

A Practical Guide to Doing
Business in

TUNISIA

INVESTOR'S GUIDE TO
TUNISIA

PREFACE

This guide was prepared and financed by the COMESA Regional Investment Agency (RIA), with input from Tunisia Investment Authority (TIA). It was written to give business executives a quick overview of the investment climate, taxation, types of business organizations, accounting practices, and other information pertaining to doing business in Tunisia. Making decisions about foreign operations is complex and requires an intricate knowledge of a country's business climate. This publication reflects information updated through May 2019.

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In the preparation of this guide, every effort has been made to offer current, correct, and clearly expressed information. However, the information in the guide is only intended for use as general guidelines. This publication is distributed with the understanding that COMESA RIA is not responsible for the result of any actions taken on the basis of the information herein, nor for any errors or omissions contained.



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Country Information

Land Area	162,155 sq. km
Situation	North Africa, 140 km from Europe
Length of Coast	1,435 km
Climate	Mediterranean
Schedule	GMT + 1
Currencies	Tunisian Dinar (TND)
Capital	Tunis (2.4 million capita)
Main Cities	Sfax, Sousse, Bizerte, Nabeul
Population	11,400 million
Road Network	19,418 km (640 km highways)
Life Expectancy	74.6 years
Official Language	Arabic
Other Languages	French, English, Italian
Political Regime	Democratic system
Access to Health System	97% in urban areas
Administrative Organization	24 governorates

LEGAL AND JUDICIAL SYSTEM

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Tunisia is a Civil Law Republic, founded upon a constitution that embodies the principles of sovereignty of the people and separation of powers between the branches of government. The Republic is divided into 24 regions, each of which has its own local government and is competent to conduct and manage local affairs.

Judiciary

Judicial powers are vested in the Court of Justice (Cour de Cassation). The judicial branch of government has criminal, administrative and civil systems.

Civil Court System

The civil court system is divided into four levels; the District Courts, Courts of First Instance, Appeal Courts and the Supreme Court.

- **District Courts**

District Courts have jurisdiction to hear matters the value of which does not exceed TD 7,000 as well as matters relating to nationality and labour issues. A single judge hears cases in the District Courts. Appeals of a judgment from a District Court are made to the Courts of First Instance.

- **Courts of First Instance**

A Court of First Instance is located in each of Tunisia's 24 regions in Tunisia. The Courts of First Instance are vested with the power to hear all civil and commercial matters without regard to the monetary value of the claim. The Courts of First Instance also hear appeals of decisions from the District Courts.

Cases which began in the Courts of First Instance may be appealed to the Appeal Courts. Appeals of District Court judgments decided by Courts of First Instance may not be appealed to the Appeal Courts, but, rather, relief may be sought from the Supreme Court.

- **Appeals Courts**

The Appeals Courts have jurisdiction to hear appeals of decisions rendered by the Courts of First Instance, except where the decision was an appeal from a

decision of a District Court. The Appeals Courts cover several regions, and, therefore, cases from several different Courts of First Instance are heard by the same Appeals Court.

- **Supreme Court**

The Tunisian Supreme Court examines decisions appealed from either the Appeals Courts or from the Courts of First Instance sitting in its appellate capacity to determine whether the law was correctly applied by the lower court. The Supreme Court does not examine the substantive aspects of the case on appeal, and only points of law may be appealed to it.

Criminal Court System

The criminal court system is very similar in structure to the civil court system. Misdemeanour offences are handled by the District Courts, while all other criminal offences, except felonies, are submitted to the Courts of First Instance for determination.

Administrative Court System

The administrative court system is responsible for resolving disputes between individuals and the government and any governmental subdivision or agency.



Tunisia's diverse, market-oriented economy has long been cited as a success story in Africa and the Middle East. However, it faces an array of challenges following the 2011 Arab Spring revolution, including slow economic growth and high unemployment.

Following an ill-fated experiment with socialist economic policies in the 1960s, Tunisia embarked on a successful strategy that focused on bolstering exports, foreign investment, and tourism, all of which have become central to the country's economy. Key exports now include textiles and apparel, food products, petroleum products, chemicals and phosphates, with about 80% of exports bound for Tunisia's main economic partner, the EU. Tunisia's liberal strategy, coupled with investments in education and infrastructure, fuelled decades of 4–5% annual GDP growth and improved overall living standards.

Along the way, Tunisia has managed, at all times, to subtly combine know-how and technology and to use them according to its abundant natural resources. This harmony has made it possible to found evolutionary production platforms and to disseminate Tunisian products not only in the regional area but also across the world.

This natural openness to its external environment has allowed Tunisia to have an export-oriented economic model with a continuously growing share in the national GDP that reaches about 35% today.

Despite the limits of its natural resources in fossil fuels and of its domestic market (11.4 million inhabitants in 2016), as well as its rather modest surface, Tunisia has brilliantly succeeded in laying the foundations of an economy market based on a rich and diversified industrial fabric and a legislation that is conducive to private investment and free initiative.

The figures are telling and substantiate this ability to affirm Tunisia as an investment platform at the heart of the Euro-Mediterranean logistics chain.

More than 3,400 foreign-owned companies operate in all economic areas, whether traditional or innovative, ranging from agribusiness to textiles, aeronautics and pharmaceuticals. They build on a substantial capital of know-how and technical skills acquired thanks to an education and training policy that remains unequalled in the MENA-Africa region, a relentless entrepreneurial dynamism, a successful accommodation to the requirements of international demand, the adoption of the most sophisticated manufacturing processes and the most stringent regulatory and technical standards.

Tunisia has naturally earned world leadership in the export of olive oil and dates—the global consumption of which has recorded in recent years an exceptional frenzy. The manufacturing industry is not left out. Considerable progress has been made since the strategic choice of industrialisation in the mid-1970s.

The confidence of major international buyers in the Tunisian production site and Tunisian know-how has confirmed the country as a reliable and qualified supplier for the most famous brands worldwide. This is particularly the case in textiles and clothing, where Tunisia is well established among the regular suppliers of the European Union, in the automotive industry where they are the 2nd African producer, in aeronautics and electronics, plus phosphate production and its by-products.

The European Union (EU) remains Tunisia's largest trading partner and main investor, accounting for 90% of all foreign-owned companies. Reciprocally, Tunisia is among the top 30 trading partners of the EU, and would like to intensify this relationship under the Comprehensive and Free Trade Agreement (FTAA).

The government is working hard to implement the necessary provisions that will put into practice this strategic vision by multiplying economic partnerships through the resolute implementation of the major structural reforms (tax reform, civil service reform, subsidy reform, labour market reform, and public enterprise reform).

The law on investment, which came into force in April 2017, gives many benefits to investors, especially foreign investors. The parliament approved, on 3 April 2018, a bill on the promotion of start-ups. The result of a reflection and a work involving actors of the administration and the private sector, this law must lay the foundations of a new regulatory framework aimed at modernising the Tunisian entrepreneurial ecosystem. The ongoing reform of the Commercial Companies Code including the recognition of simplified joint stock companies (SAS), preference shares and share purchase warrants, as well as the future law on private equity currently under discussion in parliament, should complete the scheme.

Key Economic Statistics

GDP (approximate)	USD 42 .10 billion (2017)
GDP per Capita	USD 3,518 (2017)
Market Capitalisation	TND 21.852 million (2017) USD 8,791,566,160
Inflation Rate	6.9% (2017 average)
Share of Main Sectors/GDP	Agriculture: 10.1% Industry: 28.3% Services: 61.6 %
Main Clients (2017)	France (31%), Italy (16%), Germany (12%), Spain, Algeria
Main Suppliers (2017)	Italy (16%), France (15%), China (9%), Germany (8%), Turkey (5%)

Tunisia is 1st in North Africa

Talent Competitiveness	Global Talent Competitiveness Index 2017
Entrepreneurship Ecosystem	Global Entrepreneurship Index 2017, GEDI
Innovation	Bloomberg Innovation Index 2017, Bloomberg
Competitive Industrial Performance	Competitive Industrial Performance Index 2016, UNIDO
ICT Development	Measuring the Information Society Report, 2016
Transition to E-commerce	B2C E-commerce Index 2016, UNCTAD

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LICENSING AND PERMITS



Licensing

Government Decree 417-2018 has been published on May 11th, 2018 to fix :

- The exclusive list of economic activities subject to authorisation (100 activities).
- The list of authorisations required for the realisation of the projects (143 authorisations).
- The list of activities for which exercise authorisations have been removed (27 activities).

A sesame that will facilitate the task of professionals, entrepreneurs and administration through a compilation in one and unique support, conditions, documents, procedures, deadlines and legal references of activities subject to authorisation.

The great challenge in this decree is the obligation of applying a new rule in its processing of authorisation applications, namely “Silence is worth acceptance” –while silence until then was worth a refusal without even justifying it. This is a step forward in the facilitation of business in Tunisia.

This government decree must evolve in the direction of a gradual removal of other activity authorisations but also shortened response times of the administration will oscillate between **60 and 180 days**.

DEADLINES

10 DAYS

The administrative authority must invite the applicant to complete his documents

60 DAYS

If no authorisation period is indicated

90 DAYS

If the granting of the authorisation requires the intervention of an administration of the TCB

180 DAYS

For sectors requiring authorisation from the High Investment Council (6 sectors)

Residence Permit

The residence permit is normally granted for a period of two years on a renewable basis and must be renewed each time a work contract is renewed. Each renewal may be valid for up to five years.

The residence permit is granted by the General Directorate of National Security in the Ministry of Interior. A copy of the marriage contract or the spouse ID card is required in the case of mixed marriage with a Tunisian national.

Residence Visa

A residence visa is required for all foreigners residing in Tunisia for more than three consecutive months or six non-consecutive months in one year. Residence visas are divided into two categories.

• Temporary Residence Visa

This visa is granted to foreigners who do not intend to set up permanent residence in Tunisia. The authorities may also issue this visa to an applicant whom the Tunisian government has refused a normal residence visa. The validity of the temporary residence visa cannot exceed one year.

• Permanent Residence Visa

Permanent resident visas are given to foreigners who have been living in Tunisia on a temporary basis for five uninterrupted years.

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EDUCATION AND HUMAN CAPITAL



Since the advent of independence in the late 1950s, Tunisia has taken the path of development and value creation of its human capital by adopting a forward-looking policy based essentially on the massive investment in the education and health of its citizens.

Some six decades later, the virtues of this strategic orientation have been identified, which has made Tunisia a regional platform for the export of know-how and skills whose reach goes beyond its borders.

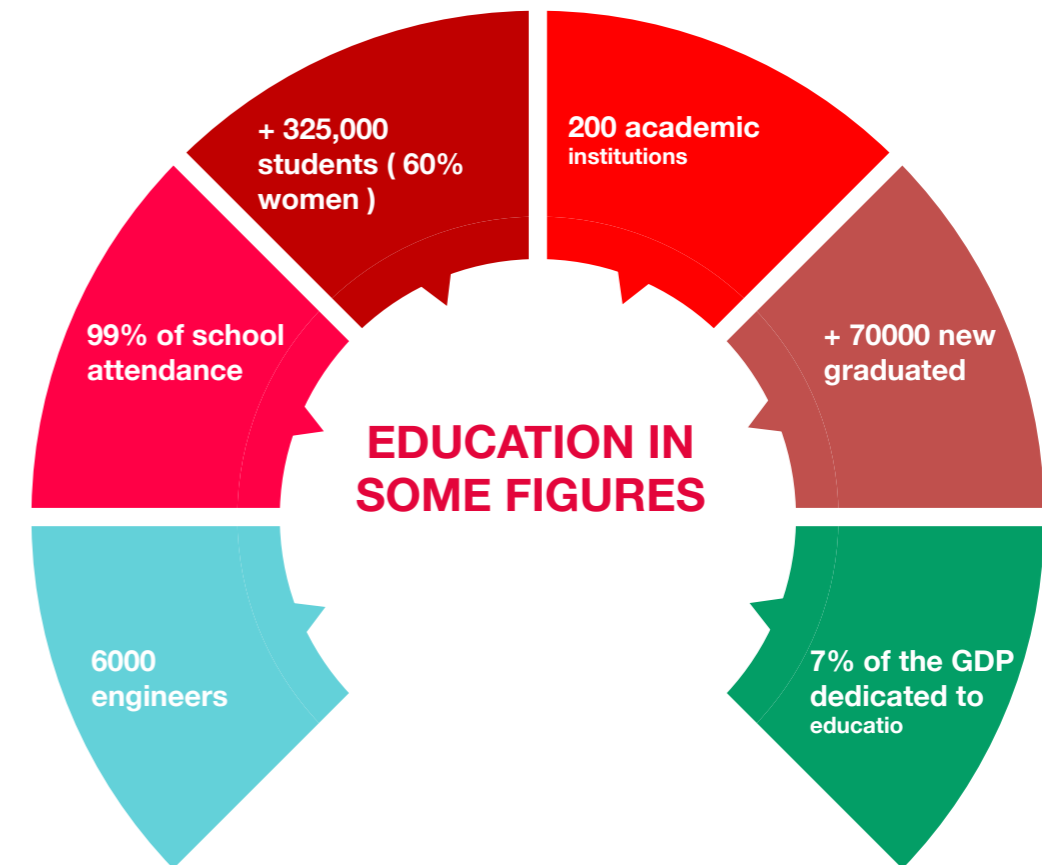
Thanks to a visionary strategy that planned to place Tunisia in the wake of modernity and technology, Tunisian skilled human resources—women and men—have proven themselves in more than one field: medicine, engineering, computer development, consulting, etc., and achieved world-renowned feats.

Free access to quality universal education (99% enrolment rate) has made Tunisia an exemplary

reference throughout the MENA region in education. Each year more than 70,000 new graduates, all sectors combined, are injected into the job market, including more than 6,000 engineers with specialities that are well adapted to the needs of the market and the demand of companies.

The Tunisian university has taken the path of openness to its environment, favouring interactions with the socio-professional world and especially the corporate environment. This orientation made it possible to shape scientific academic programs and curricula according to the technological evolutions and the structure of the Tunisian industrial and productive fabric (35% of delivered diplomas are scientific).

This adaptability, combined with the diversification and quality of offered programs, has granted business leaders an ease and an unparalleled availability in the choice of a qualified workforce with a multicultural profile perfectly matching the requirements of quality and new technologies.



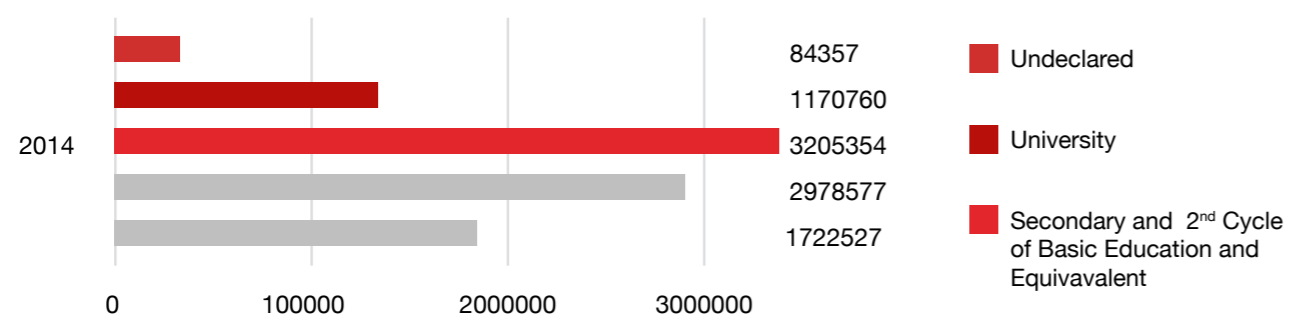
In another respect, Tunisia has more than 1,000 vocational training centres providing short and advanced training courses to meet a need for intermediate manpower in varied fields of activity such as textiles, mechanics, electricity, electronics, aeronautics, energy, mechatronics, agribusiness etc.

These centres, which each year host about 140,000 learners, are distinguished by a regional breakdown near the industrial zones according to the specialisation. They do not derogate from the rule adopted by the higher education system, namely, the adaptation of training cycles according to the needs of the labour market. In addition, they constitute a major component of the human resource

development system and a factor for development in general, in full synergy and complementarity with the education, higher education and employment sectors.

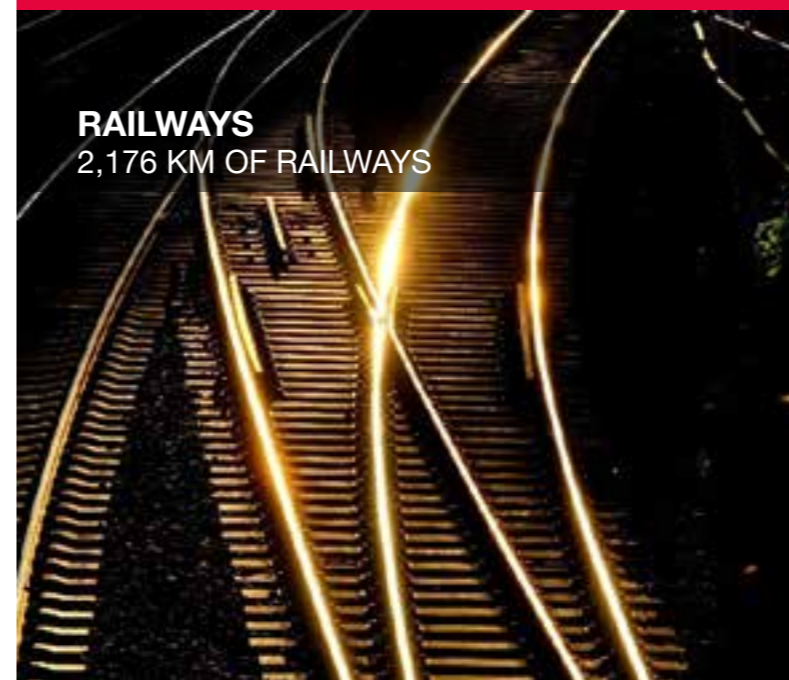
They work to provide applicants with the needed qualifications on the professional, social and cultural levels, to develop the professional capacities of the workers and to equip the economic enterprise with the means of improving its productivity and increasing its competitiveness.

TUNISIA - Population By Level of Education



INFRASTRUCTURE

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RAILWAYS
2,176 KM OF RAILWAYS



PORTS
7 COMMERCIAL PORTS



ROADS
20.000 OF PAVED ROADS



AIRPORTS
9 INTERNATIONAL AIRPORTS

Tunisia as the smallest country in North Africa in terms of area, has cleverly imposed its production sites as the most attractive in its regional area. Pioneering in the adoption of new technologies, with an unparalleled industrial flexibility, Tunisia has capitalised on its massive investments in digital infrastructure and managed to take advantage of the pilot experience of clusters by activity (industrial zones, technopoles and cyber parks) to support R&D and innovation in SMEs.

In doing so, Tunisia has created a comparative advantage that has made it the model of development to be followed, with the company as its hotspot, based on the knowledge economy and the proximity and availability of facilities and services for SMEs—particularly exporting ones.

In terms of logistics, Tunisia has a balanced network ensuring the best arrangements for the transportation and shipment of goods and merchandise. Whether it is port, air, rail or road logistics infrastructure in Tunisia, they are all designed to optimise the country's connectivity with the main ports and international airports.

Tunisia occupies a privileged position near the busiest shipping lanes and air routes. Through its strategic infrastructure choices, it aims to foster exchanges and increase trade flows.



International Airports

Tunisia has nine international airports providing more than 2,000 weekly flights and serving about 50 foreign cities.



Maritime

Maritime infrastructure is made up of seven commercial ports and one oil terminal with a monthly frequency of 62 regular lines.



Railway

The railway network is 2,167 km long and covers all regions of Tunisia. About 12 million tonnes of goods composed of phosphate, building materials, cereals, food products, iron ore, zinc and lead are transported annually.



Road network

The Tunisian road network covers approximately 20,000 km of paved roads and 640 km of highways extending over the entire country. It links the main urban centres and potential development sites and provides great efficiency of transport services. The road network, which is constantly being developed, will reach more than 1,000 km of highways by 2020.



Telecommunication

The existing telecommunication network in Tunisia is considered among the most developed and most performing in the region and Tunisia aims to become an international digital destination aimed at consolidating and strengthening the use of ICT in all fields of activities.

Foreign companies can set up virtual communication links to all parts of the world at competitive costs through modern and fully digitised networks using optical fibres, SDH, ATM, ADSL and other extended wireless bandwidths, that can provide large capacities and high speeds for voice and data transmission.

Tunisia currently has 152 industrial zones distributed all over the country. New industrial zones are regularly planned to meet the growing demand for industrial land. To this end, a new industrial estate development programme provides for the construction of 64 industrial zones covering a total area of 1,599 ha.

Tunisia offers to foreign investors two operational business parks (free zones) with high quality services: Bizerte and Zarzis. They host industries, trade and services intended for export.

The Bizerte Park is located in the port of the city (60 km from Tunis Airport) and the Zarzis Park is half an hour from the airport of Djerba. In addition to providing a strategic geographical position and proximity to major oil and gas resources, the parks offer several investment incentives, namely, freedom in foreign trade and foreign exchange and flexibility in employment.

In Tunisia, the competitiveness clusters are designed for two major purposes: on one hand, activities in the field of training, and scientific and technological research, and on the other hand production and technological development in a variety of fields.

The 11 operational techno parks are spread over several regions and cover the following areas:

- Ariana: ICT
- Borj Cédria: Plant biotechnology, renewable energy, environment
- Sidi Thabit: Engineering applied to health and pharmaceutical industries
- Sousse: Mechanical and electrical industries and IT
- Sfax: ICT
- Monastir: Textiles and clothing
- Bizerte: Food industry
- Gafsa: Industrial and technological activities
- Gabès: Environmental industry and environmental technology
- Manouba: Textiles and clothing
- Médenine: Exploitation and enhancement of natural resources of the Sahara

Tunisia also has 15 cyber parks covering various specialities. The activities of cyber parks focus on the development of software, website maintenance and creation and services related to remote communication technologies (ICT) and call centres. These cyber parks also work as incubators for businesses operating in ICT.

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BANKING AND FINANCIAL SERVICES



The banking sector in Tunisia has benefitted from a history of relative stability, thanks to a steady hand from the regulator, a focus on banking fundamentals and a comparatively high level of sophistication, particularly in terms of services like leasing. Several indicators continued to rise, including assets and lending. However, creeping weaknesses, in terms of both public sector institutions and competition, have become more prevalent and are prompting a period of change.

The industry is also widely thought to be ripe for consolidation, though new players continue to enter the market—attracted in part by the limited level of financial inclusion—which points to extensive greenfield opportunities. Changes such as the recent recapitalisation and restructuring of the country's public banks and plans to move the sector towards Basel III norms by 2020 should all help reinforce the stability of the banking system in the years ahead.

Tunisia's stock market has seen steady growth in capitalisation in recent years, the exchange registered a positive performance over the years due to strong results in the industrial, consumer goods and financial sectors. The near-term outlook appears equally encouraging, with several IPOs in the pipeline. The bourse is looking to accelerate that momentum by bringing in new products and calling for supportive measures from the government to further raise its level of development. The extent of economic growth, successful efforts to attract increased financing and investment, and whether or not the government goes ahead with previously suggested listings of major state-owned firms, will strongly influence market performance and development going forward.

As one of the most developed markets in North Africa, Tunisia's insurance sector has seen a steady increase in premiums and penetration in recent years, with life and medical insurance segments in particular experiencing notable growth. On the back of this momentum, the market is turning to diversified insurance products to further increase penetration and profitability. Segments including life insurance, bancassurance, micro-insurance and takaful (Islamic insurance) are all expected to grow rapidly in coming years. Growth in such product lines will help boost overall penetration, but the extent to which the wider

sector grows and penetration levels rise will depend in part on trends in investment and the wider economic situation. Efforts to stimulate countrywide investment through measures such as the revised investment code are encouraging in this respect.

Recent changes to the local microfinance sector also support increased financial inclusion. Tunisia has a long-standing micro-lending sector that until recently was made up entirely of non-profit microfinance associations, comprising a single national lender, ENDA and around 300 small local-level associations. Since 2011, however, the sector has undergone significant changes, as the government issued a new development plan and passed a microfinance law that, among other things, set up a dedicated regulator, the Microfinance Supervisory Authority, and allowed private companies to enter the field.

In contrast to many other African emerging markets, Tunisia also has a well-developed leasing sector. Eight dedicated leasing firms are currently active in Tunisia. Total lending to the economy by leasing companies was worth TND 3.3 billion (€1.4 billion).



Income Tax – Companies

Companies	CIT rates	Minimum contribution TND
Standard corporate rate	25%	200
Banking and financial institutions, insurance and mutual insurance companies, telecommunications	35%	200
SME's with annual turnover (excluding tax) not exceeding : -TND 1 million for companies that engage in sale and processing activities -TND 500,000 for companies operating in the service sectors and non commercial professions	20%	200
Companies newly listed on Tunisian stock exchange (TSE)	15%	200
Exporting, agricultural, health, handicraft companies and education activities	10%	100
Companies exempt from CIT or that benefit from full deduction of profits		200
Companies operating in hydrocarbons sector	35%	



- 1 Newly created companies are exempt from corporate income tax if they obtain a certificate of investment between 2018 and 2019; and commence activities within two years of obtaining the certificate.
- 2 Basis – Tunisia operates a territorial system, under which all income derived in the country is subject to tax. Worldwide revenue may be subject to Tunisian tax based on provisions in an applicable tax treaty
- 3 Residence – Tunisia does not have a definition of residence for tax purposes.
- 4 Taxable income – Profits derived from the operation of a business in Tunisia or abroad are subject to tax, after the deduction of allowable expenses.
- 5 Deductions – Deductions are allowed for expenses for depreciation or amortisation, reserves, rents for premises and equipment, wages and all necessary costs incurred in operating the business.
- 6 Losses – Net operating losses may be carried forward for up to five years. Losses resulting from depreciation may be carried forward indefinitely. The carry back of losses is not permitted.
- 7 Foreign tax credit – Tunisia does not provide for a unilateral foreign tax credit
- 8 Group relief – There is no provision allowing for any group relief or the transfer of losses between members of a group.
- 9 Rate – The normal corporate income tax rate is 25%. A 35% rate applies to certain banking and financial institutions, investment companies, insurance and reinsurance companies; factoring companies; and telecom companies. A 50%-75% rate applies to companies operating in the hydrocarbons sector. A lower rate of 10% applies to agricultural, health, handicraft and export companies, and education activities. According to the Financial Act of Management 2018, a 1% social solidarity contribution is added to the corporate income tax rates
- 10 Branch taxation – A branch of a foreign company is subject to the same accounting and tax obligations as a domestic company. However, a 5% branch profits tax applies to the after-tax profits of a branch of a foreign company where funds are repatriated.
- 11 Holding company regime – None.
Corporate groups – If a Tunisian company holds 75% or more of the shares of one or more Tunisian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company. To benefit from the group regime, the following requirements must be met:
 - The parent company must be listed on the Tunisia Stock Exchange.
 - The financial statements of the companies in the group must be certified by an external legal auditor.
 - The group companies must have the same fiscal year and accounting period.
 - All companies in the group must be subject to corporate income tax.

Withholding Tax (WHT)

	Residents	Non-residents
Dividends	10%	10% / 25%
Interest	20%	20% / 25%
Royalties (See Note 3)	-	-
Professional fees	5%	15% / 25%
Payments exceeding TND 1 000	1.5%	n/a
Other	15%	15% / 25%

Notes

- 1 Dividends paid to resident individuals and non-residents are subject to a 10% WHT. The WHT is final for amounts that exceed TND 10, 000 and deductible in calculating personal income tax if the amount is under TND 10,000.
- 2 Interest payments made to non-residents generally are subject to a 20% WHT unless the rate is reduced under a tax treaty.
- 3 Royalties are not defined according the common law, the definition are provided from the double taxation treaty.
- 4 The higher rate of 25% applies where payments are made to a company resident in a tax haven.
- 5 Professional fees paid to non-residents generally are subject to a 15% WHT unless the rate is reduced under a tax treaty. This rate is reduced to 2.5% for wholly exporting companies.
- 6 The WHT on payments exceeding TND 1,000 is not applicable to non- residents not established in Tunisia. The 1.5% rate is
- 7 The WHT rate is increased to 25% if the payments are made to an entity established in a tax haven.
- 8 Premium and compensation granted to members of boards, assemblies and committees of limited companies are subject to a 20% WHT, which may be deducted in computing taxable income.

Value Added Tax (VAT)

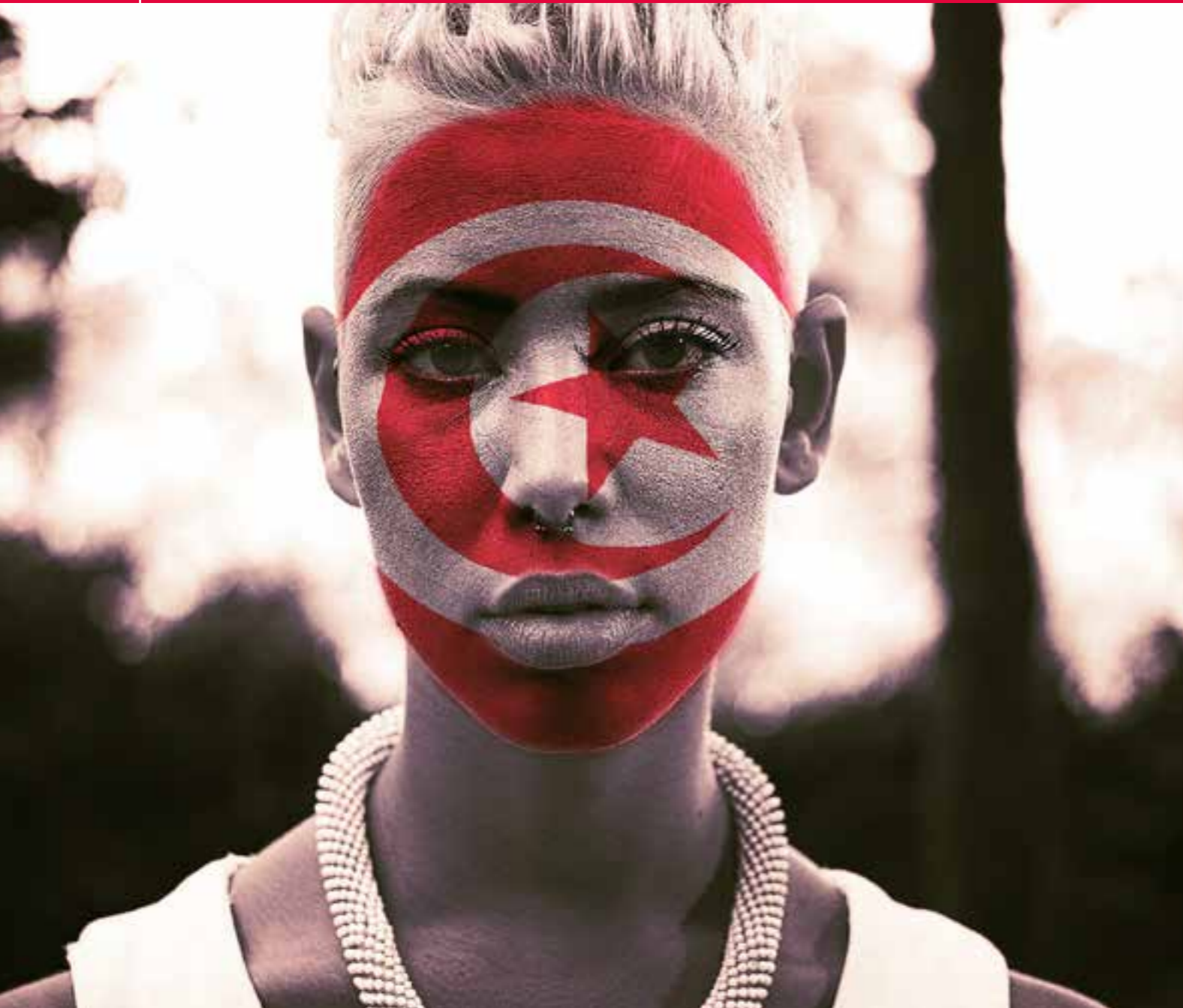
VAT Category	Rate of VAT
Standard rate	19%

Notes

- 1 Taxable transactions – VAT is charged on the taxable supply of goods and services in Tunisia, and on the import of goods.
- 2 Rates – The standard VAT rate is 19%, with reduced rates of 13% and 7%. Certain supplies are exempt or zero-rated.
- 3 Registration – VAT registration is required at the time a company is established in Tunisia.

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POPULATION AND DEMOGRAPHICS



Tunisia's estimated population is 11.78 million, compared to 9.56 million in 2000. Tunisia is not densely populated, with just 63 people per square km (163/sq. mi), which ranks 133rd in the world. The capital and largest city is Tunis, with a population of just over one million. This is followed closely by Sfax with a population of 945,000. Other major cities include Bizerte Sousse and Kairouan.

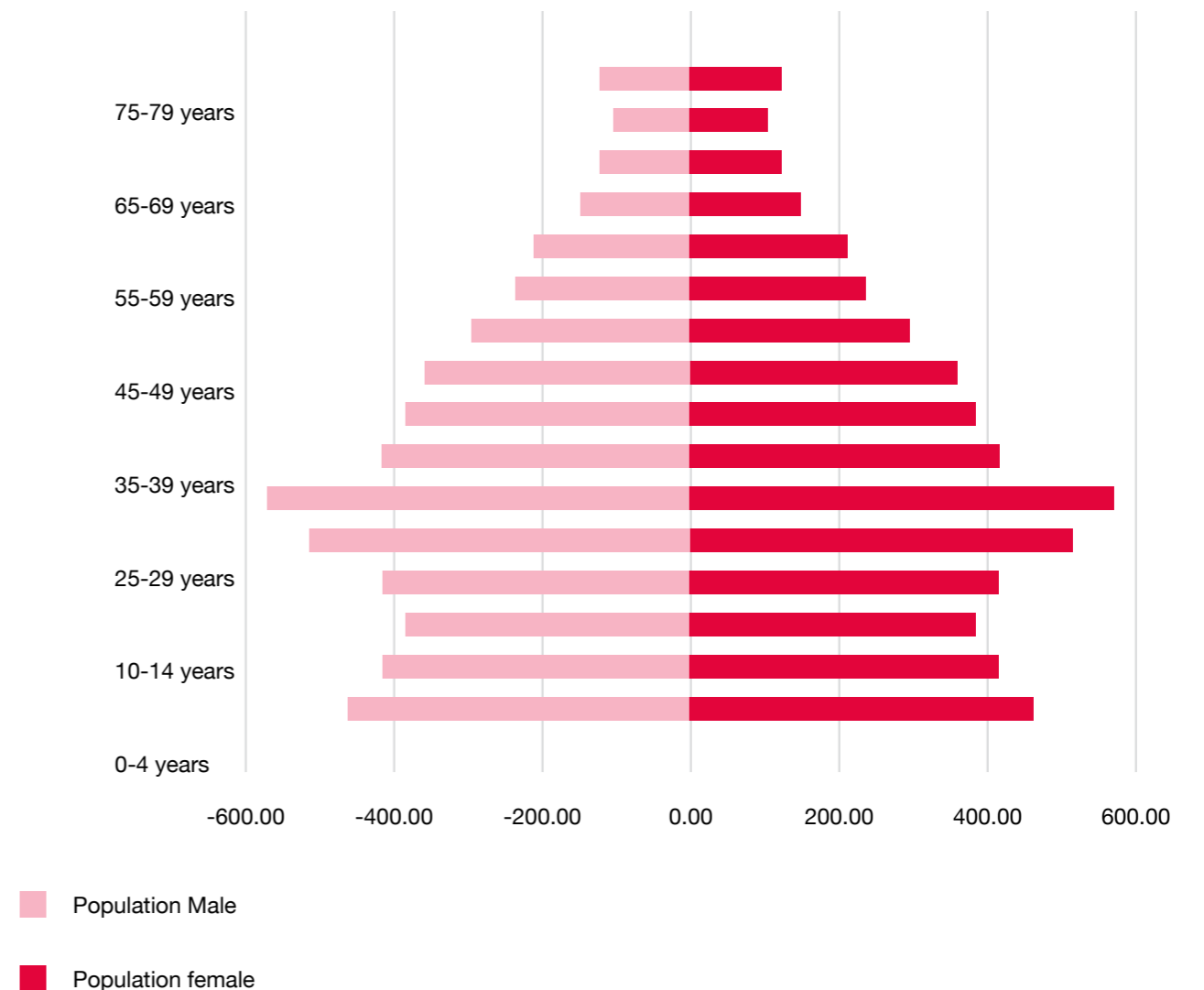
Women

If there is one area in which Tunisia has always been an exception in the Arab-Muslim world, it is the place given to women in society and their substantial contribution to the development of the country since independence. In this field, Tunisia was the precursor in the emancipation of women through the promulgation of the Personal Status Code (CSP) in 1956, which was a revolution in the true sense of the word and an act of subversion of extreme bravery.

The Constitution of 2014 has just endorsed this vocation, or even consolidated it, by enshrining equality between men and women in all fields.

Today, Tunisian women have successfully conquered all areas, even outperforming men especially in the success rates at the baccalaureate (63.6%) and higher education (67%). They are also well represented in the public service (38%), in the judicial sector (39%) and in industry (44%). The top sector is the media, where women occupy the overwhelming majority of positions with a rate of 84%.

TUNISIA - Demographic Pyramid - 2014





The application of the rules and provisions of the multilateral trading system and the implementation, since 1996, of the free-trade area with the European Union (EU) and, since 1998, of the Greater Arab Free Trade Area (GAFTA) have enabled Tunisia to progress rapidly with the liberalisation of its trade and to achieve an openness ratio of 96% in 2004.

The liberalisation of investment since 1994 and the adoption of a proactive policy of attracting foreign direct investment have enabled Tunisia to record a 9% annual average rate of increase in FDI, with more than one third being earmarked for the manufacturing industry.

Tunisia considers that the processes of multilateral and regional integration are two complementary and mutually reinforcing movements, in as much as the common objective is to facilitate trade liberalisation by reducing and indeed progressively eliminating barriers to trade.

In conformity with the WTO Agreements, Tunisia is endeavouring to ensure appropriate interaction between the multilateral and regional systems, with both development needs and the requirements of progressive liberalisation and integration being taken into account.

The Association Agreement between Tunisia and the European Union is a reflection of their close links, sustained and reinforced, among other things, by intensive and fruitful trade. This is a bilateral global agreement which anticipated the Euro-Mediterranean partnership process inaugurated by the Barcelona Conference in 1995. The free-trade area forming part of this agreement is an extension of the special trading and economic relationship but, above all, an expression of Tunisia's strategic decision to integrate more closely into the world Economy and the Euro-Mediterranean area in particular, with a view to narrowing the development gap and improving the lot of the peoples of the Southern and Eastern Mediterranean.

Tunisia-EU relations will enter a new phase of development and integration with the implementation of the action plan agreed and adopted by the two partners in 2005. Among other things, this action plan—an extension of the Association Agreement—defines the main areas of cooperation at global economic policy and sectoral levels. Several of its components, in particular those relating to trade, incorporate a Euro-Mediterranean regional dimension.

Tunisia, in conformity with WTO provisions, has concluded bilateral and regional trade agreements with a view to achieving a higher level of integration into the world environment. Thus, Tunisia is a member of:

- The Maghreb Arab Union (Tunisia, Algeria, Libya, Morocco, Mauritania), created on 17 February 1989, which envisages the establishment of a free-trade area, as decided by the Council of the Presidency of the MAU in 1994.
- The League of Arab States (1947), which has 22 member countries and under whose auspices the Greater Arab Free Trade Area entered into force in January 2005.
- The Barcelona (Euromed) Process, inaugurated on 15 November 1995 for the purpose of establishing an FTA by 2010 and characterised by progressive integration at the vertical (North-South) and horizontal (South-South) levels.

To give concrete expression to this South-South dimension, Tunisia has concluded:

- The Arab-Mediterranean Free Trade Agreement, signed on 2004 and providing for the establishment of a free-trade area initially comprising Tunisia, Morocco, Egypt and Jordan.
- A free trade agreement with Turkey, signed on 25 November 2004.
- A bilateral free trade agreement with its Maghreb and Arab partners.
- A free trade agreement complementing the regional agreements already signed was concluded with the European

52 DOUBLE TAXATION CONVENTIONS

54 BILATERAL AGREEMENTS ON INVESTMENT PROMOTION AND PROTECTION

Since 2014, Tunisia has been setting up the instruments for diversifying its trade relations, particularly in sub-Saharan Africa. An important step towards more integration with Africa took place in 2014, with the opening of several lines of the national airline Tunisair to the African continent (nine stops in total in 2018, compared to three in 2009). In addition, Tunisia became, from 2018, the 20th member of the Common Market for Eastern and Southern Africa (COMESA) created in 1994 and thus has gained access to a new market of 560 million inhabitants.

Tunisia's aims in concluding these agreements, within the context of its open-market policy, are, in particular, to strengthen and diversify its economic and trade cooperation relations, to benefit from technology transfer and to further consolidate its position in order to attract more FDI.

AREAS OF OPPORTUNITY/SECTORS

11

AGRIBUSINESS



AEROSPACE



OFFSHORING



AUTOMOTIVE



1. Agribusiness

The agribusiness industry in Tunisia is very developed with some mature segments, including vegetable and animal oils and fats and fish preserves and with more 14,000 companies and nearly 57,000 employees.

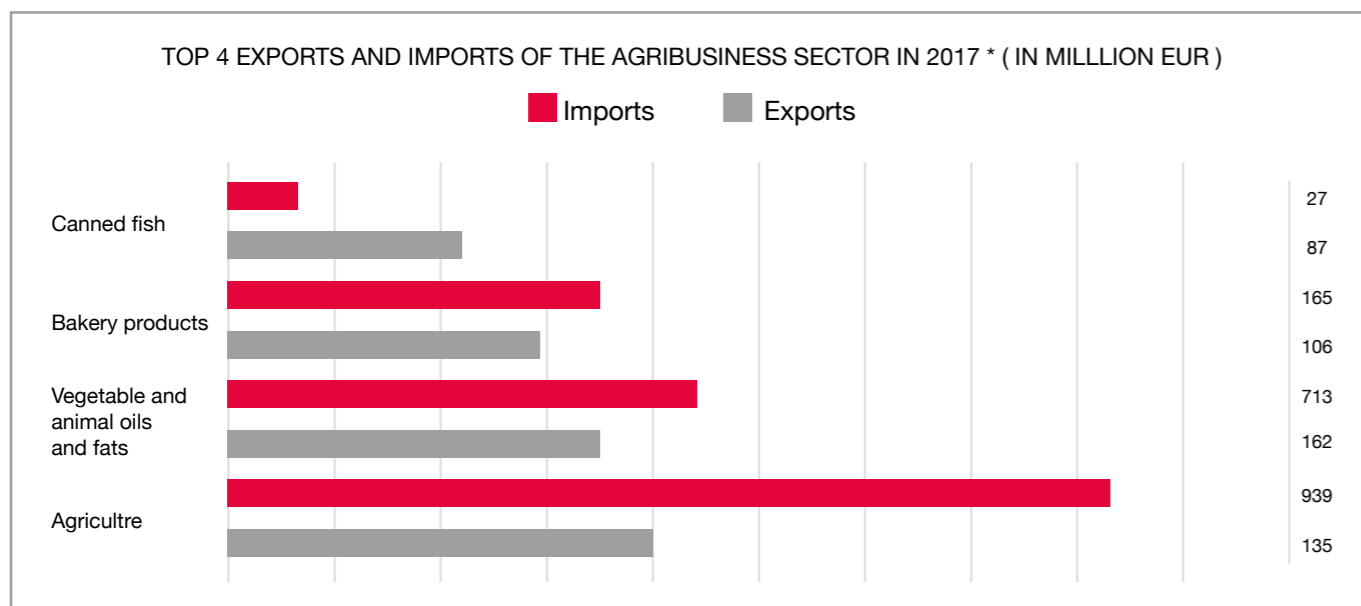
There are more than 100 export destinations. The main markets remain those of the European Union (Italy, France, and Spain) and Libya. New destinations arise, such as the USA, Canada, Russia, Japan, the Middle East and Sub-Saharan countries (Niger, Senegal and Côte d'Ivoire).

The agri-food industry shows a positive trend in export revenues and generated TND 590 million in 2017 vs TND 120 million in 2014.

This production mainly concerns olives and olive oil with organic produce of approximately 25,000 tonnes of olive oil per year (representing 12% of total national production) followed by dates (over 1,000 ha of date plantations recertified organic), citrus fruits, organic pastures and aromatic and medicinal plants which respectively represent 18% and 15% of the current total area of national organic farmland. The volume of investment in this field aimed at TND 585 million in 2016 (as compared with TND 385 million in 2012).

Infrastructure

The Bizerte competitiveness cluster houses the food technology park "AGRO TECH" which extends over 45 ha with a land reserve of over 100 ha. The network has 31 partners (23 Tunisian and 8 foreign) and a core of manufacturers representing 102 companies.



Organic Farming

Tunisia has significantly strengthened its expertise in the field of organic farming. Indeed, there is an area of organic farmland of about 500,000 ha, an organic production volume of about 265,000 tonnes per year and about 80% of organic produce intended for export.

In 2010, Tunisia was certified an organic exporter. It hence became the 8th country accredited in this field in the market of the European Union.

There are several success stories in the sector and activities that present promising niches, including organic farming:

- 2nd largest exporter of organic products in Africa.
- 8th country accredited as an organic exporter on the EU market.
- 3rd largest producer of organic olive oil in the world.
- €146 million export in 2017.
- Exploitable area of 370,000 ha.
- 7,400 active operators in Tunisia

Tunisia has a true reservoir of industrial and technological infrastructures, bringing together technical and support centres for the sector, professional groups, production areas and more.

The food industry in Tunisia is known for its capacity in terms of research and innovation. There is growing synergy between research centres and companies operating in Tunisia where they have 64 laboratories and 270 research units in the discipline of life sciences and biotechnology. Several groups integrated biotechnological applications in their production system.

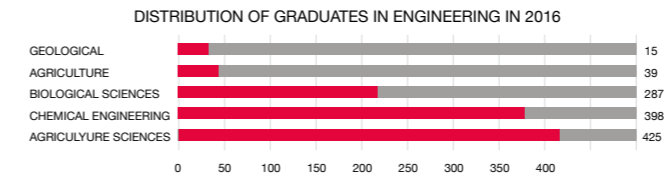
Tunisia has also adopted, since 2001, the international standard at the level of management systems of food safety developed by ISO: the international certification reference scheme ISO 22000.

This increasingly widespread standard in Tunisia aims to define the management requirements of food safety and covers all the needs of both consumers and the market. It represents a significant asset for Tunisian companies.

Available and Skilled Labour Force

The sector relies on a pool of more than 5,000 graduates including 22% engineers.

More than 500 graduates in 2016 specialised in the fields of agriculture, forestry, aquaculture, fisheries and veterinary sciences.



2. Aerospace

The aerospace industry in Tunisia has experienced a clear expansion for the last decade:

- 81 companies employing over 17,000 people.
- Presence of internationally renowned players such as the Latécoère Group, Sabena technics, Zodiac Aerospace and STELIA a subsidiary of EADS Group.
- Activities with high added value ranging from software/hardware engineering to the production of aircraft systems, as well as high precision cutting and machining.
- An industry exporting nearly 70% of its production to the European Union, one of the most competitive markets.
- Continuously growing exports of products and services.

The main exported products are electrical assemblies, electronic components, aerospace equipment and systems, precision mechanical parts, precision sheet metal parts, engineering plastic parts, computer software, wiring harnesses (wiring, assembly of

electronic sub-sets), surface treatment and paint.

Imports consist mainly of production tools (machines) and raw materials such as aluminium plates, bars and rods, copper alloys, stainless steel products, plates and sheets of rubber and composites

A High Standard Technology Infrastructure

To promote its assets in the aerospace industry, Tunisia offers the following facilities:

- An aerospace cluster in El-Mghira which is an integrated industrial platform, located in the southern suburbs of Tunis covering an area of over 200 ha including 20 ha dedicated to STELIA Aerospace Park, a subsidiary of EADS/AIRBUS.
- A competitiveness cluster in Sousse (Central East region) consisting of the following structures.
- A science park covering over 60 ha, specialising in the fields of mechanics, electronics and computing.
- An offshoring area dedicated to services.
- An industrial zone located in Enfidha covering an area of 142 ha.
- Two operational business parks of high quality, business services: Bizerte Park which is located in the port of the city (60 km from the Tunis airport) and that of Zarzis which is half an hour from Djerba airport.
- About 100 industrial zones spread all over the country.

Skilled Human Resources

Tunisian skills are very competitive—with the same level of qualifications and training, the salary of a Tunisian engineer represents one-fifth of that of an engineer in the Southern European countries.

Tunisia strives to provide reactive and multidisciplinary human resources through:

- 15 sectoral training centres in the areas of metal construction, electronics, mechatronics, telecommunications, general mechanics, plastics, maintenance and energy.
- The Centre of Excellence for Aerospace Industry Trades "CEMIA".
- Training structures of higher education offering a comprehensive programme tailored to the needs of companies that provide the labour market every year with over 4,500 engineers and technicians: Engineering Schools, Higher

Institutes of Technical Education, National Institute of Applied Sciences, Polytechnic School, Institute of Aerospace Trades, plus the training centre specialising in aerospace located in the Aerospace cluster of ElMghira dedicated to the areas of mechanics, electronics and IT.

3. Offshoring

The offshoring sector in Tunisia features :

- About 300 foreign companies.
- More than 34,000 jobs.
- Around 1,800 ICT companies.
- 200 University degrees in ICT-related fields.
- The digital economy accounts for 7% of GDP

It is divided into three strategic segments, namely:

- Business Process Outsourcing (BPO) voice and data.
- Information Technology Outsourcing (ITO).
- R&D and KPO (Knowledge Process Outsourcing).

2nd in Africa according to the E-Government Development Index

Skills

The education system performance includes:

- 60,000 multilingual university graduates.
- 9,138 graduates in ICT sections (computer science and multimedia) in 2015.
- About 6,000 graduates a year in engineering sections.
- Tunisia has the highest concentration of researchers among Arab and African countries.

Tunis Tops World Ranking of Emerging Cities in Terms of Cost Efficiency

Infrastructure

Tunisia has one of the most modern broadband infrastructures in the Mediterranean basin with high-speed land and undersea networks and an international bandwidth at around 180 Gb/s.

The Biggest Data Centre in Africa is Based in Tunisia

The network has:

- 130.5% in terms of mobile phone density (June 2016).
- 7.8% annual growth in outgoing voice traffic with mobile networks for international calls.
- 98.8% subscribers to broadband Internet.
- 25% smartphone penetration rate compared to the total number of connections (early 2015).

Tunisia also has Class A areas and offices dedicated to different offshoring activities. These areas are equipped with high-end communication equipment and systems.

The average rental cost of a ready-to-use area (pre-wired, air-conditioned, modular) is approximately 6.5 € / m² / month.

In terms of techno parks and clusters dedicated to offshoring, Tunisia has:

- Three equipped and ICT oriented techno parks.
- 18 cyber parks for training and scientific and technological research

Many investment opportunities are provided, including the following:

- ITO activities including the development of software programs, the design and development of web and mobile applications, testing and validation of software programs, and creative industries.
- The development of Voice BPO activities in the fields of sales, customer relations and after-sale services.
- Data BPO activities including the management and analysis of financial data and transactions.
- Advanced research of information, technical and analytical services and processes of evaluation and decision-making (KPO), product R & D, engineering services and embedded systems.

4. