



TRADE POLICY REVIEW

REPORT BY

TUNISIA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Tunisia is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Tunisia.

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1 INTRODUCTION

1.1. This is the third trade policy review of Tunisia, and the first since the revolution.

1.2. Tunisia regards the trade policy review mechanism as an important tool of the World Trade Organization, which promotes a transparent, predictable and effective multilateral trading system.

1.3. Since its last Trade Policy Review (TPR), Tunisia has continued to implement free-market economic policies defined by openness to the regional and international environment.

1.4. **Macroeconomic policy** is based on preserving the major macroeconomic equilibria, especially fiscal balance, and maintaining price stability. The new democratic Government is committed to extensive reforms to re-establish growth and boost employment, and is seeking to achieve those aims by improving the business climate and restoring an environment that is conducive to investment. The strategic orientation note and development plan for 2016-2020 set out the thrust of the reforms and the development objectives for the coming period.

1.5. **Trade** continues to play a vital role in revitalizing the Tunisian economy despite the fall in external demand, chiefly from Tunisia's top trading partner, the European Union, and its knock-on effects on export-oriented sectors of the economy.

1.6. **As a very outward-looking economy**, Tunisia's trade policy attaches special importance to liberalizing global markets in goods and services. It is based on further integration into the global economy and improved market access for Tunisian products and services. Exports are likely to account for 42% of GDP in 2020.

1.7. Accordingly Tunisia is of the view that a more open multilateral trading system, liberalized through the elimination of tariff and non-tariff barriers, will contribute to better trading conditions and help make best use of trading opportunities.

1.8. Tunisia therefore attaches utmost importance to strengthening the multilateral trading system and the conclusion of the Doha Round negotiations. Multilateralism is the most efficient means for small developing countries to defend their commercial interests and safeguard greater trade openness, including through the elimination of non-tariff barriers and the formulation of fairer trade rules.

2 ECONOMIC AND SOCIAL BACKGROUND

2.1. Rapid and radical changes have occurred since the last Trade Policy Review in 2005.

2.2. The Tunisian economy has developed in an environment defined by the effects of a series of internal and external shocks that have triggered crises and raised numerous challenges.

2.3. **Internationally**, the chief feature was the international financial crisis that began in 2008 and the fall-out from the global economic crisis on capital mobility and external trade, followed by the emergence of the debt crisis in 2010 in the euro zone countries which has mired the bloc in a lengthy phase of slow growth, and high commodity prices, especially world oil prices in the period 2010-2014.

2.4. The challenging **regional environment**, specifically the geopolitical risks associated with the conflict in Libya along with terrorist attacks and threats, have given rise to a security situation and tensions that have posed huge challenges to the Tunisian economy. Major efforts are required to counter the terrorist threats and guarantee internal security, which is a top priority despite the significant fiscal challenges.

2.5. **Domestically**, in response to the revolution's demands for freedom and dignity that clearly reflected the Tunisian people's desire to break away from a past epitomized by wide-scale corruption, tyranny, discrimination, and marginalization, Tunisia has entered a new stage in its contemporary history. It entails a qualitative change in its economy that will become indelibly imprinted on its road to development.

2.6. Since 2011 the revolution has brought a shift to a democratic political order founded on respect for human rights and has allowed a new blueprint for Tunisian society to emerge that is based on a new values system, the establishment of good governance, the achievement of economic prosperity, and the entrenchment of social justice.

2.7. Going beyond abstract economic theory, Tunisia's economic evolution since 2011 has been marked by specific sociological and political-economic factors that have acted as constraints on the sustainability and profitability of investments and growth. Social tensions evident in strikes, regional inequalities and youth unemployment have accentuated the challenges and weakened economic activity.

2.8. Despite this difficult background and the ongoing challenges, Tunisia has demonstrated great resilience and has succeeded in maintaining the major macroeconomic equilibria.

2.9. The exceptional conditions were also conducive to the adoption of new approaches that give civil society a significant role in dialogue, conflict management, and methods of addressing economic and social requirements. The national dialogue between the political parties, the trade unions (UGTT, UTICA) and civil society led to the emergence in 2013 of a compromise that was welcomed the world over, culminating in the Nobel Prize for Peace in 2015, so calming was its effect on the country's political situation.

2.10. This historic event laid the foundations for stabilizing the domestic political environment and the crowning achievement of the successful political transition was the promulgation of a new constitution establishing a republican, pluralist, democratic system and a Civil State governed by the rule of law and the sovereign will of the people.

2.11. It led to the election of the President of the Republic and the members of the Assembly of Representatives of the People (ARP) for a five-year term, and the investiture of a broadly backed coalition Government to establish the institutions enshrined in the constitution.

2.12. The success of the political transition has enabled the country to establish a favourable environment for economic activity and growth, thus paving the way for successful economic and social transition, and a pathway to sustainable development as the result of major reforms.

3 NEW DEVELOPMENT MODEL

3.1 The Tunisian economy prior to 2011: considerable potential for non-inclusive growth

3.1. The Tunisian economy has grown significantly over the last two decades. The economic and financial crisis of the mid-1980s led to the adoption of the structural adjustment plan and resulted in liberalization and privatization reforms. Growth reached 5.2% during the period 1990-2010 and averaged 4.5% between 1984 and 2010. However, the quality of that growth pointed up the limitations of the Tunisian economic model and revealed the inherent weaknesses in its development model, namely the inability to achieve a fair distribution of wealth across the regions to the benefit of all social groups, and the inability to generate employment to absorb demand from graduates, which has been growing since the end of the 1980s.

3.2. The major challenges facing the country therefore included how to reduce regional disparities by upgrading disadvantaged regions, and how to generate job opportunities and reduce unemployment.

3.2 A new project for society and an alternative development model after 2011

3.3. The major challenges that the country faced led to a new vision for development that matched national aspirations. It laid down priorities and major strategic approaches to address all the challenges, in particular those relating to employment, increased income, equal opportunities and shared prosperity, enhanced competitiveness, regional and social development, and the establishment of sustainable development.

3.4. The September 2015 strategic orientation note set out the framework that would underpin the development plan, including objectives, policies, reforms, programmes and projects for the period 2016-2020.

3.3 Roles of the various economic actors

3.5. The strategic orientation note sets out the roles of the various economic actors and their areas of intervention. The State is assigned a strategic role in strengthening social cohesion, the social safety net, exclusion, poverty reduction, and the reduction of social and regional disparities; it is to perform that role by investing in improving people's skillsets, increasing income sources for the most disadvantaged social sectors, and improving living conditions for all, especially through the provision of basic services (education, health, etc.). Accordingly there will be a 50% increase in public investment.

3.6. The State must also establish infrastructure capable of attracting investment. In order to achieve this it will develop and upgrade the road network, extend the telecommunications network and modernize public utilities, thereby driving the emergence of an inclusive, integrated economy and helping to promote public-private partnership as an instrument of governance and transparency. It is projected that logistical costs will fall from 20% of GDP in 2015 to 15% by 2020 and that the motorway and highways network will expand from 420 km to 1,200 km by 2020. The railway network will be extended to connect Tunis with the inland and southern Governorates (Kairouan, Kasserine, Sidi Bouzid and Médenine).

3.7. The private sector continues to drive growth and development through its contribution to wealth-creation and employment. The focus is on fundamental reforms to modernize administration and the system of investment, taxation and finance, in order to encourage the private sector to enter the local and international market in promising sectors with high value added.

3.8. Investment is forecast to grow to 25% of GDP in 2020, by which time the share of private investment in the total should exceed 65%. The volume of foreign direct investment will grow by 80% over the next five years.

3.9. The third sector, consisting for example of professional and civil society organizations, mutuals, foundations and cooperatives, supplements the role that the State and the private sector play in propagating social and economic values, and is an active partner and stalwart of the social and community-oriented economy. It is a pillar not only of the social dialogue but also of the active participation required to implement the social model for a new Tunisia; it is also a valuable partner in supporting political, economic, social and cultural movements.

3.3.1 The main development themes

3.10. The foundation of the development plan is to expand the content of development policies and programmes to support an innovative, high-technology, inclusive economy that is conducive to sustainable development.

3.11. The main pillars that define the social and development model are:

- economic efficiency based on innovation and partnership;
- inclusion as the basis for social justice;
- regional development;
- the green economy and the sustainability of the development process.

