

**Infrascopes: The Enabling Environment for Public-Private Partnerships**

Tunisia

Public-private partnerships (PPPs) are an integral part of Tunisia's national development plan, Tunisia 2020, and since 2016, the country has made considerable advances in strengthening its institutional and legal capacity to manage PPPs. In 2015 the country passed PPP legislation in line with international standards, followed by the establishment of an agency to supervise PPPs in 2016. In 2018, Tunisia held a major policy forum on PPPs, and has announced that it will tender US\$4.7 billion in PPPs for infrastructure contracts.

Overview

Since Tunisia's revolution in 2011, the Tunisian government has been engaged in an economic transition that aims to build a more inclusive economy through sustainable growth. A key objective of the current development plan, Tunisia 2020, is to stabilise public debt below 70% of GDP by lowering the fiscal deficit, while boosting foreign investment. Legislative reform to encourage private sector financing in development projects and, particularly, upgrading infrastructure across the country through PPPs, has therefore been seen as essential by the government.

Tunisia 2020 aims to implement 22 transport projects worth US\$2 billion, such as constructing the Enfidha deep-water seaport, constructing a new highway network, and potentially the building of a new international airport for the capital city. The government has also announced the investment of at least US\$1 billion towards renewable energy projects. In September 2018, the Minister for Development Investments and Foreign Cooperation announced that Tunisia will offer PPP projects worth US\$4.7 billion to revive the Tunisian economy in the coming years.

Enabling environment

The centrality of PPPs in Tunisia's development plans is reflected in a recent expansion of the PPP institutional and legal framework. With the passing of the PPP-specific Law n. 2015-49 of November 2015 and the concession contract Decree No. 2014-1039, Tunisia has established a clear legal framework for PPPs. Law n. 2015-49 guarantees free competition and transparency in the tendering process; selects a mode of procurement that maximises benefits for government and end-users; and develops innovative evaluation criteria, such as performance-based measures that reflect the employability rate and benefit for the local economy.

In addition to the already existing Competition Council that advises the Minister of Commerce and Handicrafts in procurement, Tunisia has established the General Authority for Public Private Partnerships (IGPPP) in 2016 that gives technical assistance to all stages of the PPP process and gives final approval to PPP projects. To encourage transparency and mitigate corruption, Tunisia also finalised an e-procurement system (TUNEPS) in 2018 that monitors all public procurement. Finally, in September 2018, Tunisia held a large, international public forum on PPPs, during which the Tunisian government publicly embraced PPPs within their development strategy, and signed memoranda of understanding around PPPs with public sector financial institutions and international development banks.

Country environment

Number of PPPs to date ¹	6
GDP ²	US\$39.5 bn
GDP at purchasing power parity per capita	US\$11,900.0
Population ³	11.5 m
Central government debt (% of GDP) ⁴	70.4%

Source: The Economist Intelligence Unit.

¹ Includes PPPs in the following primary sectors: Energy, Transport and Water and Sewerage. Includes all PPPs in the World Bank PPI database as of December, 2018.

² As of 2017. Annual average conversion rate used.

³ As of 2017 (mid-year estimate).

⁴ As of 2017. Annual average conversion rate used.

Challenges of PPP development

Tunisia is one of the few countries that had a relatively peaceful democratic transition after the Arab Spring revolutions. However, political violence and occasional terrorist attacks following the revolution, together with the war in neighbouring Libya, have led to a steady decline in direct foreign investment, and economic growth has averaged at about 1.5% annually compared to 4.5% annually before the revolution.

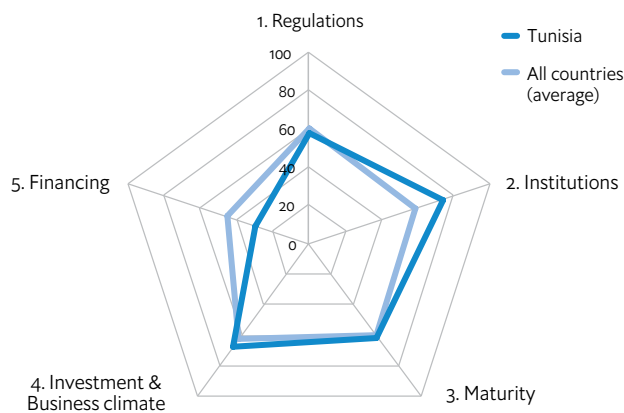
A lack of transparency and efficiency in the public sector bodies that partner in PPPs is still a hindrance to investor confidence. The code of corporate governance in the public sector is out-dated and often not enforced, and while a new code managing competition was passed in 2015, its implementation is still weak. The guidelines for the coordination between different ministries involved in PPPs are not sufficiently clear and a project development fund specific to PPPs has not been established. No PPP-specific manuals for public contracting authorities exist and within ministries PPP technical capacity needs to be strengthened. Finally, the IGPPP is still underfunded and understaffed, and requires more formal ties with Tunisia's National Authority for the Fight Against Corruption (INLUCC) in order to increase transparency in the public sector and establish investor confidence.



