Does Tunisia offer an attractive investment climate?

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Introduction

Over the past ten tears, Tunisia has witnessed transformation at all levels and across a number of sectors. Its elected government has focused its resources and attention on restoring and stabilising its economy with the aim of raising it to the level of the global economy. The government of Tunisia and its legislative bodies have formulated new policies and introduced new laws to promote the investment climate and attract foreign investors to the market. This article highlights the efforts Tunisia has made in recent years to improve the investment climate and attract foreign investment into the

Legal reforms

In recent years, successive governments in Tunisia have advanced varying structural reforms to improve Tunisia's business climate. These reforms have targeted the legal system and regulatory framework through the introduction of new laws and amendments or repeal of old laws with the aim of removing barriers in order to facilitate the smooth and efficient incorporation and operation of businesses in Tunisia. Those reforms include an improved bankruptcy law, an investment code and initial 'negative list,' a law enabling public private partnerships and a supplemental law designed to improve the investment climate.

The government of Tunisia has also encouraged entrepreneurship through the passage of the Start Up Act, which seeks to boost socio-economic development and expand technological infrastructure. In addition, the 'organic budget law', which was established five years ago, aims to achieve greater budget transparency and raise awareness of the government's investment projects. These reforms will help Tunisia attract both foreign and domestic investment.

New investment law

Decision-makers in Tunisia identified that economic recovery is intrinsically tied to foreign direct investment and they have been struggling to recast Tunisia as a major destination for foreign investment.

Among the country's efforts, the Tunisian parliament passed a new investment law in 2017 ('Investment Law') as part of numerous economic reforms that had been negotiated with the International Monetary Fund and the European Union in return for external loans and financial assistance to cover the budget and current account deficits.

The Investment Law, which is designed to stimulate foreign investment, simplifies the legal procedure for establishing projects, has reduced the number of business activities that require government authorisation, exempts profits from taxes for a period of 10 years and reduces restrictions on the hiring of foreign workers.

Along with the adoption of the Investment Law, the government has established the Tunisian Investment Authority, a new administrative body that is responsible for the implementation of investments, that replaces the administrative bodies that had previously been involved in regulating investment and which contributed to the financing of infrastructure projects in the interior regions.

New incentives

The Tunisian parliament also passed law 2019-47, a wide-reaching law that is intended to remove regulatory impediments to investment. This law is designed to improve the country's business climate and further improve its ranking in the World Bank's Doing Business Report. Moreover, this law simplifies the process of establishing a business, permits new methods of finance, states improved regulations on corporate governance and gives the private sector the right to operate a project under the framework of a public private partnership.

As a result of these new incentives, Tunisia has been relatively successful in attracting foreign investment, which contributed to modest growth of one per cent to its GDP in 2019.

Following this success, the World Bank Doing Business 2020 report ranks Tunisia at 19 in terms of ease of starting a business. In the Middle East and North Africa, Tunisia ranked second after the UAE and first in North Africa ahead of Morocco (53), Egypt (114), Algeria (157) and Libya (186).

Furthermore, in the context of its determined efforts to achieve an attractive environment for investment, Tunisia has provided a package of facilities since 2019 to boost investment, support the competitiveness of enterprises and remove barriers to investment. Among those incentives are:

- an exemption from tax on the income of new companies for a period of four years, starting from the date of actual business activity;
- a review of tax rates to continue boosting the competitiveness of companies operating in the country; and
- reducing taxes on companies in the manufacturing, technological, electrical, mechanical, textile and pharmaceutical industries from 25 per cent to 13.5 per cent.

All of these incentives and efforts have played an important role in boosting foreign investment and achieving recovery in the Tunisian economy. However, these measures have not been sufficient in reversing the decline in foreign direct investment that Tunisia has experienced over the last ten years, indicating that the challenges faced by the Government go deeper and might not be capable of being resolved with the new Investment Law alone.

Conclusion

It can be said that a strong platform has been created for the development of Tunisia's economy at political, legislative and social levels. As one of the closest countries to Europe and given its geographical location as one of the gates to Africa, Tunisia places itself as a natural choice for various types of investment including tourism, education, health, banking, mining, industry as well as other sectors. Overall, reforms in the legislative, judicial and executive powers will play a vital role in progressing the development of the investment climate in Tunisia especially if the global economy continues its recovery following the effects of the COVID-19 pandemic. This article asked the question, “Does Tunisia offer an attractive investment climate?” We believe the answer to be “yes”, although challenges remain.

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