2023 Investment Climate Statements: Tunisia

EXECUTIVE SUMMARY

In 2022, Tunisia's economy continued to be heavily impacted by the effects of Russia's further invasion of Ukraine. Despite a slow recovery from the COVID-19 pandemic, Tunisia's GDP grew by only 2.4 percent in 2022 after 3.1 percent growth in 2021, and a record contraction of 8.8 percent in 2020. The country still faces high unemployment, high inflation, and rising levels of public debt, in addition to shortages of food products, medicines, and energy commodities due to the ongoing invasion of Ukraine.

On July 25, 2021, citing widespread protests and political paralysis, President Saied took "exceptional measures" under Article 80 of the 2014 constitution to dismiss the prime minister, freeze parliament's activities for 30 days, and lift the immunity of members of parliament. On August 23, 2021, Saied announced an indefinite extension of the "exceptional measures" period and on September 22, 2021, he issued a decree granting the president certain executive, legislative, and judiciary powers and authority to rule by decree. On September 29, 2021 Saied named Najla Bouden Romdhane as prime minister, and on October 11, she formed a government.

In a July 25, 2022, referendum, 94.6 percent of voters approved a new constitution, much of which President Saied personally drafted. The constitution concentrates powers in the presidency, removes checks and balances on the executive, weakens the parliament, and gives the president enhanced authorities over the judiciary and the legislature.
Elections for the first chamber of Parliament, the Assembly of People's Representatives, were held in December 2022 with a turnout of 11.4

percent. Elections for the second chamber, the National Council of Regions and Districts, have not been announced (as of April 2023). International and domestic observers assessed that December 2022 parliamentary elections were technically well-administered but lacked legitimacy and fell short of international standards.

Before the pandemic and President Saied's decisions on July 25, 2021, successive governments had advanced some much-needed structural reforms in an effort to improve Tunisia's business climate, including an improved bankruptcy law, investment code, an initial "negative list," a law enabling public-private partnerships, and a supplemental law designed to improve the investment climate. The Government of Tunisia (GOT) encouraged entrepreneurship through the passage of the Start-Up Act in June 2018. The GOT passed a new budget law in January 2019 that ensures greater budgetary transparency and makes the public aware of government investment projects over a three-year period. These reforms are intended to help Tunisia attract both foreign and domestic investment.

Nevertheless, substantial bureaucratic barriers to investment remain and additional economic reforms have yet to be achieved. State-owned enterprises play a large role in Tunisia's economy, and some sectors are not open to foreign investment. The informal sector, estimated at 40 to 60 percent of the overall economy, remains problematic, as legitimate businesses are forced to compete with smuggled goods. Due to a growing budget deficit, the GOT sought international lending support in 2022. In October 2022, the GOT and the IMF reached a staff-level agreement on economic policies and reforms to be supported by a new 48-month Extended Fund Facility (EFF) of $1.9 billion. However, final approval has yet to occur as of April 2023.

Tunisia's strengths include its proximity to Europe, sub-Saharan Africa, and the Middle East; preferential or free-trade agreements with the EU and much of Africa; an educated workforce; and a strong interest in attracting foreign direct investment (FDI). Sectors such as agribusiness, aerospace, infrastructure, renewable energy (notably green hydrogen), telecommunication technologies, and services remain promising. The decline in the value of the dinar over recent years has strengthened investment and export activity in the electronic component manufacturing and textile sectors.

Since 2011, the United States has provided more than $500 million in economic growth-related assistance, in addition to loan guarantees in 2012, 2014, and 2016 that enabled the GOT to borrow nearly $1.5 billion at low interest rates.

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2022	85 of 180	http://www.transparency.org/research/cpi/overview
Global Innovation Index	2022	73 of 132	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in partner country ($M USD, historical stock positions)	2021	USD 241	https://apps.bea.gov/international/factsheet
World Bank GNI per capita	2021	USD 3,540	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

POLICIES TOWARDS FOREIGN DIRECT INVESTMENT

The GOT has made efforts to improve the business climate and attract FDI. The GOT prioritizes attracting and retaining investment, particularly in the underdeveloped interior regions, and reducing unemployment by providing tax breaks, subsidizing social security fee contributions for new hires, and offering investment bonuses. However, government policies have not always yielded the anticipated flow of foreign investment in the country, and political developments have had a mitigating effect. More than 3,740 foreign companies currently operate in Tunisia, and the government has historically encouraged export-oriented FDI in key sectors such as call centers, electronics, aerospace and aeronautics, automotive parts, textile and apparel, leather and shoes, agro-food, and other light manufacturing. In 2022, the sectors that attracted the most FDI were electrical and electronic (28.4 percent), energy (22 percent), services (19 percent), mechanical (8.7 percent), plastic (6.1 percent) and agro-food (4.7 percent). Inadequate infrastructure in the interior regions results in the concentration of foreign investment in the capital city of Tunis and its suburbs (53 percent), the northern coastal region (29.5 percent), the eastern coastal region (11.3 percent), and the northwest region (3.6 percent). Interior western and southern regions attracted only 1.6 percent of foreign investment despite special tax incentives for those regions.

The Tunisian Parliament passed an Investment Law (#2016-71) in September 2016 that went into effect April 1, 2017, to encourage the responsible regulation of investments. The law provided for the creation of three major institutions:

- The High Investment Council, whose mission is to implement legislative reforms set out in the investment law and decide on incentives for projects of national importance (defined as investment projects of more than 50 million dinars ($16.1 million) and 500 jobs).
- The Tunisian Investment Authority, whose mission is to manage investment projects of more than 15 million dinars ($4.8 million) and up to 50 million dinars ($16.1 million). Investment projects of less than 15 million dinars ($4.8 million) are managed by the Agency for Promotion of Industry and Innovation (APII).
- The Tunisian Investment Fund, which funds foreign investment incentive packages.

These institutions were all launched in 2017. However, the Foreign Investment Promotion Agency (FIPA) continues to be Tunisia’s principal agency to promote foreign investment. FIPA is a one-stop shop for foreign investors. It provides information on investment opportunities, advice on the appropriate conditions for success, assistance and support during the creation and implementation of the project, and contact facilitation and advocacy with other government authorities.

Under the 2016 Investment Law (article 7), foreign investors have the same rights and obligations as Tunisian investors. Tunisia encourages dialogue with investors through FIPA offices throughout the country.

LIMITS ON FOREIGN CONTROL AND RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Foreign investment is classified into two categories:

- "Offshore" investment is defined as commercial entities in which foreign capital accounts for at least 66 percent of equity, and at least 70 percent of the production is destined for the export market. However, investments in some sectors can be classified as "offshore" with lower foreign equity shares. In June 2022, the Ministry of Agriculture began to allow full foreign equity ownership in the capital of agricultural companies; however, foreign investors cannot own agricultural land even when the investment is still classified as "offshore" if they meet the export threshold.
- "Onshore" investment caps foreign equity participation at a maximum of 49 percent in most non-industrial projects. "Onshore" industrial investment may have 100 percent foreign equity, subject to government approval.

Pursuant to the 2016 Investment Law (article 4), a list of sectors outlining which investment categories are subject to government authorization (the "negative list") was set by decree no. 417 of May 11, 2018. The sectors include natural resources; construction materials; land, sea, and air transport; banking, finance, and insurance; hazardous and polluting industries; health; education; and telecommunications. The decree specified the deadline to respond to authorization requests for most government agencies and fixed a deadline of 60 days for all other government decision-making bodies not specifically mentioned in the decree. The decree went into effect on July 1, 2018.

In April 2022, the government adopted presidential decree #2022-317, which eliminated government authorization requirements for 27 business activities in various sectors, about 10 percent of the total authorization categories. The decree allows foreign and local investors to open businesses under conditions detailed in books of specifications without waiting for a government license. The action is meant to revive an economy heavily impacted by the COVID-19 pandemic and boost investment in sectors such as tourism, transportation, finance, and renewable energy.

For example, government authorizations are no longer required for business ventures such as the opening of shopping malls and supermarkets, operation of certain aircraft for tourism and leisure activities, management of financial portfolios by non-resident companies, organization of sporting events, cement manufacturing, self-production of electricity from renewable energies under one megawatt, import and marketing of films, sale and distribution of tobacco and alcohol, and import of used clothes. There is no clear timeline for when authorization requirements may be removed for additional sectors.