■ MATURE (80-100) ■ DEVELOPED (60-79) ■ EMERGING (30-59) ■ NASCENT (0-29)

All countries average includes 69 countries across Latin America, Europe, Asia, Middle East and North Africa, and Sub-Saharan Africa.

Category	Score/100	All countries (average)
Overall score	57	57
1 Regulations	57	59
2 Institutions	73	58
3 Maturity	60	59
4 Investment & Business climate	66	62
5 Financing	29	44



Sub-category	Score/100
1.1 Conducive regulatory environment	83
1.2 PPP selection criteria	100
1.3 Fairness/openness of bids and contract changes	39
1.4 Conciliation schemes	88
1.5 Regulators' risk-allocation record	0
1.6 Coordination among government entities	100
1.7 Renegotiations	22
1.8 Sustainability	25
2.1 PPP institutional framework	75
2.2 Stability of PPP dedicated agency	100
2.3 Project preparation facilities	25
2.4 Transparency and accountability	93
3.1 Experience with infrastructure PPP contracts	20
3.2 Expropriation risk	100
3.3 Contract termination	100
4.1 Political effectiveness	52
4.2 Business environment	56
4.3 Political will	75
4.4 Competition environment in the local industry	100
5.1 Government payment risk	34
5.2 Capital market for private infrastructure finance	42
5.3 Institutional investors and insurance market	0
5.4 Currency risk	41

Strengths of Tunisia's PPP enabling environment

- Strong legal framework for the implementation of PPPs (1.1.1)
- Existence of PPP-specific agency that delivers technical assistance at all stages of projects (2.1.1)
- Checks and balances to ensure independence of PPP-specific agency (2.2.2)
- High-level of government support and political will for PPPs (4.3.1)
- Clarity of criteria (1.2.2) and economic principles for project selection, including cost-benefit and value for money analysis (1.2.3)
- Robust monitoring, evaluation, and auditing of PPP contacts (2.4.3), (2.4.4), (2.4.5)

Focus areas in order to strengthen Tunisia's PPP enabling environment

	Effort	Impact	Time frame
Institute ways to make changes or renegotiate PPP contracts to include compensation mechanisms, oversight and public disclosure (1.7.1.c), (1.7.2), (1.7.3)	Low	High	Short term
Implement codification of PPP procurement in guidelines and manuals (1.1.2)	Low	High	Short term
Invest in additional staff and funding for the PPP agency (2.1.2)	Medium	High	Short term
Strengthen framework related to contingent liability management, including planning, budgeting, and accounting (1.5.1.a) and for delayed investment payments (1.5.1.b)	High	High	Medium
Create a specific fund for the development of PPP projects (2.3.1.b), (2.3.2)	High	High	Short term
Determine avenues for appeal for investors in case of contract termination by government (3.3.1.a)	High	High	Medium term
Include a focus on climate resilience in PPP regulation (1.8.3), (1.8.4.a)	Medium	High	Medium term
Attract institutional investors that have not yet participated in PPP projects (5.3.1)	High	Medium	Long term

Series	Unit	Source	Scores
1 REGULATIONS			
1.1 CONDUCTIVE REGULATORY ENVIRONMENT			
1.1.1 PPP contracts supported by public procurement	*	The EIU	1
1.1.2 Codification of PPP procurement practices		The EIU	
1.1.2.a Existence of manuals or policies for PPP procurement	*		1
1.1.2.b Online manuals or policies for PPP procurement	*		1
1.1.3 Length of appeals in contract disputes		The EIU	
1.1.3.a Procedures for appeals in regulations	*		1
1.1.3.b Maximum time requirements for arbitration rulings	*		0
1.2 PPP SELECTION CRITERIA			
1.2.1 Competitive bidding required by regulations	*	The EIU	1
1.2.2 Selection criteria outlined in regulations	*	The EIU	1
1.2.3 Economic principles for project selection		The EIU	
1.2.3.a Cost-benefit analysis required	*		1
1.2.3.b Options analysis and value for money assessment required	*		1
1.3 FAIRNESS/OPENNESS OF BIDS AND CONTRACT CHANGES			
1.3.1 Publication of bidding documents and contracts		The EIU	
1.3.1.a Publication of bidding documents required	*		1
1.3.1.b Publication of contracts required	*		0
1.3.1.c Publication of changes in contracts required	*		1
1.3.2 Unsolicited bids/proposals		The EIU	
1.3.2.a Policies and procedures for unsolicited proposals	*		1
1.3.2.b Consultation for unsolicited proposals	*		0
1.3.3 Ratio of unsolicited proposals	% of projects in the past 5 years	WB PPI Database	n/a
1.4 CONCILIATION SCHEMES			
1.4.1 Existence of conciliation schemes	*	The EIU	1
1.4.2 Arbitration		The EIU	
1.4.2.a Access to international arbitration	*		1
1.4.2.b Existence of independent arbitration tribunal	*		1
1.5 REGULATORS' RISK-ALLOCATION RECORD			
1.5.1 Contingent liabilities		The EIU	
1.5.1.a Regulations on contingent liabilities	*		0
1.5.1.b Measurement of contingent liabilities	*		0
1.6 COORDINATION AMONG GOVERNMENT ENTITIES			
1.6.1 National infrastructure plan		The EIU	
1.6.1.a Existence of a national infrastructure plan	*		1
1.6.1.b PPP prioritisation in national infrastructure plan	*		1
1.6.2 Inter-agency coordination		The EIU	
1.6.2.a Existence of coordination mechanisms	*		1
1.6.2.b Guidance for interaction amongst agencies	*		1
1.7 RENEGOTIATIONS			
1.7.1 Renegotiation procedures		The EIU	
1.7.1.a Transparent renegotiation system	*		1
1.7.1.b Termination in project agreement	*		1
1.7.1.c Compensation mechanisms for renegotiations	*		0
1.7.2 Transparency: renegotiations disclosed by law	*	The EIU	0
1.7.3 Independent oversight of renegotiations	*	The EIU	0
1.8 SUSTAINABILITY			
1.8.1 Environmental impact statement required for PPPs	*	The EIU	1
1.8.2 Consultation		The EIU	
1.8.2.a Consultation required for PPPs	*		0
1.8.2.b Publication of consultation findings	*		0
1.8.3 Disaster risk sensitive investment		The EIU	
1.8.3.a Disaster risk management in PPP regulations	*		0
1.8.3.b Insurance requirement of disaster risk	*		0
1.8.4 Coherence with national sustainability policies		The EIU	
1.8.4.a Climate change commitments in PPP guidelines	*		0
1.8.4.b Gender goals in PPP guidelines	*		0
1.8.4.c Social inclusion goals reflected in PPP guidelines	*		0
2 INSTITUTIONS			
2.1 PPP INSTITUTIONAL FRAMEWORK			
2.1.1 Existence of a PPP dedicated agency	*	The EIU	1
2.1.2 Dedicated PPP agency adequately staffed	**	The EIU	1
2.2 STABILITY OF PPP DEDICATED AGENCY			
2.2.1 Reporting lines of PPP dedicated agency	*	The EIU	1
2.2.2 Independence of PPP dedicated agency	*	The EIU	1
2.2.3 PPP procurement process coordination guidelines	*	The EIU	1

■ MATURE (80-100) ■ DEVELOPED (60-79) ■ EMERGING (30-59) ■ NASCENT (0-29)

Series	Unit	Source	Scores
2.3 PROJECT PREPARATION FACILITIES			
2.3.1 Project preparation facilities		The EIU	
2.3.1.a Existence of project preparation facilities	*		1
2.3.1.b Budget for project preparation facilities	*		0
2.3.2 Project development fund	*	The EIU	0
2.4 TRANSPARENCY AND ACCOUNTABILITY			
2.4.1 Existence of a public PPP registry	**	The EIU	2
2.4.2 National PPP monitoring and reporting		The EIU	
2.4.2.a Reports on PPP projects	**		1
2.4.2.b Reports on PPP project phases	*		1
2.4.2.c Publication of needs assessments	**		1
2.4.3 Monitoring and reporting	*	The EIU	1
2.4.4 Agency for evaluation of PPP project results	*	The EIU	1
2.4.5 Publication of PPP results evaluation	**	The EIU	2
3 MATURITY			
3.1 EXPERIENCE WITH INFRASTRUCTURE PPP CONTRACTS			
3.1.1 Number of PPP projects in the past 5 years	Number of projects	WB PPI Database	0
3.1.2 PPP investment size relative to GDP	%	WB PPI Database	0.0
3.1.3 Distress level – cancellations in the past 5 years	%	WB PPI Database	0.0
3.2 EXPROPRIATION RISK			
3.2.1 Project expropriations in the past 10 years	*	The EIU	1
3.2.2 Unilaterally enforced price revisions	*	The EIU	1
3.3 CONTRACT TERMINATION			
3.3.1 Contract termination			
3.3.1.a Appeals in case of contract termination	*	The EIU	1
3.3.1.b Expedited contract transfer for project exit	*	The EIU	1
3.3.1.c Fair compensation for early termination	*	The EIU	1
3.3.1.d Termination procedure in PPP contract	*	The EIU	1
4 INVESTMENT & BUSINESS CLIMATE			
4.1 POLITICAL EFFECTIVENESS			
4.1.1 Political effectiveness	†	The EIU; Risk Briefing	54
4.2 BUSINESS ENVIRONMENT			
4.2.1 Business environment	‡	The EIU	50.75
4.3 POLITICAL WILL			
4.3.1 Political will for PPPs		The EIU	
4.3.1.a High-level political support for PPPs	**		2
4.3.1.b Bipartisan or multi-party support for PPPs	*		1
4.3.2 Attitudes towards PPPs: opposition to PPPs	**	The EIU	1
4.4 COMPETITION ENVIRONMENT IN THE LOCAL INDUSTRY			
4.4.1 Level of concentration in the industry	*	The EIU	1
5 FINANCING			
5.1 GOVERNMENT PAYMENT RISK			
5.1.1 Sovereign risk	†	EIU Country Risk Service	66
5.1.2 Government payments: PPP contract defaults	*	The EIU	1
5.1.3 Government guarantees, % of PPP projects that received a government payment guarantee in the last 5 years	%	WB PPI Database	0.0
5.1.4 Government support for low-income users	*	The EIU	0
5.2 CAPITAL MARKET FOR PRIVATE INFRASTRUCTURE FINANCE			
5.2.1 Marketable debt	Score 0-4 where lower is better	The EIU	1
5.2.2 Source of financing for PPPs, % of financing coming through conditional loans from international financial institutions, multilateral and bilateral organisations and donor grants in the last five years	%	WB PPI Database	n/a
5.2.3 Availability of sustainable finance		The EIU	
5.2.3.a Green bonds issued	*		1
5.2.3.b Development impact bonds issued	*		0
5.3 INSTITUTIONAL INVESTORS AND INSURANCE MARKET			
5.3.1 Participation of institutional investors in PPPs	**	The EIU	0
5.3.2 Guarantee fund, % of projects with guarantees from multilateral institutions last five years	%	WB PPI Database	0.0
5.4 CURRENCY RISK			
5.4.1 Currency risk	†	EIU Country Risk Service	61

* Qualitative rating 0-1 where 1=best ** Qualitative rating 0-2 where 2=best † Score 0-100 where lower is better ‡ Score 0-100 where higher is better

Methodology note: The full methodology for this study can be found at infrascope.eiu.com

What is Infrascope?

The Infrascope is a benchmarking index that assesses the capacity of countries to carry out sustainable public-private partnerships (PPPs) in infrastructure. The first study was developed in 2009 and updated in 2010, 2012 and 2015; the 2017 iteration features a new methodology. The analysis and content of this index cover the period from August 2018 to July 2019. The index was built by The Economist Intelligence Unit and is supported financially by the Millennium Challenge Corporation (MCC) alongside the Inter-American Development Bank, the European Bank for Reconstruction and Development and the Asian Development Bank. The views and opinions expressed in this publication are those of The Economist Intelligence Unit and do not necessarily reflect the official position of the sponsors, who commissioned the work.

The complete index, as well as detailed country analyses, can be viewed on the following website:
<http://infrascope.eiu.com>

Please use the following when citing this country summary:

The Economist Intelligence Unit. 2019. Measuring the enabling environment for public-private partnerships in infrastructure: Tunisia country summary. EIU, New York, NY.

Note: The 'number of PPPs to date' figure includes all PPPs listed in the World Bank PPI database, accessed via the custom query function in June 2017. The number includes all project status types and PPI types for all sectors except ICT.

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The Millennium Challenge Corporation (MCC) is an independent U.S. Government agency focused on reducing poverty through economic growth. MCC seeks to bring public-private partnerships (PPPs) to market in MCC partner countries to support the agency's mission. MCC can provide a full suite of blended finance solutions across the PPP cycle, covering upstream enabling environment and downstream project preparation and deal facilitation, including support for transaction advisors, viability gap funding, and guarantees.