraging more exploration in the energy sector, or accelerating the ongoing call for tenders for a deep-water port.

The second focus area was **the simplification and clarification of the business creation process** for investors in order to compensate for the lack of flexibility within the administrative framework:

1. **Review the legal Code for companies** in order to modernize and enrich it. For example, allow the creation of companies with international legal forms that are currently non-existent in Tunisia: for example, Simplified Joint Stock Company ("SAS" under French law) allowing a simplified operation of the company decided by the partners themselves outside the heavily formalized framework of other types of structures. In addition, and with a view to facilitating equity or quasi-equity investments by private equity players, companies should be allowed to create ad-hoc categories of shares and securities other than those permitted by current legislation.
2. **Standardize and digitize** the support processes for investors to allow for greater reliability and transparency in information, understanding of procedures, and identifying appropriate vis à vis.
3. **Simplify business creation and expansion procedures** (eliminate legalized signatures and certified copies, transmission of administrative documents between ministries and without soliciting investors, etc.)
4. Simplify and **clarify the Exchange Law**. This will, among other things, standardize and clarify once and for all, economic activities subject to foreign exchange authorization for foreign investors, but also concerning activities requiring a foreign merchant card. There is

some confusion that stems from the number and opacity of texts governing this area.

5. Offer **visibility to Tunisian and foreign investors** on taxation and the exchange rate:
 - Impose a **parity Dinar / Euro** for 5 years
 - Impose **fiscal stability** for 5 years
6. Facilitate access to information for foreign investors by communicating in foreign languages (French/ English) in regards to legal texts and administrative forms. (Some laws and decrees dating from before 2017 have still not been translated and published in French in the JORT. For example, the decree of application of the Law of Investment on economic activities).

The third focus area concerned **Public Private Partnership projects**. The acceleration of PPPs is an important issue in Tunisia, given the difficult context for public finances and the significant investment needs to strengthen infrastructure and services to citizens. Although the law on PPPs exists, projects are slow to start. As such, recommendations have been made to facilitate the launch of PPP projects:

1. Adopt **simplified procedures** for PPP projects **below a certain amount**.
2. Allow certain categories of PPP projects to accept **unsolicited proposals** so long as the economic and social viability of the project is maintained.
3. Repeal sectoral legislation with simplified procedures to encourage PPPs in certain sectors.



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The revitalization of investment cannot succeed in the absence of **effective governance and real public-private synergy**. For this purpose, it was recommended to:

1. Establish a regular **investment policy evaluation system** to regularly strengthen national, regional and sectoral policies based on international best practices.
2. **Unify the investment support structures** and allow the investor to have one vis-à-vis: an investment advisor.
3. Simplify and facilitate access to information for the investor.
4. Reduce pre-investment checks for low-risk investments by strengthening post-investment checks.
5. Create maximum synergies between the public and private sectors to define reforms and their implementation.

The real challenge is not so much in the legislative reforms **but rather in their adoptions and their implementation** by regulators, public economic actors and private investors, whether Tunisian or foreign, startup or large enterprise. **Simplifying and facilitating investment in a globalized economic context will first allow Tunisian investors to continue to invest in Tunisia** and foreign investors to prioritize Tunisia in their investment choices.