3.3.1.2 Theme 1: Shift from a low-cost economy to an economic hub

A more diversified, employment-rich economic fabric

3.12. Economic growth should be driven by a more diversified, employment-rich economic fabric and by high value-added sectors. It should further development by generating genuine improvement in people's living conditions.

3.13. The spur to greater economic competitiveness and job-creation potential will be enhanced productivity as a source of competitiveness: growth in total factor productivity will be over 2.5% by 2020. The role and quality of human capital and the promotion of the digital economy as a vehicle for development are essential aspects of this process.

3.14. Additionally, the focus on high-tech sectors in order to create comparative advantages for high value-added sectors is intended to boost the country's position in global value chains and take advantage of the opportunities offered by globalization.

3.15. There is also a focus on innovative, more technology-intensive activities in a competitive environment, and the objective is to increase the share of high-tech sectors from 20% of GDP in 2015 to 30% in 2020.

3.16. Among other aspects the model supports highly competitive sectors (medical and pharmaceutical services; non-traditional tourism; the chemicals, technical textiles, and mechanical industries; the digital economy; engineering services, etc.) by developing the skills and expertise acquired in these sectors and focuses primarily on boosting the economy's competitiveness and integrating it more fully into the global economy.

3.17. The development of sustainable, integrated and complementary economic subsectors will increase value added for export sectors from the current level of 15% to 20% in 2020.

3.18. Deeper economic integration and export promotion to support Tunisia's export drive and integration into the global economy will result in exports reaching 42% of GDP in 2020.

3.19. Generating and retaining employment continues to be one of the Government's main objectives. Several programmes promoting youth employment and micro-businesses have been designed to improve young people's employability and to increase businesses' productivity and competitiveness through the development of human capital and value addition.

3.20. For example, the State assumes responsibility for financing staff training programmes for businesses that are investing in technology, and for promoting off-shoring through specific incentives for offshore ICT businesses.

3.21. As part of the strategy to encourage training and skills upgrades, the people working for the business can receive State-funded ongoing training. Accordingly, a network of public vocational training centres covers almost all regions and sectors of the economy, providing free training and grants for priority specialist skills. The network is supported by a large number of private training establishments overseen by the State. Training at the centres is generally combined with periods of on-the-job training in the business, so that knowledge and practice are continually pooled between the workplace and training centres.

3.22. In addition to providing initial training, their core activity, the public training centres provide bespoke training on request to meet a particular skills requirement. Moreover, in order to provide businesses with a better service, some specializations are available through evening classes or distance learning.

3.3.1.3 Theme 2: Human development and social inclusion

3.23. There has been considerable progress in human development in Tunisia. Nonetheless more work is required to improve living conditions further and reduce absolute poverty from 4.6% to 2.5% by 2020. The Human Development Index (HDI) is projected to rise from 0.721 in 2013

to 0.786 in 2020. Accordingly, at least 20% of GDP will be allocated to social expenditure and transfers.

3.24. The promotion of social affairs, reform of the social protection system (pensions and sickness insurance), the guarantee of a higher quality educational system, and improved employability will be vital aspects of the movement towards a sounder, sustainable and inclusive development pathway.

3.25. Work will also be done to strengthen the link between growth and social progress, in particular by creating higher quality jobs in greater numbers.

3.3.1.4 Theme 3: National strategy for inclusive, comprehensive regional development

3.26. The regional development policy is based on a new vision for the development agenda that increases the regions' competitiveness as a result of further integration and complementarity across the country's various Governorships, and a consolidation of each region's role in identifying development projects and programmes in line with their individual potential and comparative advantages.

3.27. The focus will be on developing pull factors and diversifying economic fundamentals in line with available capacities and natural resources, thus spotlighting the territorial entities' diversity and strengths in order to increase their national and international visibility.

3.28. The strategy aims to increase the attractiveness of the regions by developing transport infrastructures and logistical services, promoting public utilities, allocating public investment fairly to make best use of regions' comparative advantages, and providing all regions with broadband internet connections. This will establish a level playing field for social integration and abolish the regional digital divide. Additionally, industrial estates in the country's inland regions will rise significantly in number and size over the period 2016-2025.

3.29. The drive to harness financial resources will continue. It will focus on the regional development funding system through the establishment of a regional bank, or regional development and investment funds, to supplement and streamline existing instruments while improving the rules on identification of recipients.

3.30. The adoption of the Law on Local Authorities and regional restructuring, together with the adoption of a formula for regional development budget contributions that will make the principle of positive discrimination a reality, will promote decentralization and lay the foundations for local and regional governance by strengthening the legal framework that underpins action for local development.

3.3.1.5 Theme 4: A green economy for a sustainable environment

3.31. The strategic orientation note for the development plan for 2016-2020 identified the green economy as vitally important to sustained growth, social justice, and greater well-being while considerably reducing environmental risks and shortages of natural resources.

3.32. Rationalized management and good governance in the exploitation of natural resources and their protection are the cornerstone of the green economy and are among the chief national priorities in relation to safeguarding the sustainability of resources and the right of future generations to enjoy them.

3.33. The key objectives in this field are as follows:

1. Food security

3.34. The challenges that Tunisian agriculture must address in order to provide food security require comprehensive integrated management that reflects the fragility of natural resources (soil and water) and the need to reduce the impact of climate change.

3.35. As a result, the development plan for 2016-2020 identified a scenario that allows for a reduction in regional imbalance, fewer pressures on water and soil resources, cleaner agriculture and better productivity in irrigated land. Equally there is an emphasis on containing urban expansion into agricultural land; and on protecting, conserving and developing marine resources while continuing to develop the biological recovery system, combat unregulated fishing and promote aquaculture.

3.36. The plan also provides for responsive, improved management of forestry and pastoral resources based on fire prevention, reforestation, reduced over-grazing and forestry management.

2. Water security

3.37. This will be addressed as part of a comprehensive policy combining all uses and forms of resources, including securing the supply of drinking water nationally by harnessing resources and using water more economically.

3.38. The plan is to harness traditional resources by constructing a series of interconnected dams and other works to conserve water and soil in order to protect water facilities and boost storage capacity.

3.39. At the same time, in the light of the limited water resources available, there are plans to improve the water treatment system, and to promote water-saving and desalination technologies.

3. Energy security

3.40. The national energy strategy essentially aims to reduce energy dependency and to secure supply, including through improved energy efficiency and the promotion of renewable sources (wind, PV solar and CSP solar). As such, energy from renewables should account for 12% of all power generated by end-2020 and 30% by 2030. In order to attain these objectives a law was enacted in May 2015 on the execution of projects to generate electricity from renewable energy sources.

3.41. Additionally, the energy efficiency programme aims to reduce energy intensity by 3% annually over the period 2016-2030. In 2013, the National Energy Control Fund was renamed the Energy Transition Fund and its remit was widened.

3.42. Efforts have also been made in the construction sector to promote the incorporation of energy efficiency measures and to reduce energy consumption by insulating roofs and walls and promoting the use of more energy-efficient machinery and equipment, among other things.

4 MAJOR REFORMS

4.1. In order to attain the objectives contained in the new development model, the Tunisian Five-Year Plan for the period 2016-2020 set out a group of major reforms aimed at restoring and speeding up growth while maintaining domestic and external financial equilibria.

4.2. The major reforms are the most important features of Tunisia's Five-Year Plan and the chief mechanism for making the transition to a new model of development.

4.3. Several structural reforms are under way in sectors that include education and vocational training; social services such as health and the social security system; and economic sectors such as reform of the public banking sector, taxation, and the new investment code.

4.4. Administrative reform is one of the major priorities if the country is to build a strong executive body that is capable of defining, designing and evaluating overall policies, as well as implementing them and supplying services in conformity with global best practice.

4.5. Continuing reforms to the judicial and security systems also illustrate the ongoing work to address the challenges of development.

4.1 Laying the foundations for good governance

4.6. Tunisia is stepping up the pace of legislative and organizational reforms in order to improve the climate for doing business, revitalize productive investment, boost private initiative, and set creative forces free, including through: a regulatory and institutional framework that meets international standards, making it possible to introduce better foundations for good governance; making collective participation a prerequisite for development; establishing the principles of transparency and accountability; and providing for effective and efficient administration in the handling of development-related matters.

4.1.1 Completion of the institutional framework

4.7. The Government is working hard to finalize the establishment of the comprehensive institutional structure as redesigned under the new Tunisian Constitution of 2014 and to establish independent constitutional bodies: the Supreme Council of the Judiciary (CSM), the Constitutional Court, the Supreme Council of Local Authorities, and the National Council for Social Dialogue.

4.8. The enactment of a Common Organic Law on constitutional bodies and the formulation of legal frameworks guaranteeing their authority, effectiveness and autonomy are bulwarks of a stronger democracy in that they establish permanent legal and institutional mechanisms that oversee compliance with the laws and the constitution.

4.1.2 Beefing up the legal system and the independence of the judiciary

4.9. The institutional independence of the courts is enshrined in the Tunisian Constitution, which also provides for the establishment of a Supreme Council of the Judiciary (CSM) as the guarantor of the judiciary's independence and its freedom from any interference. The draft organic law establishing the CSM, approved by the ARP on 22 March 2016, provides investors with the highest degree of certainty under the Tunisian legal system and provides effective protection of their rights.

4.1.3 Collective participation, the right to information and transparency

4.10. The emergence of a post-revolutionary socioeconomic framework guaranteeing freedom of expression has resulted in a major shift in the management of public affairs, in the direction of a participatory approach involving all stakeholders in the development of public policies and in all matters of public concern.

4.11. In 2014 Tunisia joined the Open Government Partnership which enshrines the principles of transparency, accountability and civic participation. A public consultation forum is available at (<http://www.consultations-publiques.tn>) to enable anyone with an interest to take part in formulating public policies by participating in consultations and legislative processes on-line.

4.12. It should be noted that all draft texts in all fields are published on the website, allowing anyone to make comments or suggestions.

4.13. Additionally, in order to reinforce the legal and institutional guarantees for the effective exercise of the right to access information, a new organic law was adopted on 24 March 2016 to promote access to information and make that access part of the institutional fabric. Pursuant to that law, public authorities must provide citizens with access to information and introduce all measures as may be necessary in order for them to be able to exercise that right; the aim is to beef up transparency and establish a culture of good governance.

4.14. The law sets out penalties for failure to comply with its provisions and establishes a national body for access to information with responsibility for overseeing proper exercise of that right.

4.1.4 Combatting corruption

4.15. An extensive array of institutions has been established for the purposes of implementing the national strategy to combat corruption. It comprises the following bodies:

The national body for good governance and combatting corruption

4.16. This is an independent constitutional body provided for under Article 130 of the constitution, whose general role is to act as a facilitator in combatting corruption: it recommends anti-corruption policies, lays down general principles on the direction of policy, gives its opinion on draft legislative and regulatory texts on corruption, collates data relating to corruption, facilitates contact between stakeholders and propagates an anti-corruption culture.

Good Governance cells

4.17. Under Circular No. 16 of 27 March 2012, the Government set up a network of governance cells within Ministries and State-owned enterprises in order to promote cross-departmental work in support of anti-corruption measures.

The High Council for Anti-Corruption and the Recovery of State Assets and Property

4.18. Established pursuant to Decree No. 1425 of 31 August 2012, this is a coordinating consultative body. Its chief responsibility is to monitor and coordinate the various government anti-corruption programmes and to recommend solutions to the various problems that emerge.

4.19. It was beefed up by another initiative in the form of a website launched in December 2012, accessible at the following address (www.anticorruption-idara.gov.tn).

4.20. The site allows any citizen who is in possession of documentary evidence of wrongdoing or has been the victim of any kind of abuse of authority by any administrative authority or public service to report the matter by means of an online form without having to disclose his or her identity. In this context, a draft law to protect whistle-blowers is in the final stages of preparation.

4.2 Improved business environment

4.2.1 Investment promotion: objectives and new legal framework

4.21. Tunisia provides many attractive opportunities for investment and is a stepping-stone to international markets. The Tunisian economy is among the most competitive African and Arab economies and provides businesses with an environment that is conducive to business. According to the World Bank Report "*Doing Business 2016*", which highlights the factors that facilitate doing business, Tunisia ranks higher than a number of emerging economies.

4.22. Tunisia attaches special importance to the protection of foreign investment and consequently is a member of the International Centre for Settlement of Investment Disputes (ICSID); in May 2012 the country adhered to the OECD Declaration on International Investment and Multinational Enterprises that seeks to promote responsibility among government and enterprises. The guarantees afforded to investors are further consolidated by the fact that the independence of the courts is enshrined as a constitutional principle as affirmed by the recent adoption of the Law establishing the Supreme Council of the Judiciary.

4.23. Included in the Development Plan 2016-2020 as a driver of growth and employment, investment is the cornerstone to economic recovery and development for the near future. The plan is based on an increase averaging around 13.6% in overall investment at current prices. Investment will account for 24% of GDP in 2020.

4.24. A broad range of measures that encourage public and private investment will help Tunisia to achieve its development objectives.

4.25. In terms of public investment, the Government aims to provide the infrastructure required in order to stimulate economic activity and domestic and foreign private investment both in the most profitable economic sectors and in the sectors that will facilitate better integration of the national economy into global value chains. The objective is to increase overall investment to 24% of GDP by 2020 while increasing the share of private investment to over 65% of that total by the same time. Where foreign direct investment is concerned specifically, the objective is to

increase its share in total investment by 80% over the period 2016-2020 compared to the period 2011-2015.

4.26. In order to attain these objectives and support the momentum of the reforms, a draft new investment code envisages a new governance framework for investment that streamlines administrative procedures and promotes investment, especially in disadvantaged regions, and therefore contributes to regional economic development.

4.27. The new framework provides investors with free access to markets by abolishing authorizations for almost all activities for Tunisians and foreigners across the board, paring red-tape to the minimum, and providing a one-stop shop for investment alongside support for investors and guarantees, especially in relation to arbitration. The new text establishes better public governance in the granting of benefits in relation to investment and provides for greater preference for investment in activities with high value-added, a high technology content and investment in regional development zones.

4.28. Additionally, it will be possible to employ at least ten foreign executives without the need for any authorization. As well as being able to transfer profits and assets abroad freely, foreign investors enjoy fair and equitable treatment in terms both of investment rights and obligations and of industrial and literary property.

4.29. The draft new investment code proposes that the sectors and activities eligible for additional benefits should be set out by decree, and that those benefits should focus on activities with high value-added that generate employment and are established in regional development zones.

4.2.2 Enhanced protection for intellectual property rights

4.30. Intellectual property in Tunisia is a right guaranteed under the Constitution of 2014, and the Government has built on the work done in the past in this area in order to create an intellectual property regime that attracts users and investment in innovation.

4.31. Already a signatory to most of the relevant international conventions, Tunisia has further enhanced its participation in the system of intellectual property protection. In 2012 it acceded to the Hague Agreement Concerning the International Registration of Industrial Designs and in 2013 to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks. In addition, Tunisia is among the 54 countries and intergovernmental organizations that signed the Final Act on Appellations of Origin and Geographical Indications adopted in Geneva on 20 May 2015. In 2014 it also signed an agreement with the European Patent Organisation on validation of European patents.

4.32. At the same time, the domestic regulatory mechanism protecting intellectual property has continued to provide increasingly robust protection of rights. A National Council to combat Counterfeiting and Piracy was established at the Ministry of Trade in 2009 to advise on programmes to combat counterfeiting and piracy, and to establish practical legal action programmes; at the same time it stepped up public- and private-sector coordination in this field. Several further laws, decrees and orders have been adopted, including:

- Law No. 2009-33 of 23 June 2009 on Literary and Artistic Property – extended protection to related rights (rights of performers, producers of phonograms and broadcasting organizations), foreign works and orally expressed works, clothing, fashion and articles of personal adornment are all protected in addition to the other traditional areas;
- Law No. 2007-68 of 27 December 2007 on Appellations of Origin and Geographical Indications and Indications of Source for Artisanal Products – seeks to develop the original characteristics of artisanal products and protect their special features by granting them an "appellation of origin", a "geographical indication" or an "indication of source". It supplements Law No. 99-57 of 28 June 1999 on Controlled Appellations of Origin (CAO) and Indications of the Source of Agricultural Products;
- Law No. 2007-50 of 23 July 2007 on protection of trademarks – lays down provisions that bolster the national mechanism to combat counterfeiting;

- Government Decree No. 2015-303 of 1 June 2015 – comprises improvements to registration procedures to protect trademarks or service marks and introduces the option of submitting an electronic application for a mark;
- Order of the Minister for Finance and the Minister for Culture and Heritage of 11 January 2016 laying down the requirements for a written application for the suspension of import or export clearance for goods that allegedly infringe copyright or related rights and the information that should be submitted.

