Tunisia 2020 to foster a new economic dynamic

The Tunisian International Investment Conference held on 29 and 30 November 2016 opened in a full Congress Palace with the national anthem “Houmet el-Houma”. It gathered over 4,000 participants coming from 70 countries - including Emmanuel Noutary, General Delegate of ANIMA. Tunisia 2020 aimed at bringing economy, finances and the assets of the “New Tunisia” to the forefront in order to restore sustainable growth and attract “not donations but concrete investments” as put by Mr. Fadhel Abdelkefi, Minister of Investment and International Cooperation.

The objective seems to have been met since the fundraising reached 15 billion dinars, with 19 billion dinars of additional pledges, totalling approximately EUR 14 billion (€bn). Beyond financing, the international community participation and the commitments made during “Tunisia 2020” express a strong support to the country and send a significant signal to private investors.

Tunisia on the path to sustainable economic transition

Tunisia entered a process of democratic transition in 2011. However, the country faces tough economic times: insufficient levels of investment and growth and a climate of insecurity affecting tourism among others. After a rise in FDI (Foreign Direct Investment) inflows in 2012 thanks to the hope raised by the advent of democracy, FDI inflows and announcements dropped to reach their lowest level over ten years in 2015 (Figure 1), as shown by the recent study released by ANIMA.

Figure 1: FDI inflows (millions dollars, UNCTAD) and investments announcements (ANIMA)

\[\text{FDI inflows ($m, UNCTAD)}\]
\[\text{Number of FDI announcements (ANIMA)}\]
\[\text{Number of partnerships (ANIMA)}\]

1 10 years of foreign investment and business partnerships in the Mediterranean. ANIMA, November 2016
Tunisia offers key assets for foreign companies: the country is at the crossroads of Europe and Africa, has a skilled workforce unanimously welcomed and several increasingly successful sectors. Speakers of the Tunisia 2020 Conference have promoted a structured and competitive ICT sector as well as a sound expertise in areas with high growth potentials such as textiles, aeronautics and the green economy.

Participants also almost unanimously hailed the important progress achieved since 2011 and welcomed the positive efforts to improve business climate and Tunisia’s future, starting with the expected new Investment Code, entering into force the 1st January 2017. This Code provides for simplification of administrative procedures and creates an Investment Council in charge of conducting regulatory changes. It also allows foreign investment in new sectors, while authorising agricultural land acquisition and farming.

A committed international community: Promises made

Europe ranks first in terms of support with 2.5 €bn granted by the European Investment Bank (EIB) and over 47 €million (€m) from the European Bank for Reconstruction and Development (ERBD). The European Commissioner for Enlargement and the Neighbourhood Policy Johannes Hahn declared that the European aid could reach 206 €m by 2017, with the possibility of extension for the following years.

France was also particularly scrutinised: it is the first foreign investor in Tunisia with 211 FDI projects announced between 2006 and 2015. “Engaging with Tunisia is a duty and a responsibility”, stated the French Prime Minister Manuel Valls who came with about thirty delegations of entrepreneurs, business executives and French journalists. A 1 €bn assistance plan until 2020 is planned, as well as an additional 170 €m funding from the Agence Française de Développement (AFD). A 93.5 €m support was also announced by Germany, the third European investor in Tunisia behind France and Italy according to the ANIMA Mediterranean Investment and Partnership Observatory (Figure 2).

The World Bank Group also unveiled its strategy and financial envelopes up to 5 $bn for 2016-2020. At the regional level, the African Development Bank (ADB), which has recently chosen Tunis as its capital for North Africa and even moved its headquarters there from 2003 to 2014, will bring more than 2 €bn €m by the end of 2020. The Arab Fund for Economic & Social Development (AFESD) promised over 1.6 €bn on preferential conditions over 30 years. The Islamic Development Bank is also fully involved with up to 1.8 €bn pledge over 5 years. The neighbouring countries also actively contributed to the announcements made: Qatar offers 1.1 €bn; Kuwait 450 €m and Turkey 100 €m.
Moreover, several partnerships took shape in innovative sectors during the Conference. For example, an electronic platform will be implemented by 2017 in order to support the activities of the future Investment Council. This innovation results from a partnership between the Ministry of Information and Communication Technologies and Microsoft. The main goal will be to inform investors about the business creation process in Tunisia.

The post conference challenges: Turning investment intentions into reality
The Tunisia 2020 Conference precedes the results of the first review currently conducted by the International Monetary Fund (IMF) under its Extended Fund Facility programme (2.9 $bn over 48 months) agreed last May. This bi-annual evaluation assesses the progress made in the implementation of the structural reforms of the 2016-2020 Development Plan, which aims at a great economic growth:

- reforms of public institutions: restructuring, subsidies, tax system and adaptation of the social protection system;
- financial sector policies aiming at stabilising and strengthening the banking sector;
- and structural reforms to revitalise the private sector: competition law, public-private partnerships and new investment code.

This plan integrates in particular the new vision of Tunisia based on five axes: i) Good governance, reform of the administration and fight against corruption; (ii) Transition from a low-cost to an economic hub; (iii) Human development and social inclusion; iv) Realisation of regional ambitions; v) Green economy as a pillar of sustainable development.

The results of this review, which will determine the payment of the IMF credit second tranche, do not determine the fulfilment of the commitments made by the States during the conference; however, it will send a strong signal to the international community on the economic situation of Tunisia and could affect the schedule. Delivering the promised commitments over time will be crucial as significant socioeconomic challenges remain, such as the strong regional gap in Tunisia and the underdevelopment of inland regions. Reducing disparities is at the heart of the national strategy for economic recovery. The informal sector, which has grown from 15% to 50% of the GDP since 2011 is another major issue. Finally, supporting young companies on the long term remains a priority in order to ensure the development of quality projects for investors.

Tunisia 2020 is regarded widely as a success, which created a genuine dynamic and “sent positive signals to investors and to the international community”, according to the General Director in the World Trade Organization (WTO), Mr Robert Azevedo. An optimum coordination between states, donors and investors now lays ahead in order to quickly turn commitments into reality, as pointed out by the Tunisian Union of Industry, Trade and Handicrafts (UTICA).