OTHER INVESTMENT POLICY REVIEWS

The WTO completed a Trade Policy Review for Tunisia in July 2016. The report is available here: **https://www.wto.org/english/tratop_e/tpr_e/tp441_e.htm** .
The OECD completed an Investment Policy Review for Tunisia in November 2012. The report is available here: **http://www.oecd.org/daf/inv/investment-policy/tunisia-investmentpolicyreview-oecd.htm** .
The list of Tunisia's environmental conflicts on Environmental Justice Atlas is available at **https://ejatlas.org/country/tunisia**

BUSINESS FACILITATION

In May 2019, the Tunisian Parliament adopted law 2019-47, a cross-cutting law that impacts legislation across all sectors. The law is designed to improve the country's business climate. The law simplified the process of creating a business, permitted new methods of finance, improved regulations for corporate governance, and provided the private sector the right to operate a project under the framework of a public-private partnership (PPP).

This legislation and previous investment laws are all referenced on the United Nations Conference on Trade and Development (UNCTAD) website: **https://investmentpolicy.unctad.org/country-navigator/221/tunisia** .
The Agency for Promotion of Industry and Innovation (APII) and the Tunisia Investment Authority (TIA) are the focal point for business registration. Online project declaration for industry or service sector projects for both domestic and foreign investment is available at: **www.tunisieindustrie.nat.tn/en/doc.asp?mcat=16&mrub=122** .
The 2019 new online TIA platform allows potential investors to electronically declare the creation, extension, and renewal of all types of investment projects. The platform also allows investors to incorporate new businesses, request special permits, and apply for investment and tax incentives: **https://www.tia.gov.tn/** .

APII has attempted to simplify the business registration process by creating a one-stop shop that offers registration of legal papers with the tax office, court clerk, official Tunisian gazette, and customs. This one-stop shop also houses consultants from the Investment Promotion Agency, Ministry of Employment, National Social Security Authority (CNSS), postal service, Ministry of Interior, and the Ministry of Trade and Export Development. Registration may face delays as some agencies may have longer internal processes. Prior to registration, a business must first initiate an online declaration of intent, to which APII provides a notification of receipt within 24 hours.

For agriculture and fisheries, business registration information can be found on the Agricultural Investment Promotion Agency's (APIA) website: **www.apia.com.tn** . In February 2022, APIA announced the establishment of a 100 percent online

investment declaration service for Tunisian and foreign investors in agricultural projects. The online service provides investors with an electronic investment declaration certificate (in PDF format) authenticated by a QR code. The service is accessible through “Espace Promoteur” **(apia.com.tn)**
In the tourism industry, companies must register with the National Office for Tourism at: **http://www.tourisme.gov.tn/en/investing/administrative-services.html** .
The central points of contact for established foreign investors and companies are the Tunisian Investment Authority (TIA): **https://www.tia.gov.tn/en** and the Foreign Investment Promotion Agency (FIPA): **http://www.investintunisia.tn** .

OUTWARD INVESTMENT

The GOT does not incentivize outward investment, and capital transfer abroad is tightly controlled by the Central Bank.

2. Bilateral Investment and Taxation Treaties

Tunisia has signed 62 bilateral investment treaties, of which 39 are in force: https://investmentpolicy.unctad.org/international-investment-agreements/countries/213/tunisia

The 2002 Trade and Investment Framework Agreement (TIFA) between Tunisia and the United States remains active. A meeting of the Bilateral Trade and Investment Council in May 2021 helped promote engagement and cooperative reform efforts. A Bilateral Investment Treaty (BIT) between Tunisia and the United States entered into force in 1993, and a bilateral agreement on avoidance of double taxation has been effective since January 1990.

In December 2019, Tunisia’s Ministry of Finance issued public note no. 27/2019 to assist foreign companies, including those from the United States, to use bilateral taxation treaties to avoid double taxation, penalties, or extra taxes imposed on companies residing in privileged tax territories, such as the State of Delaware.

Tunisia and the United States signed an Intergovernmental Agreement on the Foreign Account Tax Compliance Act (FATCA), which went into force in September 2019. FATCA requires foreign financial institutions to report to the IRS information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest.

Tunisia has multilateral and bilateral trade agreements with approximately 127 countries, including its neighbors, Libya, and Algeria. Tunisia acceded to the Common Market for Eastern and Southern Africa (COMESA) in July 2018, ratified the African Continental Free Trade Area (AfCFTA) agreement in July 2020, and is seeking membership into the Economic Community of West African States (ECOWAS). In January 2008, Tunisia's Association Agreement with the EU went into effect. The agreement eliminated tariffs on all manufactured goods with few exceptions, such as passenger cars, which are still imported by Tunisia through an annual quota system established in 1995. Agricultural products are also subject to customs duties and/or quotas, and services are excluded from the agreement. Tunisia and the EU are negotiating a full-fledged free-trade agreement, but it has not yet been concluded. In addition, Tunisia is a signatory to the World Bank's Multilateral Investment Guarantee Agency (MIGA), which offers private sector political risk insurance. Tunisia is a member of the World Trade Organization and maintains bilateral agreements with Turkey and the member states of the European Free Trade Association (EFTA), as well as a multilateral agreement with other Arab League states.

In 2013, the Tunisian Parliament adopted the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

In 2018, Tunisia signed the OECD inclusive framework on Base Erosion and Profit Shifting (BEPS) and joined the October 2021 Two-Pillar Solution to address the tax challenges arising from digitalization of the economy. More information is available at: About – OECD BEPS .

In April 2020, the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes rated Tunisia "Largely Compliant" on the standard of exchange of information on request (EOIR). https://www.oecd-ilibrary.org/fr/taxation/global-forum-on-transparency-and-exchange-of-information-for-tax-purposes-tunisia-2020-second-round_fdeb6766-en

3. Legal Regime

TRANSPARENCY OF THE REGULATORY SYSTEM

In a July 25, 2022 referendum, 94.6 percent of voters approved a new constitution, much of which the president personally drafted. The constitution concentrates powers in the presidency, removes checks and balances on the executive, weakens the parliament, and gives the president enhanced authorities over the judiciary and the legislature.

International and domestic observers assessed that December 2022 parliamentary elections were well-administered technically but lacked legitimacy and fell short of international standards. The elections were marred by low turnout (approximately 11 percent), and the introduction in September 2022 of an electoral law that eliminated quotas for women and youth, resulting in lower women's representation. President Saied was elected in 2019 in the country's second democratic presidential election, and official election observers generally agreed the 2019 election had no widespread fraud, violence, or attempts to undermine the credibility of the results.

On July 25, 2021 citing widespread protests and political paralysis, President Saied invoked Article 80 of the country's 2014 constitution and took "exceptional measures" to dismiss the prime minister, freeze parliament's activities for 30 days, and lift immunity for members of parliament. On August 23, 2021 President Saied announced an indefinite extension of the "exceptional measures" period, and on September 22, 2021 issued a decree granting himself certain executive, legislative, and judicial powers, and the authority to rule by decree, subject to rights guaranteed in the 2014 constitution. On September 29, 2021 President Saied named Najla Bouden Romdhane as prime minister, and on October 11, 2021 she formed a government composed of 24 ministers and one secretary of state.

After adoption, all laws, decrees, and regulations are published on the website of the Official Gazette and enforced by the Government at the national level. The Government has historically taken few proactive steps to raise public awareness of the public consultation period for new draft laws and decrees. Civil society, NGOs, and political parties have pushed for increased transparency and inclusiveness in rulemaking. Business associations, chambers of commerce, unions, and political parties reviewed the 2016 Investment Law prior to final adoption.

In January 2019, the Tunisian Parliament passed the Organic Budget Law, which is a foundational law defining the parameters for the government's annual budgeting process. The law aims to bring the budget process in line with principles expressed in the 2014 constitution by enlarging Parliament's role in the budgetary process and strengthening the financial autonomy of the legislative and judiciary branches. The law requires the government to organize its budget by policy objective, detail budget projections over a three-year timeframe, and revise its accounting system to ensure greater transparency.

Due to the freezing of the Tunisian Parliament as of July 25, 2021, Tunisia's budget laws for 2022 and 2023 were passed directly through presidential decrees.

In May 2020, the government adopted decree no. 2020-316, establishing simplified conditions and procedures for granting project concessions and their monitoring based on a new public-private partnership (PPP) approach. The decree aims to further promote investment by young entrepreneurs (under the age of 35) and projects of all sizes, including those less than 15 million dinars ($4.85 million).

Not all accounting, legal, and regulatory procedures are in line with international standards. Publicly listed companies adhere to national accounting norms.

Prior to July 25, 2021 the Parliament had oversight authority over the GOT but could not ensure that all administrative processes are followed. Following the exceptional measures implemented by President Saied on July 25, 2021 suspending Parliament, the Council of Ministers led by President Saied and at times, Prime Minister Bouden, have deliberated and approved decree laws. On March 30, 2022 President Saied issued a decree formally dissolving the Parliament. Elections for the first chamber of Parliament, the Assembly of People's Representatives were held in December 2022. Elections for the second chamber, the National Council of Regions and Districts have not been announced as of April 2023.

The World Bank ***Global Indicators of Regulatory Governance*** for Tunisia are available here: **http://rulemaking.worldbank.org/en/data/explorecountries/tunisia** .
Tunisia is a member of the Open Government Partnership, a multilateral initiative that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance: **http://www.opengovpartnership.org/country/tunisia** .

Prior to July 25, 2021 most of Tunisia's public finances and debt obligations were debated and voted on by the Parliament. Since July 25, 2021 the Council of Ministers has discussed and approved Tunisia's finances.

In general, Tunisia promotes companies' environmental, social, and governance (ESG) disclosure to facilitate transparency but does not require it.

INTERNATIONAL REGULATORY CONSIDERATIONS

As part of its negotiations toward a comprehensive free-trade agreement with the EU, the GOT is considering incorporating a number of EU standards in its domestic regulations.

Tunisia became a member of the WTO in 1995 and is required to notify the WTO regarding draft technical regulations on Technical Barriers to Trade (TBT). However, in October 2018 the Ministry of Commerce released a circular that temporarily restricted the import of certain goods without going through the WTO notification process, which negatively impacted some business operations without forewarning.

In October 2022, Tunisia implemented a new control system on imports of consumer goods mandating that, in order to acquire an import license for certain products, the importer must provide several documents, including: an invoice from the exporting factory, a certificate from an official authority in the exporter's country attesting to the factory's legal status, proof of product trademark, and documents affirming the product's safety and quality. Imports of raw materials, semi-finished products, equipment and spare parts for industries, services, and handicrafts are exempted. The list of affected products includes: fragrances, cosmetics, underwear, shoes, household appliances, vegetables and fruits, spices, flour, chocolate, and non-alcoholic drinks.

In February 2017, Tunisia domestically ratified the WTO Trade Facilitation Agreement (TFA) and presented its instrument of ratification to the WTO in July 2020 for all categories A, B, and C. However, Tunisia has yet to communicate indicative and definitive dates under category B and is overdue in submitting notifications related to technical assistance requirements and support and information on assistance and capacity building (Article 22.3). Tunisia has also yet to submit two transparency notifications related to: (1) import, export, and transit procedures, contact information of enquiry points, (Article 1.4) and (2) contact points for customs cooperation (Article 12.2.2).

LEGAL SYSTEM AND JUDICIAL INDEPENDENCE

The Tunisian legal system is secular and based on the French Napoleonic code and meets EU standards. While the 2022 Tunisian constitution mandates an independent judiciary, it gives the president enhanced authorities over the judiciary and the legislature. Citing corruption in the judiciary, on February 12, 2022 Saied dissolved the Supreme Judicial Council, the highest judicial authority responsible for judicial assignments and enforcing ethical standards and discipline and replaced it with a temporary council. Tunisia has a written commercial law but does not have specialized commercial courts. Regulations or enforcement actions can be appealed at the Court of Appeals.

LAWS AND REGULATIONS ON FOREIGN DIRECT INVESTMENT

The 2016 Investment Law directs tax incentives towards regional development promotion, technology and high value-added products, research and development (R&D), innovation, small and medium-sized enterprises (SMEs), and the education, transport, health, culture, and environmental protection sectors. Foreign investors can apply for government incentives online through the Tunisian Investment Authority (TIA) website: **https://www.tia.gov.tn/en** .
The primary one-stop-shop webpage for investors looking for relevant laws and regulations is hosted at the Investment and Innovation Promotion Agency website, **http://www.tunisieindustrie.nat.tn/en/doc.asp?mcat=12&mrub=209** . The 2016 Investment Law (article 15) calls for the creation of an Investor's Unique Point of Contact within the ministry in charge of investment to assist new and existing investors to launch and expand their projects.

In addition, the Parliament adopted a number of economic reforms since 2015, including laws concerning renewable energy, competition, public-private partnerships (PPP), bankruptcy, and the independence of the Central Bank of Tunisia, as well as the Start-Up Act to promote the creation of new businesses and entrepreneurship.

COMPETITION AND ANTITRUST LAWS

The 2015 Competition Law established a government-appointed Competition Council to reduce government intervention in the economy and promote competition based on supply and demand. This law voided previous agreements that fixed prices, limited free competition, or restricted the entry of new companies as well as those that controlled production, distribution, investment, technical progress, or supply centers. While the law ensures free pricing of most products and services, there are a few protected items, such as bread, sugar, milk, water, and electricity, for which the GOT can still intervene in pricing. Moreover, in exceptional cases of large increases or collapses in prices, such as sharp price increases of surgical masks, sanitizer, and disinfection products during the COVID-19 pandemic, the Ministry of Trade and Export Development reserved the right to regulate prices for a period of up to six months. Furthermore, the ministry imposed a price cap for poultry products and eggs in 2022, and bananas and apples in 2023, in an attempt to control the inflation in food prices but provoked rolling shortages in goods whose real costs exceeded the government's preset prices for the public. The ministry can also intervene in some other sectors to ensure free and fair competition. However, the Competition Council can make exceptions to its anti-trust policies if it deems it necessary for overall technical or economic progress.

The Competition Council also has the power to investigate competition-inhibiting cases and make recommendations to the Ministry of Trade and Export Development upon the Ministry's request. Competition Council rulings can range from ordering temporary closures of a business to penalties and fines which could amount to a maximum of 10 percent of business revenue.

EXPROPRIATION AND COMPENSATION

There are no outstanding expropriation cases involving U.S. interests. The 2016 Investment Law (article 8) states that investors' property may not be expropriated except in cases of public interest. Expropriation, if carried out, must comply with legal procedures, be executed without discrimination on the basis of nationality, and provide fair and equitable compensation. U.S. investments in Tunisia are protected by international law as stipulated in the U.S.-Tunisia Bilateral Investment Treaty (BIT). According to Article III of the BIT, the GOT reserves the right to expropriate or nationalize investments for the public good, in a non-discriminatory manner, and upon advance compensation of the full value of the expropriated investment. The treaty grants the right to prompt review by the relevant Tunisian authorities of conformity with the principles of international law. When compensation is granted to Tunisian or foreign companies whose investments suffer losses owing to events such as war, armed conflict, revolution, state of national emergency, civil disturbance, etc., U.S. companies are accorded "the most favorable treatment in regard to any measures adopted in relation to such losses."

On October 19, 2022, the GOT issued decree law no. 2022-65, which aims to reduce expropriation and compensation delays. The decree stipulates the creation of an ad hoc government commission that will negotiate directly with owners the value and compensation terms of expropriated properties. The decree also creates administrative committees within all governorates to expedite expropriation procedures at the regional level.

DISPUTE SETTLEMENT

ICSID Convention and New York Convention

Tunisia is a member of the International Center for the Settlement of Investment Disputes (ICSID) and is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Investor-State Dispute Settlement

U.S. investments in Tunisia are protected by international law as stipulated in the U.S.-Tunisia Bilateral Investment Treaty (BIT). The BIT stipulates that procedures shall allow an investor to take a dispute with a party directly to binding third-party arbitration.

Disputes involving U.S. persons are relatively rare. Over the past 10 years, there were three dispute cases involving U.S. investors and all were settled. U.S. firms have generally been successful in seeking redress through the Tunisian judicial system.

The Tunisian Code of Civil and Commercial Procedures allows for the enforcement of foreign court decisions under certain circumstances, such as arbitration.

There is no pattern of significant investment disputes or discrimination involving U.S. or other foreign investors. However, some foreign and local investors currently face difficulties receiving payment for supplied goods and services with state-owned companies due to the government's fiscal challenges.

International Commercial Arbitration and Foreign Courts

The Tunisian Arbitration Code brought into effect by Law 93-42 of April 26, 1993, governs arbitration in Tunisia. Certain provisions within the code are based on the United Nations Commission on International Trade Law (UNCITRAL) model law. Tunisia has several domestic dispute resolution venues. The best known is the Tunis Center for Conciliation and Arbitration. When an arbitral tribunal does not adhere to the rules governing the process, either party can apply to the national courts for relief. Unless the parties have agreed otherwise, an arbitral tribunal may, on the request of one of the parties, order any interim measure that it deems appropriate.

BANKRUPTCY REGULATIONS

Parliament adopted in April 2016 a new bankruptcy law that replaced Chapter IV of the Commerce Law and the Recovery of Companies in Economic Difficulties Law. These two laws had duplicative and cumbersome processes for business rescue and exit and gave creditors a marginal role. The 2016 law increases incentives for failed companies to undergo liquidation by limiting state collection privileges. The improved bankruptcy procedures are intended to decrease the number of non-performing loans and facilitate access of new firms to bank lending.

4. Industrial Policies

INVESTMENT INCENTIVES

Preferential status is usually linked to the percentage of foreign corporate ownership, percentage of production for the export market, and investment location. The 2016 Investment Law provides investors with a broad range of incentives linked to increased added value, performance and competitiveness, use of new technologies, regional development, environmental protection, and high employability.

To incentivize the employment of new university graduates, the GOT assumes the employer's portion of social security costs (16 percent of salary) for the first seven years of the investment, with an extension of up to 10 years in the interior regions. Investments with high job-creation potential may benefit from the purchase of state-owned land at the price of one Tunisian dinar ($0.32) per square meter. Investors who purchase companies in financial distress may also benefit from tax breaks and social security assistance. These advantages are determined on a case-by-case basis.

Further benefits are available for offshore investments, such as tax exemptions on profits and reinvested revenues, duty-free import of capital goods with no local equivalents, and full tax and duty exemption on raw materials, semi-finished goods, and services necessary for operation.
On March 9, 2017, the GOT adopted decree no. 2017-389 on financial incentives to investment in priority sectors, economic performance areas, and regional development. Investors have to declare their projects through the regional APII offices to receive incentives. Investors can also request incentives online through the Tunisian Investment Authority (TIA) website: https://www.tia.gov.tn/en .

FOREIGN TRADE ZONES/FREE PORTS/TRADE FACILITATION

Tunisia has free-trade zones, officially known as "Parcs d'Activités Economiques," in Bizerte and Zarzis. While the land is state-owned, a private company manages the free-trade zones. They enjoy adequate public utilities and fiber-optic connectivity. Companies established in the free-trade zones are exempt from taxes and customs duties and benefit from unrestricted foreign exchange transactions, as well as limited duty-free entry into Tunisia of inputs for transformation and re-export. Factories operate as bonded warehouses and have their own assigned customs personnel.

For example, companies in Bizerte's free-trade zone may rent space for three Euros ($3.20) per square meter annually – a level unchanged since 1996 – plus a low service fee. Long-term renewable leases, up to 25 years, are subject to a negotiable 3 percent escalation clause. Expatriate personnel are allowed duty-free entry of personal vehicles. During the first year of operations, companies within the zone must export 100 percent of their production. Each following year, the company may sell domestically up to 30 percent of the previous year's total volume of production, subject to local customs duties and taxes. Lease termination has not been a problem, and all companies that desired to depart the zone reportedly did so successfully.

PERFORMANCE AND DATA LOCALIZATION REQUIREMENTS

Foreign resident companies face restrictions related to the employment and compensation of expatriate employees. The 2016 Investment Law limits the percentage of expatriate employees per company to 30 percent of the total work force (excluding oil and gas companies) for the first three years and to 10 percent starting in the fourth year. There are somewhat lengthy renewal procedures for annual work and residence permits, and the GOT has announced its intention to ease them in the future. Although rarely enforced, legislation limits the validity of expatriate work permits to two years.

Central Bank regulations impose administrative burdens on companies seeking to pay for temporary expatriate technical assistance from local revenue. For example, before it receives authorization to transfer payment from its operations in Tunisia, a foreign resident company that utilizes a foreign accountant must document that the service is necessary, fairly valued, and unavailable in Tunisia. This regulation hinders a foreign resident company's ability to pay for services performed abroad.

The host government does not follow “forced localization,” but encourages the use of domestic content.

There are no requirements for foreign information technology (IT) providers to turn over source code that is protected by the intellectual property law; however, they are required to inform the Ministry of Communication Technologies and Digital Economy about encrypted equipment.

Public companies and institutions are prohibited by the Ministry of Communication Technologies from freely transmitting and storing personal data outside of the country.

Private and public institutions must comply with the recommendations of the National Authority for Personal Data Protection (INPDP) when handling personal data, even if it is business-related. The National Institute of Office Automation and Micro-computing (INBMI) enforces the rules on local data storage.

Until recently, performance requirements were generally limited to investment in the petroleum sector. Now, such requirements are in force in sectors such as telecommunications and for private sector infrastructure projects on a case-by-case basis. These requirements tend to be specific to the concession or operating agreement (e.g., drilling a certain number of wells, or producing a certain amount of electricity).

5. Protection of Property Rights

REAL PROPERTY

Secured interests in property are enforced in Tunisia. Mortgages and liens are in common use, and the recording system is reliable.

Foreign and/or non-resident investors are allowed to lease any type of land but can only acquire non-agricultural land.

A large portion of privately held land, especially agriculture land, has no clear title, and the government is investing a great deal of effort to encourage people to clear and register their properties. For the past 10 years, it has been estimated that privately-held land accounts for approximately 45 percent of all land.

Properties legally purchased must be duly registered to ensure they remain the property of their actual owners, even if they have been unoccupied for a long time.

INTELLECTUAL PROPERTY RIGHTS

Tunisia is a member of the World Intellectual Property Organization (WIPO) and signatory to the United Nations Agreement on the Protection of Patents and Trademarks. The agency responsible for patents and trademarks is the National Institute for Standardization and Industrial Property (INNORPI — Institut National de la Normalisation et de la Propriété Industrielle). Tunisia also is party to the Madrid Protocol for the International Registration of Marks. Foreign patents and trademarks should be registered with INNORPI.

Tunisia’s patent and trademark laws are designed to protect owners duly registered in Tunisia. In the area of patents, foreign businesses are guaranteed treatment equal to that offered to Tunisian nationals. Tunisia updated its legislation to meet the requirements of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Copyright protection is the responsibility of the Tunisian Copyright Protection Organization (OTDAV — Office Tunisien des Droits d´Auteurs et des Droits Voisins), which also represents foreign copyright organizations.

The 2009 Intellectual Property Law greatly expanded the scope of protections. The minimum fine for counterfeiting is 10,000 Tunisian dinars (approximately USD 3,250), and copyright protection is valid for the holder’s lifetime. Customs agents have the authority to seize suspected counterfeit goods immediately. Tunisia's 2022 constitution enshrined intellectual property protection in article 29.

If customs officials suspect a copyright violation, they are permitted to inspect and seize suspected goods. For products utilizing foreign trademarks registered at INNORPI, the Customs Code empowers customs agents to enforce intellectual property rights (IPR) throughout the country. Tunisian copyright law applies to literary works, art, scientific works, new technologies, and digital works. Its application and enforcement, however, have not always been consistent with foreign commercial expectations. Print, audio, and video media are particularly susceptible to copyright infringement in Tunisia. Smuggling of illegal items takes place through Tunisia's porous borders. The prevalence of, and trade in, counterfeit and pirated goods remains a concern and illegal internet protocol television (IPTV) streaming services is an emerging trend.

In 2015, the GOT issued a decree defining registration and arbitration procedures for trade and service marks and establishing a national trademark registry. The new decree contained provisions governing the registration of trademarks under the Madrid Protocol and included improvements such as the extension of the deadline for opposition to the registration of trademarks, as well as the electronic filing of applications for trademarks registration.

In March 2020, the Tunisian Parliament approved the government's request for Tunisia to host the headquarters of the Pan-African Intellectual Property Body (PAIPO). Tunisia is waiting for at least 14 African countries to ratify the formation of PAIPO in order for it to enter into force.
The registration of pharmaceutical drugs in Tunisia requires that the product is both registered and marketed in the country of origin. In 2005, Tunisia removed its restriction on pharmaceutical imports where there are similar generic products manufactured locally.

Tunisia has yet to ratify the 2006 Singapore Treaty on the law of trademarks which aims to further harmonize the registration procedures for trademarks.

In February 2023, Tunisia ratified the Geneva Act of the Lisbon Agreement on the international protection of appellations of origin and geographical indications.

Resources for Rights Holders

- Aisha Y. Salem-Howey
- Intellectual Property Attaché for the Middle East and North Africa
- U.S. Patent and Trademark Office
- U.S. Department of Commerce
- **Aisha.Salem-Howey@trade.gov**
- AmCham Tunisia: **http://www.amchamtunisia.org.tn/**
- Attorneys list: **https://tn.usembassy.gov/u-s-citizen-services/local-resources-of-u-s-citizens/attorneys/**

For additional information about national laws and points of contact at local intellectual property offices, please see WIPO's country profiles at **http://www.wipo.int/directory/en/** .

6. Financial Sector

CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Tunisia's financial system is dominated by its banking sector, with banks accounting for roughly 85 percent of financing in Tunisia. The GOT's overreliance on bank financing impedes economic growth and stronger job creation. Equity capitalization is relatively small; Tunisia's stock market provided 16.4 percent of corporate financing in 202 according to the Financial Market Council annual report. Other mechanisms, such as bonds and microfinance, contribute marginally to the overall economy.

Created in 1969, the Bourse de Tunis (Tunis stock exchange) listed 82 companies as of December 2022. Market capitalization increased by 3.3 percent to $7.7 billion (18 percent of GDP) in 2022. Financial institutions still dominate market capitalization with a share of 33.4 percent. Foreign transactions generated a net outflow of $113 million in 2022, and their share of market capitalization declined to 20.9 percent in 2022 versus 23.1 percent in 2021; only a small share of foreign capitalization is floating. During the last five years, the exchange's regulatory and accounting systems have been brought more in line with international standards, including compliance and investor protections. The exchange is supervised and regulated by the state-run Capital Market Board. Most major global accounting firms are represented in Tunisia. Firms listed on the stock exchange must publish semiannual corporate reports audited by a certified public accountant. Accompanying accounting requirements exceed what many Tunisian firms can, or are willing to, undertake. GOT tax incentives attempt to encourage companies to list on the stock exchange. Newly listed companies that offer a 30 percent capital share to the public receive a five-year tax reduction on profits. In addition, individual investors receive tax deductions for equity investment in the market. Capital gains are tax-free when held by the investor for two years. Listing on the stock exchange helps ensure transparent financial statements, whereby the public sharing of certified financial statements has generally discouraged the introduction of more companies on the stock exchange.

Foreign investors are permitted to purchase shares in resident (onshore) firms only through authorized Tunisian brokers or through established mutual funds. To trade, non-resident (offshore) brokers require a Tunisian intermediary and may only service non-Tunisian customers. Tunisian brokerage firms may have foreign participation, as long as that participation is less than 50 percent. Foreign investment of up to 50 percent of a listed firm's capital does not require authorization.

MONEY AND BANKING SYSTEM

According to the Central Bank of Tunisia (CBT) annual report on banking supervision published in December 2022, Tunisia hosts 30 banks, of which 23 are onshore and seven are offshore. Onshore banks include three Islamic banks, two microcredit and SME financing banks, and 18 commercial universal banks.

Domestic credit to the private sector provided by banks stood at 73 percent of GDP in 2021. According to the World Bank, this level is higher than the MENA region average of 56.7 percent. Eighty-six percent of banks are located in the coastal regions, with about 40.2 percent in the greater Tunis area alone. The number of bank accounts has increased by 3 percent over the last five years to reach 9.8 million accounts at the end of 2021, of which 5 million are savings accounts.

Tunisia's banking system activity is mainly within the 23 onshore banks, which accounted for 92.7 percent of total assets, 94.8 percent of loans, and 97 percent of deposits in 2021. The onshore banks offer identical services targeting Tunisia's larger corporations. Meanwhile, SMEs and individuals often have difficulty accessing bank capital due to high collateral requirements.

The CBT report noted that in 2021, overall lending totaled $32.5 billion, an increase of 4.7 percent compared to a 5 percent increase in 2020. Loans to professionals were driven mainly by the increase in commitments of public enterprises, which rose by $1.28 billion in 2021 (6.2 percent increase). Loans to the private sector increased by only 4 percent in 2021. These credits benefited mostly industry, trade, real estate development and tourism sectors.

Foreign banks are permitted to open branches and establish operations in Tunisia under the offshore regime and are subject to the supervision of the Central Bank.

Government regulations control lending rates. This prevents banks from pricing their loan portfolios appropriately and incentivizes bankers to restrict the provision of credit. Competition among Tunisia's many banks has the effect of lowering observed interest rates; however, banks often place conditions on loans that impose far higher costs on borrowers than interest rates alone. These non-interest costs may include collateral requirements that come in the form of liens on real estate. Often, collateral must equal or exceed the value of the loan principal. Collateral requirements are high because banks face regulatory difficulties in collecting collateral, thereby adding to costs. According to the CBT banking supervision report, nonperforming loans (NPLs) were at 13.1 percent of all bank loans in 2021, mostly in the agriculture (28 percent) and tourism (35.5 percent) sectors.

Beyond the banks and stock exchange, few effective financing mechanisms are available in the Tunisian economy. A true bond market does not exist, and government debt sold to financial institutions is not re-traded on a formal, transparent secondary market. Private equity remains a niche element in the Tunisian financial system. Firms experience challenges raising sufficient capital, sourcing their transactions, and selling their stakes in successful investments once they mature. The microfinance market remains underexploited, but profitable for microfinance institutions with non-governmental organization Enda Inter-Arabe the dominant lender in the field.

The GOT recognizes two categories of financial service activity: banking (e.g., deposits, loans, payments and exchange operations, and acquisition of operating capital) and investment services (reception, transmission, order execution, and portfolio management). Non-resident financial service providers must present initial minimum capital (fully paid up at subscription) of 25 million Tunisian dinars ($8 million) for a bank, 10 million dinars ($3.2 million) for a non-bank financial institution, 7.5 million dinars ($2.4 million) for an investment company, and 250,000 dinars ($80,500) for a portfolio management company.

FOREIGN EXCHANGE AND REMITTANCES

Foreign Exchange

The Tunisian Dinar can only be traded within Tunisia, and it is illegal to move dinars out of the country. The dinar is convertible for current account transactions (export-import operations, remittances of investment capital, earnings, loan or lease payments, royalties, etc.). Central Bank authorization is required for some foreign exchange operations. For imports, Tunisian law prohibits the release of hard currency from Tunisia as payment prior to the presentation of documents establishing that the merchandise has been shipped to Tunisia. In 2022, the dinar depreciated 10 percent against the dollar and appreciated one percent against the Euro.

Non-residents are exempt from most exchange regulations. Under foreign currency regulations, non-resident companies are defined as having:

- Non-resident individuals who own at least 66 percent of the company's capital, and
- Capital fully financed by imported foreign currency.

Foreign investors may transfer funds at any time and without prior authorization. This applies to principal as well as dividends or interest capital. The procedures for repatriation are complex, however, and within the discretion of the Central Bank. The difficulty in the repatriation of capital and dividends is one of the most frequent complaints of foreign investors in Tunisia.

There are no limits to the amount of foreign currency that visitors can bring to Tunisia to exchange into local currency. However, amounts exceeding the equivalent of 25,000 dinars ($8,000) must be declared to customs at the port of entry. Non-residents must also report foreign currency imports if they wish to re-export or deposit more than 5,000 dinars ($1,660). Tunisian customs authorities may require currency exchange receipts on exit from the country.

Remittance Policies

In January 2022, the GOT presented a plan for economic reforms to the IMF that included a relaxation of the foreign exchange code, admitting that it constitutes a hurdle for investors. So far, there is no timeline on when the amendment to the code will be implemented.

Tunisia's 2016 Investment Law enshrines the right of foreign investors to transfer abroad funds in foreign currency with minimal interference from the Central Bank. Ministerial decree no. 417 of May 2018 states that the Central Bank of Tunisia must decide on foreign currency remittance requests within 90 days. In case of no response, the investor may contact the Higher Investment Authority, which will give final approval within 30 days.

SOVEREIGN WEALTH FUNDS

By decree no. 85-2011, the GOT established a sovereign wealth fund, "Caisse des Depots et des Consignations" (CDC), to boost private sector investment and promote small and medium enterprise (SME) development. It is a state-owned investment entity responsible for independently managing a portion of the state's financial assets. The CDC was set up with support from the French CDC and the Moroccan CDG (Caisse des Depots et de Gestion) and became operational in early 2012. The original impetus for the creation of the CDC was to manage assets confiscated from the former ruling family as independently as possible to serve the public interest. More information is available about the CDC at **www.cdc.tn** . As of December 2021, CDC had 9.7 billion dinars ($3.12 billion) in assets and 428 million dinars ($137.8 million) in capital.

All CDC investments are made locally, with the objective of boosting investments in the interior regions and promoting SME development.

The CDC is governed by a supervisory committee composed of representatives from different ministries and chaired by the Minister of Finance.

7. State-Owned Enterprises

There are 111 state-owned enterprises (SOEs) and public institutions in Tunisia per the Ministry of Finance's most recent (December 2022) report on public enterprises. SOEs are still prominent throughout the economy but are heavily indebted. Per the Tunisian Ministry of Finance report on transfers and guarantees to SOEs, total transfers reached $2.8 billion in 2022 with $390 million dedicated to payroll. Annual budgetary transfers amounted to 9.3

percent of GDP in 2022, with significant amounts directed to three SOEs in the form of subsidies for cereals, fuel, and electricity.

Many SOEs compete with the private sector, in industries such as telecommunications, banking, and insurance, while others hold monopolies in sectors considered sensitive by the government, such as railroad, transportation, water and electricity distribution, and port logistics. Importation of basic food staples and strategic items such as cereals, rice, sugar, and edible oil also remains under SOE control.

The GOT appoints senior management officials to SOEs, who report directly to the ministries responsible for the companies' sector of operation. SOE boards of directors include representatives from various ministries and personnel from the company itself. Similar to private companies, the law requires SOEs to publish independently audited annual reports, regardless of whether corporate capital is publicly traded on the stock market.

The GOT encourages SOEs to adhere to OECD Guidelines on Corporate Governance, but adherence is not enforced. Investment banks and credit agencies tend to associate SOEs with the government and consider them as having the same risk profile for lending purposes.

In February 2023, a new decree law aimed at improving SOE governance was approved by the government, but it has yet to be ratified by the president as of April 2023.

PRIVATIZATION PROGRAM

The GOT allows foreign participation in its privatization program. A significant share of Tunisia's FDI in recent years has come from the privatization of state-owned or state-controlled enterprises. Privatization has occurred in many sectors, such as telecommunications, banking, insurance, manufacturing, and fuel distribution, among others.

In 2011, the GOT confiscated the assets of the former regime. The list of assets involved every major economic sector. According to the Commission to Investigate

Corruption and Malfeasance, a court order is required to determine the ultimate handling of frozen assets.

Because court actions frequently take years – and with the government facing immediate budgetary needs – the GOT allowed privatization bids for shares in Ooredoo (a foreign telecommunications company of which 30 percent of shares were confiscated from the previous regime), Ennakl, Alpha Ford, and City Cars (car distribution), Goulette Shipping Cruise (cruise terminal management), Airport VIP Service (business lounge management), and Banque de Tunisie and Zitouna Bank (banking). The government is expected to sell some of its stakes in state-owned banks; however, no clear plan has been adopted or communicated so far due to fierce opposition by labor unions.

8. Responsible Business Conduct

Tunisia adopted law no. 35 in June 2018 to encourage Corporate Social Responsibility (CSR). The law requires companies to allocate a portion of their budgets to finance CSR projects such as those in sustainable development, green economy, and youth employment. According to the law, an organization in charge of monitoring CSR projects will be created to ensure that the projects comply with the principles of good governance and sustainable development. Tunisia is an adherent to the OECD Guidelines for Multinational Enterprises.

Since 1989, the public sector has been subject to a government procurement law that requires labor, environmental, and other impact studies for large procurement projects. All public institutions are subject to audits by the Court of Auditors (Cour des Comptes).

The Tunisian Central Bank issued a circular in 2011 setting guidelines for sound and prudent business management and guaranteeing and safeguarding the interests of shareholders, creditors, depositors and staff. The circular also established policies on recruitment, appointment, and remuneration, as well as dissemination of information to shareholders, depositors, market counterparts, regulators, and the general public.

In January 2019, the High Committee for Administrative and Financial Control (HCCAF) under the Presidency of the Government, published a guide on best practices for improved governance of public enterprises and establishments.

In May 2019, the Parliament adopted law no. 2019-47, which introduced in Chapter 5 a set of articles designed to improve corporate governance and increase transparency. For example, the new legislation required that all companies listed on Tunisia's stock exchange have on their board of directors at least two independent members, and separate individuals serving as the chairman of the board and the chief executive officer.

In March 2022, President Saied issued decrees regarding the creation of "community companies" and the penal reconciliation program that will help fund them. The intention is for community companies to be established by private communities in marginalized areas of the country to help with infrastructure development and job creation. Community companies will receive funding from financial penalties paid by businesspeople found guilty of economic and financial crimes, and they will receive amnesty in return.

The national point of contact for OECD for Multinational Enterprises guidelines is:

Ministry of Economy and Planning
Centre Urbain Nord
1082 Tunis
Tel: +216 7055 6600
Fax: +216 7179 9069
Email: boc.mdici@tunisia.gov.tn

Tunisia has not yet joined the Extractive Industries Transparency Initiative (EITI). However, in June 2012, former Prime Minister Hammadi Jebali announced the GOT's decision to implement the EITI. In June 2016, Tunisia officially began publicizing all documents pertaining to oil agreements signed in Tunisia, including permits and operating benefits governed by specific agreements and annexes dating to 1960. Tunisia participated in the eighth world conference of the EITI in Paris, France, in 2019.

Per Tunisia's 2022 constitution, projects related to commercial development of oil, natural gas, or minerals are subject to Parliamentary approval.

ADDITIONAL RESOURCES

Department of State

- Country Reports on Human Rights Practices (**https://www.state.gov/reports-bureau-of-democracy-human-rights-and-labor/country-reports-on-human-rights-practices/**)
- Trafficking in Persons Report (**https://www.state.gov/trafficking-in-persons-report/**)
- Guidance on Implementing the "UN Guiding Principles" for Transactions Linked to Foreign Government End-Users for Products or Services with Surveillance Capabilities (**https://www.state.gov/key-topics-bureau-of-democracy-human-rights-and-labor/due-diligence-guidance/**)
- U.S. National Contact Point for the OECD Guidelines for Multinational Enterprises (**https://www.state.gov/u-s-national-contact-point-for-the-oecd-guidelines-for-multinational-enterprises/**)
- Xinjiang Supply Chain Business Advisory (**https://www.state.gov/xinjiang-supply-chain-business-advisory/**)

Department of the Treasury

- OFAC Recent Actions (**https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions**)

Department of Labor

- Findings on the Worst Forms of Child Labor Report (**https://www.dol.gov/agencies/ilab/resources/reports/child-labor/findings**)
- List of Goods Produced by Child Labor or Forced Labor (**https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods**)

- Sweat & Toil: Child Labor, Forced Labor, and Human Trafficking Around the World (https://www.dol.gov/general/apps/ilab)
- Comply Chain (https://www.dol.gov/ilab/complychain/)

CLIMATE ISSUES

Tunisia updated its Nationally Determined Contribution (NDC) to the Paris Climate Accord in September 2021 with a commitment to reduce its carbon emissions by 45 percent by 2030, compared with 2010 levels. Tunisia's first NDC submission in 2015 called for a reduction of carbon emissions across all sectors by 41 percent and production of 35 percent of the country's electricity from renewable sources, both by 2030. Tunisia's new plan requires the mobilization of approximately $19.3 billion ($14.3 billion for mitigation, $4.3 billion for adaptation, and $0.7 billion for capacity building), largely from international donors and private financing.

The energy sector accounts for 58 percent of the country's greenhouse gas emissions, requiring the largest share of investment. The updated NDC also covers other sectors such as industrial processes, agriculture, forestry, other land use (AFOLU), and waste.

Tunisia's 2022 Finance Law included several articles to support business financing for the green economy and sustainable development, establish tax relief for electric cars, reduce customs duties on the import of solar panels, and increase the tax rate to support domestic environmental protection.

- Tunisia ratified the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, the Kyoto Protocol in 2003, and Paris Agreement in 2017.
- Tunisia's Initial Communication (2001) under the UNFCCC (https://unfccc.int/sites/default/files/resource/summary.pdf)
- Tunisia's second national communication as part of the UNFCCC (2013) (http://unfccc.int/resource/docs/natc/tunnc2.pdf)

- Tunisia's 2015 NDCs (**https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Tunisia%20First/INDC-Tunisia-English%20Version.pdf**)
- Tunisia's third national communication as part of the UNFCCC (2017) (https://unfccc.int/sites/default/files/resource/Synthese%20Ang%20Finalise%20Tunisia.pdf)
- Tunisia's 2018 Climate Risk Profile (USAID) (https://www.climatelinks.org/resources/climate-risk-profile-tunisia)
- Tunisia's 2021 NDCs (**https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Tunisia%20First/INDC-** Tunisia-English%20Version.pdf)

9. Corruption

Most U.S. firms involved in the Tunisian market do not identify corruption as a primary obstacle to foreign direct investment. However, some have reported that routine procedures for doing business (customs, transportation, and some bureaucratic paperwork) are sometimes tainted by corrupt practices. Transparency International's Corruption Perceptions Index 2022 gave Tunisia a score of 40 out of 100 and a rank of 85 among 180 countries, falling from a rank of 70 in 2021. Regionally, Tunisia is ranked 8 for transparency among MENA countries and first in North Africa, ahead of Morocco, Algeria, Egypt, and Libya.

Polls indicated that most citizens viewed widespread corruption as a key hindrance to effective government. President Saied has consistently stated that ending corruption and prosecuting corrupt businesspeople and others is one of his top priorities. Since July 25, 2021, some members of parliament were charged and detained based on corruption allegations. In June 2022, President Saied dismissed 57 judges based on allegations of corruption and other charges. Civil society largely criticized these dismissals as politically-motivated. In February 2023, the Tunisian government arrested several politicians, journalists, and businesspeople based on allegations of conspiracy against the state and for alleged financial crimes. The investigations remain ongoing.

Recent government efforts made in the name of combatting corruption include: assurances that price controls on staple and basic food products are respected; combatting price gouging; hoarding, and monopolistic practices; enhancement of commercial competition in the domestic market; arrests of allegedly corrupt businessmen and officials; and harmonization of Tunisian corruption laws with those of the European Union.

The 2014 constitution required those holding high government offices to declare assets "as provided by law." In 2018, Parliament adopted the Assets Declaration Law, identifying 35 categories of public officials required to declare their assets upon being elected or appointed and upon leaving office. By law, the National Authority for the Combat Against Corruption (INLUCC) was then responsible for publishing the lists of assets of these individuals on its website. In addition, the law requires other individuals in specified professions that have a public role to declare their assets to the INLUCC, although this information is not made public. This provision applies to journalists, media figures, civil society leaders, political party leaders, and union officials. The law also enumerates a "gift" policy, defines measures to avoid conflicts of interest, and stipulates the sanctions that apply in cases of illicit enrichment. In 2019, Tunisia's newly elected government officials declared their assets, including the 217 Members of Parliament. The declaration of assets was also made in September 2020 and again in October 2021, when new governments took office. It is not yet clear if new Members of Parliament will abide by this same requirement as security personnel ordered the closure of INLUCC's headquarters in August 2021. Beside the declaration of assets by the new cabinet on October 15, 2021, INLUCC's offices have remained closed and its work paused. INLUCC's regional offices have been closed since January 1, 2022. The government has not given a reason for the ongoing closure and has not announced plans for the creation of an alternative anticorruption institution.

In February 2017, Parliament passed law no. 2017-10 on corruption reporting and whistleblower protection. The legislation was a significant step in the fight against corruption, as it establishes the mechanisms, conditions, and procedures for denouncing corruption. Article 17 of the law provides protection for whistleblowers, and any act of reprisal against them is considered a punishable crime. For public servants, the law also guarantees the protection of whistleblowers against possible retaliation from their superiors. In September 2017, the GOT established the Independent Access to Information Commission. This authority was prescribed in the 2016 Access to Information Law to proactively encourage government agencies to comply with the new law and to adjudicate complaints against the government for failing to comply with the law. Following the passage of the access to information and whistleblower protection laws, the government initiated an anti-corruption campaign led by then prime minister Youssef Chahed. A series of arrests and investigations targeted well-known businesspersons, politicians, journalists, police officers, and customs officials. Preliminary charges included embezzlement, fraud, and taking bribes but there was minimal progress made on those investigations. In August 2021, the GOT closed the National Authority to Combat Corruption (INLUCC, which led anticorruption efforts in the country since 2011). The 2022 constitution does not include reference to INLUCC or any anticorruption body.

Tunisia's penal code devotes 11 articles to defining and classifying corruption and assigns corresponding penalties (including fines and imprisonment). Several other regulations also address broader concepts of corruption. Detailed information on the application of these laws and their effectiveness in combating corruption is not publicly available, and there are no GOT statistics specific to corruption. The Independent Commission to Investigate Corruption handled corruption complaints from 1987 to 2011. The commission referred five percent of cases to the Ministry of Justice. In 2012, the commission was replaced by the National Authority to Combat Corruption (INLUCC), which had the authority to forward corruption cases to the Ministry of Justice, give opinions on legislative and regulatory anti-corruption efforts, propose policies and collect data on corruption, and facilitate contact between anti-corruption efforts in the government and civil society. Tunisia's 2014 constitution stipulated that INLUCC is a temporary institution, and that Parliament must appoint members to a permanent Institute for Good Governance
and Anticorruption. Parliament did not make substantive progress toward establishing this permanent institution prior to July 25, 2021. Prime Minister Fakhfakh resigned on July 15, 2020, following allegations of a conflict of interest involving his partial ownership of companies that received government contracts. In apparent retaliation for his ouster,

Fakhfakh (as "caretaker" prime minister) dismissed then INLUCC president Chawki Tabib on August 24, 2020, replacing him with Imed Boukhris, a former judge.

During a March 16, 2019 press conference, then INLUCC president Chawki Tabib said that it takes 7-10 years on average for corruption cases to be processed in the judicial system. In 2018, the Tunisian Financial Analysis Committee (CTAF), which operates under the auspices of the Central Bank as a financial intelligence unit, announced that it froze approximately 200 million dinars ($70 million) linked to suspected money-laundering transactions. In 2021, the committee received approximately 420 reports of suspicious transactions related to corruption and illicit financial flows.

Since 1989, a comprehensive law designed to regulate each phase of public procurement has governed the public sector. The GOT also established the Higher Commission on Public Procurement (HAICOP) to supervise the tender and award process for major government contracts. The government publicly supports a policy of transparency. Public tenders require bidders to provide a sworn statement that they have not and will not, either by themselves or through a third party, make any promises or give gifts with a view to influencing the outcome of the tender and realization of the project. Starting September 2018, the government imposed by decree that all public procurement operations be conducted electronically via a bidding platform called Tunisia Online E-Procurement System (TUNEPS). Despite the law, competition on government tenders appears susceptible to corrupt behavior. Pursuant to the Foreign Corrupt Practices Act (FCPA), the U.S. Government requires that American companies requesting U.S. Government advocacy certify that they do not participate in corrupt practices.

RESOURCES TO REPORT CORRUPTION

Contact at a "watchdog" organization:

Wajdi Belloumi
President
I WATCH Tunisia
14 Rue d'Irak 1002 Lafayette, Tunisia

+ 216 71 844 226

contact@iwatch.tn

10. Political and Security Environment

President Kais Saied was elected in the aftermath of presidential and parliamentary elections held in September and October 2019, the country's first elections since its post-revolution constitution was ratified in 2014, which were widely regarded as well-executed and credible. The transition of power was smooth and without incident, following a clear procedure outlined by the 2014 constitution.

In the 12 years since the revolution, Tunisia has made progress in the areas of civil society and rights-based reforms, however, several civil society organizations expressed concern in 2022 over the government's arbitrary arrests, the independence of the judiciary, restrictions on freedom of speech and media, and government corruption.

Economic indicators continue to worsen and have been a major driver of frequent protests. Public opinion polls consistently indicate that poor economic conditions and persistently high unemployment fuel public discontent with the political class.

Opposition groups and civil society are able to protest freely and security forces have largely practiced restraint.

In February 2023, following public remarks by President Saied in which he alleged there was a conspiracy to change the demographics of Tunisia, there was an increase in anti-foreigner rhetoric on social media and an increase in actions targeting those of perceived sub-Saharan African descent.

Terrorist groups continue to operate in the mountains of Western Tunisia and developments in Libya continue to affect the security situation along the Tunisian-Libyan border. Extremist groups, including ISIS affiliates, operate and recruit in the country's interior, particularly in disadvantaged regions. Tunisia has been under a State of Emergency since November 24, 2015, following two major terrorist attacks that targeted tourism destinations. Under the state of emergency, security forces have more authority to maintain civil order, enabling the government to focus on combating terrorism. Despite COVID-19 and economic challenges that affect national resources, Tunisia continues to demonstrate consistent security force readiness to combat security threats. There have been no terrorist attacks targeting tourists or other western interests since June 2015. Extremist elements continue to target police and military forces in suspected “lone wolf” attacks, including in front of the U.S. Embassy on March 6, 2020, and more recently in November 2021 at the Ministry of Interior in downtown Tunis. Travelers are urged to visit www.travel.state.gov for the latest travel alerts and warnings regarding Tunisia.

11. Labor Policies and Practices

According to National Institute of Statistics (INS) 2022 figures, Tunisia has a labor force of 3.5 million, 29 percent of which are women and 71 percent men. The number of unemployed in 2022 reached 624,600 people. The official 2022 unemployment rate was 15.2 percent (representing the unemployment rate for the fourth quarter of 2022). In 2022, unemployment rates per region were 30 percent in the northwest, 25 percent in the southwest, 22.1 percent in the center-west, 23.4 percent in southeast, and 15.8 percent in Greater Tunis. Professionals, such as IT engineers, doctors, professors, and pilots continue to seek employment abroad. Tunisian interlocuters maintain that around 70 percent of Tunisian young professionals seek employment in other countries after graduation. Aside from employment options abroad, bureaucracy and frustrations with corruption are additional drivers of migration, according to a 2018 survey by the Tunisian Association of Grandes Ecoles. An INS study estimated that 44.8 percent of the Tunisian workforce is employed in the parallel economy, including 11.8 percent in agriculture and fisheries.

Over the past two decades, the structure of the workforce remained relatively stable, and as of the last quarter of 2022, it stood at 14 percent in agriculture and fishing, 33 percent in industry, and 53 percent in commerce and services. Tunisia has developed its industrial sector and created low-skilled employment, although several manufacturers struggle to find qualified technical workers. Tunisian law provides workers with the right to organize, form and join unions, and bargain collectively. The law prohibits anti-union discrimination by employers and retribution against strikers. The government generally enforces applicable laws.

Currently, four national labor confederations operate in Tunisia. The oldest and largest is the General Union of Tunisian Workers (UGTT — Union Générale des Travailleurs Tunisiens). The others are the General Confederation of Tunisian Workers (CGTT — Confederation Générale des Travailleurs Tunisiens), the Tunisian Labor Union (UTT — Union Tunisienne du Travail), created in May 2011, and the Tunisian Labor Organization (OTT — Organisation Tunisienne du Travail), created in August 2013. However, based on the criteria established by the Ministry of Social Affairs in 2018, only UGTT can negotiate with the government on behalf of all Tunisian workers within the National Council of Social Dialogue, which has drawn criticism from other labor federations. UGTT claims about one third of the salaried labor force as members, although more are covered under UGTT-negotiated contracts. Wages and working conditions are established through triennial collective bargaining agreements between the UGTT, the national employers' association (UTICA — Union Tunisienne de l'Industrie, du Commerce, et de l'Artisanat), and the GOT. These tripartite agreements set industry standards and generally apply to about 80 percent of the private sector labor force, regardless of whether individual companies are unionized. The regional tripartite commissions also arbitrate labor disputes. Employees have strong legal protections against dismissal. According to the labor code, employer bankruptcy is not a just cause for termination of an employee contract. Dismissal of an employee for economic considerations requires notification to the regional labor inspectorate for review and concurrence.

In January 2022, UGTT and UTICA signed an agreement to increase wages in the private sector in 2022, 2023, and 2024. This agreement includes an increase in the Guaranteed Minimum Wage (SMIG) and in allowances/benefits. This convention implements the agreement signed on September 19, 2018 between the two organizations.

12. U.S. International Development Finance Corporation (DFC), and Other Investment Insurance or Development Finance Programs

The Development Finance Corporation (DFC) provides financing for private development projects. Created by the Better Utilization of Investments Leading to Development (BUILD) Act of 2018, the DFC consolidated the former Overseas Private Investment Corporation (OPIC) and Development Credit Authority (DCA) of the United States Agency for International Development (USAID). In addition to the capabilities of OPIC and DCA, the DFC has an investment cap of $60 billion, more than double that of OPIC, and new financial tools. DFC investment products include equity financing, technical assistance, and loans (including currency loans, credit guarantees, and insurance). To expand partnership opportunities with international investors and prioritize low-middle and low-income countries (as defined by the World Bank), U.S. investors are not required but "preferred" and encouraged.

Outside of energy infrastructure projects in Europe and Eurasia, high income countries generally do not qualify for DFC support. OPIC was active in Tunisia since 1963 and executed several investments and debt transactions. From the prior OPIC portfolio in Tunisia, the DFC currently has a $50-million credit-guarantee facility with local banks to increase access to finance for small and medium-sized enterprises. In 2022, the DFC issued $55 million in two credit guarantee facilities with Tunisian financial institutions to expand lending to small businesses in underserved regions.

13. Foreign Direct Investment Statistics

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2021	46,654*	2021	46,690	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2021	348.5**	2021	241	BEA data available at https://apps.bea.gov/international/factsheet/
Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	2021	47	BEA data available at https://apps.bea.gov/international/factsheet/
Total inbound stock of FDI as % host GDP	2021	41.4**	2021	71.9%	UNCTAD data available at https://unctad.org/topic/investment/world-investment-report

*Source: Tunisia's National Institute for Statistics (INS).

**Source: Tunisia's Foreign Investment Promotion Agency (FIPA) year-end December 2021 data, published in 2022.

Note: FIPA, which is the host country statistical source for FDI stock, does not track the stock of foreign investment in energy and uses statistics that have been constant since 2010.

Direct Investment from/in Tunisia in 2022 (Excluding Energy)					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment****		
Total Inward	555	100%	Total Outward	N/A	N/A**

France #1	200	35.9%
Qatar #2	93.77	16.9%
Italy #3	75	13.5%
Germany #4	70.7	12.7%
Switzerland #5	17.75	3.2%

"0" reflects amounts rounded to +/- USD 500,000.

*Source: Tunisia's Foreign Investment Promotion Agency (FIPA) year-end December 2022 data, published in January 2023.

** Outward Direct Investment is yet to be published by the Tunisian Central Bank.

Tunisia was not covered by the IMF's Coordinated Direct Investment Survey (CDIS).

14. Contact for More Information

Embassy Tunis Commercial Section
Commercial Officer
U.S. Embassy Tunis, Tunisia
TunisCommercial@state.gov