4.33. It should be noted that the protection levels in all areas of intellectual property are supported by penalties to deter infringements of intellectual property rights in the form of prison sentences and heavy fines. All the texts described above also provide for border measures to prevent importation of counterfeit products and combat the movement of such goods on Tunisian territory.

4.34. There is also a continuing effort to better inform consumers of the risks and negative repercussions of counterfeiting and piracy.

4.2.3 Reform and modernization of government procurement

4.35. An assessment of the national government procurement system led to the introduction of an action plan for reform that aims to introduce sound governance and efficient public policies that can be implemented using clear, transparent procedures. To that end, Decree No. 2014-1039 of 13 March 2014 regulating government procurement established some new rules.

4.36. Firstly, online publication of all annual forward plans for government procurement, tender announcements and their outcomes enables all bidders, whether foreign or Tunisian, to ascertain the needs of all public buyers on the national government procurement website (<https://www.marchéspublics.gov.tn>) well in advance and to prepare for them. The opinions of the Government Procurement Monitoring and Investigations Committee, audit reports and the annual reports of the National Council for Government Procurement must be published on the national government procurement website. The electronic procurement platform, "TUNEPS", also allows bids to be submitted online in a non-discriminatory fashion with a guarantee that transactions are confidential and secure.

4.37. In a bid to step up competition, the decree withdrew the previously compulsory requirement for specifications to include a national subcontracting clause on procurement.

4.38. In procedural terms, in order to cut red tape further, prior inspection of procurement has been simplified and replaced with enhanced post facto inspection. The opinion of the Government Procurement Monitoring and Investigations Committee, which has responsibility for compliance with the fundamental principles governing procurement, is decisive in this area.

4.39. Finally, good governance has been strengthened through better separation of the functions of regulation, advice, prior internal controls, post facto controls, audit and consideration of appeals on the one hand, and through participation of the private sector and civil society in the formulation of procurement policies and during procurement procedures on the other hand.

4.2.4 Enhanced collective insolvency proceedings

4.40. In view of the seriousness of the consequences for business and the economic public order more generally, a draft law tabled at the Chamber of Deputies on reform of collective insolvency proceedings essentially aims at a balance between safeguarding the interests of businesses, maintaining economic activity and employment, and protecting the rights of unpaid creditors.

4.41. The draft law reinforces the legal framework, making it easier to identify businesses in difficulty at an early stage, and boosts the preventive aspect of collective insolvency proceedings, in particular through an enhanced role for the various stakeholders, in order to avoid situations becoming irremediable.

4.42. The draft law requires the manager and owner of the company to inform the Economic Enterprises Monitoring Commission of the first signs that a business is experiencing economic difficulty.

4.43. Creditors are encouraged to supply the necessary finance and give the business an opportunity to continue trading; in return, reimbursement of their funds will be prioritized.

4.44. The courts have the option to reduce debt interest, the debtor has an important role in drawing up the insolvency plan, and the judicial officer has civil and criminal liability for any wrongful act or omission he or she may commit in the performance of his or her duties.

4.45. Finally the court may not approve a plan to keep the business trading without the agreement of creditors whose loans account for half the business' total debt; it must also have established that the plan takes the interests of all creditors into account.

4.2.5 Public-private partnership

4.46. Public-private partnerships (PPP) are regarded as a lever for investment and economic and social development that support the State's efforts to implement public projects. They increase the range of options available for meeting public procurement requirements and finding sources of finance.

4.47. Law 49-2015 of 27 November 2015 governs the general framework for the drafting and conclusion of PPP contracts, as well as implementation and compliance mechanisms. It provides for the involvement of one or more private service providers in the design and delivery, in whole or in part, of hard and soft works, facilities or infrastructures intended to provide a public service.

4.48. A public-private partnership is formed on the basis of competitive tendering except in cases where the law provides otherwise, and the contract is awarded to the candidate who submits the most economically advantageous bid.

4.49. In terms of institutions, a Strategic PPP Council with responsibility for designing the national strategy and State priorities in this area, and a general PPP body that issues an opinion on partnership projects and oversees the performance of the contracts will be established within the Office of the Prime Minister. Partnership contracts are periodically assessed and inspected by the Court of Auditors and the various State-affiliated supervisory bodies, whose reports will be published.

4.2.6 Enhanced competition

4.50. The enactment in 2015 of a new law on competition and prices (Law No. 2015-36 of 15 September 2015) helped further embed the market economy and enhance competitiveness, together with rules for the smooth operation of fair competition and fair transactions. The Law strengthens the competitiveness of the national economy, the principle of transparency, and market supervision. Greater independence for the Competition Council affords additional guarantees of a sounder, more vital business environment.

4.2.7 Relaxation of foreign exchange regulations

4.51. As part of the irreversible process of gradually liberalizing Tunisia's financial relations with the rest of the world that has been under way for several years, there are plans to introduce a number of measures to ease foreign exchange regulations and introduce new mechanisms into the foreign exchange market.

4.52. By consolidating the ongoing post-2011 reforms to develop the market and its capacity to supply and manage flows of foreign currency in line with exchange rates that better reflect supply and demand, the easing of the foreign exchange regulations makes transfer procedures considerably less onerous, particularly when they are associated with economic operators' income-earning activities, regardless of whether they are residents or non-residents.

4.53. The reforms undeniably help to revitalize the business environment and stimulate investment, as well as helping to deepen the liquidity of the foreign exchange market.

4.3 Policy to enhance financing for the economy

4.54. Many reforms address the financial sector, chiefly with the aim of strengthening its role in financing the economy generally, and growth and employment in particular. An array of thoroughgoing measures targets the banking system as the central pillar in the strategy to strengthen the soundness and credibility of the financial sector.

4.55. The reforms relate essentially to the regulatory framework for banking governance, enhanced supervision and resilience of the banking sector, greater financial inclusion and microbusinesses' access to finance, SMEs, innovative venture businesses and the deepening of the capital market.

4.3.1 Improving the regulatory framework for banking governance

Adoption of a new banking law and reform of the statute of the Central Bank

4.56. Drawing on the lessons of the recent global crisis, the draft new banking law tabled at the ARP in March 2016 aims to establish a modern legal framework that can enhance banking services in such a way as to support the economy while improving transparency and fair competition. The underlying principle is that Tunisian banking legislation should be aligned with the highest international standards, and that financial integration should be increased through measures that include the introduction of a specific legal framework for Islamic banks.

4.57. In response to the concern that financial stability should be maintained, the new law also introduces better governance of the banking market and strengthens micro-prudential supervision. Additionally, it provides for the establishment of a deposit guarantee fund as a dual-purpose safety net: it protects depositors and works alongside the Central Bank of Tunisia (BCT) to maintain financial stability. The fund was designed in line with international principles and standards (*International Association of Deposit Insurers Core Principles for Effective Deposit Insurance Systems*).

4.58. Other significant changes were made during the reorganization of the banking market, including liberalization of the management of means of payment and of bureau de change activities, both of which had previously been a monopoly of the banks but can now be pursued by specialized operators.

4.59. Additionally, the aim of the new statute of the BCT approved by the ARP in April 2016 is to enhance the independence of the BCT while improving governance, transparency and accountability. The statute lays down a twofold objective for the issuing body; namely, to implement monetary policy in a manner that ensures price stability, and to contribute to financial stability. With that in mind, the statute provides for the establishment of a macro prudential monitoring committee whose sole task will be to draw up and recommend to the relevant national authorities measures that contribute to the stability of the financial system in its entirety, especially by preventing systemic risks or containing the effects of any disturbances, and by managing any crisis situation.

4.3.2 Closer banking supervision

4.60. **Improved reporting** is a key aspect of improved banking supervision. Accordingly, in September 2014 the BCT finalized the Uniform Bank Performance Reporting (UBPR) benchmarking indicator which will be available 60 days after the end of each quarter and will be used for monitoring and risk-prevention purposes. In addition to this mechanism, the new reporting system for banks' accounting, financial, and institutional data has been put in place and was automated in June 2015.

4.61. **Continued improvement of central credit risk and balance sheet offices.** By way of a safety mechanism, the monetary authorities intend to establish a formal safety net to act as a lender of last resort (PDR) in the event of a systemic crisis. They also plan to put in place a

mechanism to manage and/or simulate liquidity crises. Finally a structural plan will also be implemented by the BCT to establish a new, risk-based approach to bank monitoring and an early warning system for banking problems.

4.3.3 Increased resilience of the banking sector

4.62. **In particular through completion of the programme to restructure and upgrade the banking system.** This would guarantee a return to permanent stability for all public banks, the resolution of the isolated instances of non-compliance with prudential standards, and a systematic review of the role of the State as a shareholder in public and private banks in which it holds a minority interest, including the introduction of a strategic partner to hold bank equity.

4.63. **Capitalization of public banks:** The plans to restructure three public banks were finalized based on the findings of the audits conducted on the 2012 accounts approved by the Government. The plans aim to guarantee the banks' financial soundness, and to provide means of rehabilitating nonperforming loans. Recapitalization plans have already been adopted by these banks.

4.64. **Compliance by all banks with prudential standards,** including the minimum solvency ratio required by the rules in force (10%) was necessary in order to achieve alignment with the Basel standards. A published circular introduced a new liquidity coverage ratio (LCR) based on the Basel III criteria. It is calculated individually and includes off-balance-sheet operations. In force since January 2015, the ratio is being implemented gradually as set out in a tightly defined schedule starting with a minimum ratio of 60%, and rising in annual 10% increments to 100% in 2019. A plan is in progress to introduce a new Net Stable Funding Ratio (NSFR) in order to provide better control of maturity transformation (borrowing short to lend long), while guaranteeing funding based on a minimum amount of stable liabilities.

4.3.4 Greater financial inclusion

4.65. Greater financial inclusion and economic opportunity are an integral part of introducing financing mechanisms for the most vulnerable groups in society and creating financial products that can meet their needs, thus helping to improve quality of life, boost employment and acting as a spur to the process of development more generally.

4.66. In the light of the lack of access of the weakest groups to the finance system, the high cost of loans and the absence of guarantees, the emphasis will be on developing financing mechanisms based in the banking sector and the Tunisian Post Office, and on expanding banks' involvement in the interior of the country with a view to supplying basic banking services in regions where there are not enough bank branches.

4.3.5 Improved access to finance and development of microfinance

4.67. Regarded as a factor that promotes inclusion and development, especially in disadvantaged regions, microfinance has been addressed by reforms aimed at boosting its role as a tool for reducing inequalities and combating exclusion. These reforms include removal of the cap on interest rates on microloans and widespread recognition of international NGOs as providers of microcredit operations.

4.68. The reforms introduced since 2011, especially under Law No. 46 of 24 July 2014, and subsequent texts, establish a favourable framework for the development of this sector. By authorizing microfinance institutions to act as agents for insurance companies, the framework facilitates the emergence of new stakeholders and the restructuring of existing stakeholders into an association or joint-stock company. A microfinance supervisory authority was established to oversee the sector, and for the first time standards of governance, internal controls, consumer protection, reporting, etc. have been set out in line with internationally recognized practices.

4.69. The regulatory framework for microfinance will shortly be supplemented by texts on accounting standards, provisioning policies, authorized micro-insurance products, governance, financial transparency, audit committees, and terms of contract between microfinance institutions and their customers.

4.70. Additionally, in order to streamline existing tools that finance SMEs (Finance Bank for SMEs (BFPME), Tunisian Guarantee Company (SOTUGAR), Deposits and Consignments Fund (CDC), SME Finance Fund) while improving rules on identification of recipients, studies into the establishment of a regional bank are under way with technical and financial support from external partners such as the German Development Bank (KfW).

4.71. Two Decree-Laws Nos. 2011-99 and 2011-100 of 21 October 2011, incorporating a group of changes to the intervention procedures and methods of venture capital investment companies (SICAR) have been enacted. They aim to establish a more flexible legislative framework and improve these companies' performance. The changes also made it possible to increase the contribution of SICARs to promoting private initiative, generating employment, and stepping up the rate of private investment in the inland regions.

4.3.6 The principal reforms in the insurance sector

4.72. As a component of the financial triad, insurance has also been concerned by the wave of reform that has enveloped the entire financial sector since 2000. The most significant achievements relate essentially to the reform of the legal framework for vehicle insurance, the introduction of a legal framework for Takaful insurance, the beefing up of the role of the independent supervisory authority, and in particular the lifting of the restriction on foreign investors holding majority stakes in insurance and reinsurance companies, and more robust rules on governance.

4.73. Further insurance sector reforms will target the services supplied to the insured and to accident victims by improving service quality, upgrading the various insurance professions and enhancing supervision in the sector.

4.74. The reforms will also bring better governance of insurance companies and their financial soundness, improvements to the contribution of the insurance sector in harnessing savings and funding the national economy, consolidation of the financial equilibrium of the branch of insurance dealing with civil liability arising from the use of land-based motor vehicles, and increased penetration of insurance services in the national economy.

4.4 Strengthening budgetary equilibria

4.75. Control of the major financial equilibria was one of the outstanding features of Tunisia's economic performance until 2010, when the current account deficit was around 4.8% of GDP. The consumer prices index did not rise above 3.3% during the decade 2000-2010.

4.76. It should also be noted that Tunisia demonstrated its significant capacity to meet its international obligations and not to resort to rescheduling its external debt despite the succession of regional and global economic and financial crises and its challenging period of transition.

4.77. However, the lack of political, social and economic stability over recent years has contributed to a growing trade deficit: imports have grown faster than exports and the country's energy balance has continued to deteriorate.

4.78. The main feature of the public finances in the last four years was an imbalance between the government resources and spending: coverage was around 75% in 2014 and 2013 compared to 80% previously. Consequently, the public debt ratio rose above 50% in 2014, while public debt servicing grew at an average rate of 5.7% annually over the period 2011-2015.

4.79. Structural reforms have therefore been introduced in order to curb the increase in the public debt, restore the country's financial and external equilibria through a gradual reduction in the budget deficit, and achieve fiscal consolidation without compromising growth.

4.80. Better collection of State revenue and better distribution of expenditure are required for growth. Similarly, greater efficiency among public services, better performing public investment and greater competitiveness of State-owned enterprises continue to be the ingredients for sound management of public expenditure – which in itself is an aspect of better use and allocation of resources to support investment and growth. It is also vitally important to continue to anchor

medium-term fiscal policy in debt sustainability in order to generate the fiscal space required for public investment.

4.81. In view of this, and in addition to ongoing work to implement the fiscal policy strategy, the reforms focus on:

Better management of public expenditure

4.82. The enactment of the new Organic Law on the Budget, planned for 2016, will irreversibly establish a performance-based reform that seeks to increase the effectiveness of public action in terms of socio-economic impact and rationalize the use of public resources.

More efficient collection of fiscal revenue

4.83. The forecasts in the five-year development plan 2016-2020 envisage an increase of around 8.5% annually in government resources as a result of reforms to taxation and the tax and customs administration, while maintaining the tax burden at 21.5%.

4.4.1 Tax reform

4.84. Tax policy plays a key role in harnessing government resources. Accordingly, the Tunisian tax system is the subject of a set of reforms intended to enable it to play an effective role as an economic policy instrument and support the goals of the economic and social development programmes.

4.85. The reforms were drawn up at the National Conference on Taxation in November 2014. The reforms introduced as part of the finance laws of 2014, 2015 and 2016 include:

i. Direct taxes:

- lowering of corporation tax from 30% to 25%, together with a reduced 5% tax rate on dividends;
- combating tax evasion, including taxation at source at a rate of 25% of remuneration paid to residents in tax havens;
- harmonization of the tax and accounting legislation for determining taxable income;
- review of legislation on the flat-rate system.

ii. Indirect taxes:

- extension of the scope of VAT to include retailing of pharmaceutical and medicinal products, removal of certain products and services from the list of VAT exemptions, and removal of exemptions on specific public bodies;
- abolition of the 25% increase in the VAT base;
- improvements to VAT refund arrangements.

4.86. Tunisia has also undertaken significant reforms to ensure transparency by adopting provisions on the exchange of financial information under bilateral tax agreements and the Multilateral Convention on Mutual Administrative Assistance in Tax Matters; the restriction of cash transactions; the streamlining of fiscal and customs procedures; the rationalization of tax benefits; and paperless procedures, such as electronic invoicing.

4.87. At the same time, the reforms programmed for 2016-2018 will continue to focus on simplifying the tax system, achieving fair taxation, decentralizing and strengthening the role of local tax offices, modernizing the tax administration and combating tax evasion.

4.4.2 Modernization of the customs administration

4.88. Apart from its role in trade facilitation and combating smuggling, modernization of the customs administration helps to build up the State's capacity to generate customs revenues in conformity with the rules and Tunisia's WTO commitments

4.89. The plan to modernize Tunisian customs has been approved and will be implemented, including measures to streamline procedures (and make them paperless), improve risk management, redeploy customs services, and introduce a training plan. The key aspects of the programme include the "customs goes paperless" scheme under which 80%-90% of procedures are to be processed electronically as secure transactions (electronic payment and signature), as well as the reduction of administrative authorizations.

4.90. Customs modernization also involves streamlining tariffs. The Finance Law 2016 established a system of tariffs with just two rates for all non-agricultural products: 0% (raw materials and semi-finished products), and 20% (finished products).

4.4.3 Restructuring the civil service

4.91. Preliminary forecasts are that the wage bill will fall to around 12% of GDP in 2020 compared to 14% in 2016. The key to achieving this lies in a policy to restructure the civil service in order to promote greater efficiency and effectiveness of government services and control the wage bill.

4.92. A reform strategy will be implemented focused on the following key areas:

- a stronger link between pay and performance;
- the drafting of Regulations for the Senior Civil Service;
- review of the legislative framework in order to encourage mobility and redeployment among civil servants;
- review of the salaries and benefits structure;
- review of the civil service recruitment process, shifting the focus towards ability and potential.

4.4.4 Reform of State-owned enterprises

4.93. A number of general principles and a strategy to restructure State-owned enterprises emerged as part of the exercise to monitor their performance and were adopted in November 2015. The strategy includes a focus on reforms to overall governance such as the consolidation of institutions with responsibility for oversight, internal governance, social dialogue and financial restructuring.

4.94. Together with a road map, a general plan for the reform of State-owned enterprises has been adopted that will act as a frame of reference for the management of these bodies. The strategy aims to promote the competitiveness of State-owned enterprises, correct their financial situation and implement a restructuring plan to ensure their medium-term viability. The restructuring plans will also help to establish a new form of governance that will enable State-owned enterprises to operate without government interference.

4.4.5 Reform of the framework for public investment

4.95. The aim is to increase the effectiveness of public investment and achieve at least a 7% rate of public investment in 2018. The measures envisioned include: (i) continued reform of the procurement system to speed up the delivery of allocations; (ii) streamlining of procedures to improve efficiency, transparency and integrity; (iii) the speeding up of the establishment of a system to assess and monitor government projects; and (iv) a reduction in the time taken to change land classification.

5 SECTORAL POLICIES

5.1 Revamped, competitive, sustainable agriculture for rural development

5.1. Agriculture continues to play an important economic and social role in Tunisia through its contribution to achieving national goals in the areas of economic growth, food security, job creation, regional and rural development, curbing the rural exodus, increasing export revenue, and conservation and development of natural resources.

5.2. That role will now be further enhanced as a result of the adoption of a proactive, participatory, inclusive and pragmatic approach to development that gives agriculture the priority and importance it deserves. The new approach focuses policy firmly on incorporating rolling changes into the Tunisian supply of agricultural products to meet the needs and requirements of domestic and international markets, achieving appropriate remuneration for farmers and fishermen, reducing unemployment and poverty in rural and inland regions, and preserving consumers' purchasing power.

5.3. Tunisia is planning further structural, operational and organizational reforms of agriculture and fisheries that will enable the country to deal fully with lingering weaknesses and threats and facilitate the rational use and proper development of its strengths and unexploited opportunities, which offer considerable scope for progress.

5.4. These extremely important reforms are now urgent and inescapable in view of the mounting risks associated with scarce, vulnerable natural resources; climate change; and markets for factors of production and agricultural products, especially with regard to price volatility. They will be implemented as part of the first post-revolution agriculture and fisheries development plan 2016-2020, which will focus on the seven strategic priority areas set out below:

- conservation and development of natural resources, and more rational exploitation thereof with a view to sustainability and mitigation of the effects of climate change;
- resolution of issues associated with land ownership and the fragmentation of agricultural land; establishment of new mechanisms to exploit State-owned agricultural land;
- promotion of the fisheries, crop and livestock production subsectors, and enhancement of their competitiveness and sustainability while prioritizing the promotion of high-value agriculture and thus facilitating better development of agricultural products (organic agriculture, geographical indications and precision agriculture);
- production of knowledge and transfer of new technologies and research, thereby building the capacity of the agricultural productive system to innovate; involvement of private stakeholders in spearheading and publicizing local and regional development;
- promotion of public and private investment and adoption of new tools and mechanisms to finance and support agriculture and fisheries, making the sector more attractive and allowing young entrepreneurs and new agricultural products with high value-added to emerge;
- promotion of small family farms and strengthening agriculture's role in rural development;
- good governance in the sector, through genuine involvement of professional and civil-society organizations in the process of agricultural development; better co-ordination among institutions, both within and between ministries, and between central, regional and local bodies.

5.2 Industry

5.5. The economic model that Tunisia adopted in the 1970s was conducive to the development of an export-oriented industrial sector. The sector is now one of the major bulwarks of the Tunisian economy, accounting for close to 32% of GDP and employing one third of the active population.

The flagship subsectors are the electrical and mechanical industries (EMI), textiles, clothing and leather industries, and agri-food industry.

5.6. The remarkable development in this sector is the result of investment promotion policy, the integration of the Tunisian economy into the global economy, the implementation of the Free Trade Agreement with the European Union in January 2008, and the establishment of flagship programmes such as the National Industrial Upgrade Programme and the National Quality Programme that continue to grant preferences to industrial investment.

5.7. Across all subsectors of industry there are around 5,700 businesses with ten or more employees; textiles, clothing, leather and footwear account for a large share with 31.1%, agri-food has 19.0%, and the mechanical and metalworking, and chemicals sectors account for 11.6% and 10.2% respectively.

5.8. The considerable success of automotive and aeronautic component activities in recent years is reflected in the remarkable development in the EMI sector. In 2015, the sector's exports accounted for over 38% of all industrial exports; textiles, clothing, leather and footwear accounted for 18.4%; and agri-food industries for 17.8%.

5.9. Overall, despite the considerable contribution it has made to growth, jobs and integration into global value chains, there is a more important role for industry to play in inclusive economic development. Based as it is on low value-added activities, the sector has not absorbed skilled labour or university graduates.

5.10. Moreover, the siting of industrial activities close to coastal hubs has emphasized regional disparities and imbalances.

5.11. Investment in export-oriented industry has mostly been restricted to subcontracting and has not led to significant technology transfers or a higher place in the value chain.

5.12. The strategic orientation note for the plan sets out the top priorities of Tunisia's national industrial strategy for the period 2016-2020. The strategy is underpinned by the desire to make Tunisia a genuine knowledge economy by promoting value addition and innovation.

5.13. The salient features of development policy in the sector are: support for the deployment of value chains, the development of industrial clusters, a move up the chain, and diversification of Tunisia's industrial base.

5.14. Value chain development aims essentially to:

- develop local products and organize production circles;
- promote industrial development in inland regions;
- improve the added value generated.

5.15. The implementation of sectoral development strategies based on programmes to develop industrial clusters and establish competitiveness centres focused on flagship sectors: EMI, textiles, leather and footwear, agro-industry and ICT, help to boost innovation and technological development, and to increase the share of value added while supporting collaborative projects.

5.16. The traditional industrial sectors are supported by a portfolio of promising, emerging sectors with greater value-added (including the electronics, automotive, technical plastics, ICT and service centre sectors).

5.3 The digital economy: huge opportunities and a vehicle for economic and social development

5.17. Tunisia's economy is oriented towards high value-added services. The digital sector can help to integrate the country more fully into global value chains. It plays a key role in economic growth and accounts for 60% of GDP.

5.18. In recent years, momentum in this sector has essentially been provided by telecommunications, financial services and transport services, which have been subject to numerous reforms.

5.19. The sector has enabled Tunisia to become more fully integrated into global value chains, especially through the ICT sector and the development of new service activities, including call-centres and outsourcing.

5.20. The ICT sector has great potential for boosting economic growth and generating employment in Tunisia. It is one of the key strands in the five-year development plan 2016-2020.

5.21. In order to fully exploit the opportunities in this field a National Strategic Plan (PNS) "Tunisise Digitale 2018" was drawn up on the basis of a consensus between the various stakeholders in the public sector, the private sector and civil society.

5.22. The strategy makes ICTs an important policy tool in socio-economic development and sets out three major targets for 2020 that will help Tunisia to become an international digital yardstick:

- connect all Tunisian families to broadband;
- make education fully digital (consoles, connections, curriculum content, etc.);
- paperless administration.

5.23. The PNS is a four-pronged strategy:

Better infrastructure

5.24. Better access to information and knowledge is required in order to ensure social inclusion and bridge the digital divide. This means providing everyone with equipment to access the Internet, making broadband widespread, and rolling out superfast broadband.

5.25. Several projects have been launched, including 4G technology (three licences have been awarded to three local telecommunications operators); local loop unbundling from the legacy operator; introduction of a Geographic Information System (as a public-private partnership) and Universal Service, and extension of coverage to areas that are currently out-of-coverage, connecting educational and health-care establishments and cultural centres, and in the process making social inclusion possible and reducing the digital divide; launch of the Integrated National Government Network (RNIA), PKI, etc.

5.26. In addition a new digital code (Digital Exception Code) is at the drafting stage. It takes account of development in the sector and conforms to good international practice.

e-Business (usage and innovation)

5.27. There are three objectives:

- to transform businesses through the use of digital technology in order to achieve greater competitiveness, productivity and integration;
- to improve citizens' quality of life through better use of digital technologies;
- to make innovation the driver of digital technologies and entrepreneurship.

5.28. The projects already under way with a view to attaining those goals include digitalization of the cultural heritage (as a public-private partnership), a programme to train over 8,000 young Tunisians in developing mobile applications (m-development) so that they can develop apps and market them on international webstores. As part of the PNS, work is also under way with various ministerial departments on major structuring projects in the fields of e-health, e-retail, e-tourism, etc.

e-Government

5.29. The aim is to modernize government through the introduction and use of digital technologies to improve efficiency and transparency for the public and businesses by developing skills and moving towards on-line, connected, transactional services.

5.30. The Strategy Council for the Digital Economy has adopted the Estonian interoperability model (X-Road) for the government information system and a governance model that uses a unique identifier.

5.31. A call for tenders for Electronic Communications Management (GEC) was made and a supplier has been selected. The electronic exchange of data between the Tunisian Health and Sickness Insurance authority CNAM and care providers will run as a PPP.

Smart Tunisia

5.32. Smart Tunisia is a public-private initiative that seeks to promote the offshore sector and to increase the pace of its development (create 50,000 graduate jobs over five years).

5.33. So far, 17 agreements have been signed, creating 4,000 jobs over three years from 2015.

5.4 Mining policy

5.34. The national mining strategy is based on three goals that aim to increase capacity to produce and export minerals and their derivatives in order to consolidate the country's position in the international market.

5.35. Those objectives are as follows:

- to support the phosphate sector;
- to improve geological infrastructure;
- to encourage investment in mining projects.

5.36. In order to meet these goals, Tunisia intends to roll out projects to increase phosphate production capacity from 8 million tonnes in 2010 to 13 million tonnes in 2020, equivalent to increasing its share in the global market from 4.5% to 5.3% while at the same time trying to implement the following key projects:

- implementation of new projects to extract and produce phosphates, e.g. the Omm Lakhchab and Tozeur-Nafta projects;
- construction of a complex to produce technical grade phosphoric acid and derivatives;
- establishment of a major industrial cluster at La Skhira that would essentially comprise a mineral ore port and industrial chemicals units;
- the strengthening of marketing policy to ensure blanket coverage of market shares and then explore new markets at international level;
- implementation of an environmental upgrade programme that brings existing industrial units into conformity with the environmental standards in force;
- construction of seawater desalination plants in order to conserve groundwater in the Gabès and (ultimately) Gafsa regions.

6 TRADE POLICY

6.1. Tunisia's trade policy reflects its unwavering commitment to trade liberalization and increased integration into the global economy in order to stimulate growth and development, including through technology transfers, and attract more FDI.

6.2. One of the key focal points of Tunisia's development plan is to open up the economy by improving export capacity, increasing the competitiveness of exports, and gradually liberalizing trade and financial transactions.

6.3. Since its last trade policy review, Tunisia has continued to implement a proactive policy of open trade practices and integration into the global economy. Trade in goods from Tunisia exceeded TND 67,262 million in 2015, equivalent to 104% of GDP.

6.4. The main aims of Tunisia's external trade policy are to:

- reduce the trade deficit - it is in part a consequence of the energy balance deficit;
- improve the performance of exports, more especially the competitiveness of exports from Tunisian SMEs, with the goal of achieving an export performance equivalent to 42% of GDP in 2020;
- diversify and enrich exports by positioning the country in new production niches that have high value added and a high technology content, thus enabling the country to become better integrated into global value chains;
- diversify export destinations.

6.1 Developments in Tunisia's trade

6.5. The pattern of Tunisia's trade has undergone changes in the sectoral structure of exports of goods over recent years. These changes are linked in part to market fluctuations and foreign investment.

6.6. The share of exports of the textiles, clothing, leather and footwear sector fell from an average of 50% of industrial exports during the period 1997-2001 to around 23% in 2011-2014. Meanwhile, the share of EMI exports rose to 38% over the period 2011-2014, compared to 16% share in 1997-2001. Exports by the agricultural and food industries were stable at around 9% during 2011-2014.

6.7. Despite the decline in the European Union's share of Tunisian exports, the EU continues to be their chief destination, taking on average 73.3% between 2011 and 2014. Exports to sub-Saharan Africa and the Arab Maghreb have grown, although only modestly.

6.8. It should be noted that Tunisia is a net exporter of services and relies on them to raise exports and absorb skilled labour.

6.9. Although tourism is currently experiencing an economic downturn as a Tunisian export, the sector accounted for the largest share of exports of services, averaging 40% of the total income from tertiary exports between 2010 and 2014. The transport sector accounts for a 26% share of revenue from the sector over the same period.

6.10. Exports from the health services sector grew significantly: the value of exports reached D 214.7 million in 2014 compared to D 117.2 million in 2010, a growth rate of 83%. The number of patients treated in Tunisia was estimated at around 400,000 in 2014.

6.11. The pattern of exports from the ICT and major public works sectors is changing all the time, and these are sectors where Tunisia has definite comparative advantages and a highly trained workforce.

6.2 Export promotion

6.12. In order to sustain growth and employment and further improve external integration in a time of international economic crisis, the Government adopted a strategy that was based on pursuing an active and ambitious policy to promote exports.

6.13. As part of this, Tunisia is taking measures intended to develop and diversify its exports in terms both of their destinations and of the products exported.

6.14. Where destinations are concerned, Tunisia is working hard to strengthen its bilateral and regional links with several countries and economic blocs. The aim is to consolidate exports to traditional trading partners while further opening up new growth markets. It should be noted that Tunisia has concluded free trade agreements with the EU, EFTA, the Greater Arab Free Trade Area, Turkey, Egypt, Jordan and Morocco as part of the Agadir Agreement. It is also trying to bolster its degree of regional integration into the Maghreb, the African continent and with a number of countries in Asia and the Americas.

6.3 Trade facilitation

6.15. Trade facilitation is one of the areas in which Tunisia has a special interest given its crucial role in boosting the competitiveness of Tunisian SMEs and furthering global and regional integration.

6.16. Tunisia has embarked upon several trade facilitation reforms, firstly in the area of tariff policy and subsequently in the streamlining and modernization of procedures to support liberalization policies.

6.17. All tariffs are *ad valorem* and have been cut to very low levels, with the bulk of tariff lines free of duty (47% of all tariff lines are at 0%). Tunisia has unilaterally cut its import tariffs drastically over the years. The simple average tariff fell from 27% in 2016 to 14.9% in 2011 and to 14.1% in 2016. The number of tariff rates for non-agricultural products was cut to just two in 2016, namely 0% and 20%. The maximum tariff applied is 20% for industrial products and 36% for agricultural products.

6.18. The Government has also begun work with a view to Tunisia's possible accession to the WTO's plurilateral Information Technology Agreement (ITA).

6.19. At the same time as cutting import tariffs, Tunisia has firmly embraced trade facilitation at all levels, whether in relation to regulation, procedures, automation or infrastructure.

6.20. **In terms of regulation**, a mandatory public consultation procedure requiring all draft laws and regulations to be published on a single public website (<http://www.consultations-publiques.tn>) was launched in 2014, allowing any interested party, whether Tunisian or foreign, to express views and make comments on any draft law.

6.21. **Foreign trade procedures** have been hugely simplified by cutting red tape and the number of documents required, either by abolishing them or consolidating them into a single document. In order to improve the quality and transparency of the services provided by the customs and tax authorities, and reduce the administrative costs incurred by business, the tax services and the customs authority worked together to cull 77% of current procedures (relaxation of conditions, reductions in processing time, fewer documents, fewer stages, longer period of validity, decentralization, among others).

6.22. **Procedures have been automated**, almost all external trade documents and customs declarations are now paperless and are processed electronically using the *Tunisie Trade Net* (TTN) platform.

6.23. Since 2007 the "Transport Form" (*Liasse Transport*) project has interconnected all those involved in port operations (port authorities, customs, stevedores, freight forwarders, etc.) so that they can fulfil the necessary maritime transport formalities electronically. Paperless procedures for the transport of goods have enabled shipping agents to send cargo manifests in advance.

6.24. **Logistics and infrastructure services** have also improved. Work has focused on improving the technological infrastructure through the purchase of IT equipment and portable systems, mobile X-ray inspection scanners, incident site installation, a risk-management system, a geolocation system to track vehicles and monitor loading units via GPS-GPRS, an upgrade to the central server for the SINDA system, and the design of an ASYCUDA prototype.

6.25. A new Customs Code was enacted in 2008 that included provisions that conform to international standards and the revised Kyoto Convention.

6.26. Recently, as part of the ongoing series of reforms, customs adopted a new modernization programme. Its primary aims are to combat the upsurge in smuggling and informal trade, and to continue the process of making procedures paperless. The programme will include an overhaul of the IT system used by customs, enhancement of the risk-management and post-clearance control systems, the establishment of SAFE-compliant economic operators, the completion of the geolocation programme to track vehicles and monitor loading units via GPS-GPRS, and the development of the current system for managing human resources and training customs officials.

6.27. The organizational reform conducted under the programme will deal with the review of the administrative organization of the Directorate-General of Customs, geographical redeployment of the Customs Guard in order to support measures to combat land-based smuggling and beef up the Guard's powers, the development of human resources, and increased specialization within the customs service through further training and the establishment of an International Customs School.

6.28. Further streamlining efforts will seek to reduce the cost of transactions, increase the efficiency of logistical services, introduce electronic processing for all procedures, improve traceability and adopt international standards.

6.29. At the same time, in order to minimize the effects on trade of measures to protect human and animal health and life, plants and the environment, two draft laws on the safety of food and industrial products provide for a risk-management system of market supervision that emphasizes post-clearance inspection of imported goods (at market) rather than at the border.

6.30. In the context of these ongoing reforms that are designed to make trade more free-flowing, Tunisia contributed favourably to, and warmly welcomed, the adoption of the Trade Facilitation Agreement in December 2013 in Bali. The targeted support and technical and financial assistance should enable Tunisia to press ahead with its reforms in this field, build sustainable capacity effectively, and support the implementation of the provisions of the Agreement.

7 TUNISIA AND THE WTO

7.1 Importance of the World Trade Organization

7.1. As the institution responsible for oversight of the international trading system, the World Trade Organization plays a vital role in the establishment of a transparent, stable, predictable environment that is conducive to the smooth conduct of international trade. As such, Tunisia believes that the WTO should continue to be the guarantor of the efficiency and soundness of a fair, rule-based multilateral trading system.

7.2. The WTO has also played an important role in trade liberalization that has helped to keep markets open and the rules transparent. Tunisia therefore considers that the WTO should continue its programme of trade liberalization and reform of the disciplines that govern global trade in order to have fairer rules and eliminate the distortions in global markets, in particular for agricultural products. The conclusion of the remaining issues on the Doha Development Agenda will pave the way for trade liberalization and offer developing and least developed countries better opportunities for integration into the multilateral trading system.

7.3. Exports from developing countries continue to encounter tariffs and non-tariff trade measures (complex tariffs, minimum entry prices, high seasonal tariffs, tariff escalation, quotas, proliferation of technical barriers and sanitary and phytosanitary measures, etc.), mainly in

developed countries, that have a serious adverse effect on export potential, especially for agricultural products.

7.2 Implementation of the Bali and Nairobi Decisions

7.4. Tunisia welcomes the substantial progress made during the last two WTO Ministerial Conferences in Bali and Nairobi, which achieved very important outcomes despite their limited scope. The decision eliminating export subsidies for agriculture is very significant in this regard.

7.5. Accordingly, implementing the outcomes continues to be very important. Tunisia also supports the implementation of the other results of Bali and Nairobi. Tunisia was one of the first Members to notify its provisions under Category A of the Trade Facilitation Agreement. Much work is being done to implement nationally the other provisions of the Agreement.

7.3 Post-Nairobi work programme

7.6. In addition to the successful Tenth Ministerial Conference in Nairobi, good results were achieved multilaterally at the end of last year through the adoption at the United Nations of the 2030 sustainable development agenda, and the agreement reached at the Paris Conference on Climate Change, demonstrating the international community's ability to negotiate and secure important multilateral outcomes.

7.7. It is also vital to keep up the momentum and establish the post-Nairobi work programme in pursuit of the potentially significant gains to be made that promote everyone's interests at the WTO. Delay in establishing and implementing the post-Nairobi programme will introduce uncertainty into the future of the WTO and penalize small developing countries and the least developed countries. As a result, they will be marginalized in terms of international trade as it stands.

7.8. The current trend towards a proliferation of mega-regional trade and investment agreements that exclude most developing countries is likely to have a profound impact on those countries. Their exports will be in competition with those of other countries that enjoy exclusive trade preferences under the agreements, reducing their competitiveness. Moreover, they will have to deal with an even more complex system of trade rules and regulations issued under numerous regional agreements. Adjustment costs will rise for exporters from developing countries who have to pay the costs of complying with different standards in order to gain access to new markets. This will further weaken small developing countries and will be reflected in lower market access.

7.4 Tunisia and the post-Nairobi work programme

7.9. The undeniable contrast in the global trading environment between the conclusion of regional trade agreements that generally introduce further liberalization of trade on the one hand, and the ongoing plethora of tariff and non-tariff barriers on the other hand, requires joint, concerted action at multilateral level.

7.10. Tunisia continues to be concerned at the uncertainty surrounding the conclusion of the Doha Development Agenda and is strongly determined to pursue its work with the other Members to address the outstanding issues together with the areas that make global economic challenges manageable while paying close attention to development-related aspects.

7.11. To that end, Tunisia will continue to explore, constructively, the possible ways of drawing up and implementing the post-Nairobi work programme.

7.12. Tunisia continues to be strongly committed to the open, rules-based multilateral trading system and underscores the central role of the WTO in this regard. It is in the interest of all countries.

8 CONCLUSION

8.1. In recent years, the Tunisian economy has faced unique circumstances associated with the exceptional domestic economic situation; an adverse global economic environment; turbulence and instability – particularly in Libya; and extensive economic problems in the euro zone, which is Tunisia's chief economic partner. These circumstances have had significant repercussions for the course of growth and development of the Tunisian economy.

8.2. Despite these challenges, according to "*Doing Business 2016*" Tunisia's overall performance has improved, especially in relation to cross-border trade. Tunisia has not called its liberal trade policy into question; on the contrary, aware of the leading role trade plays in leveraging growth and development, achieving full employment and eradicating poverty, the Government has pursued its trade liberalization policy unilaterally through radical cuts in agricultural and industrial tariffs.

8.3. At the same time it has drawn up an ambitious reform plan and has implemented or is in the process of implementing many regulations concerning competition, investment, government procurement, justice, and other matters. Additionally, despite persistent external constraints on the country's highly outward-looking economy, Tunisia continues to be committed to reforms as part of a vision that will enable it to forge a new path for development.

8.4. A meaningful outcome to the multilateral trade negotiations at the WTO as part of the post-Nairobi work programme will help to improve trade opportunities for Tunisia and enable the country to pursue a trade policy that aims to increase diversification and improve its positioning in global value chains.
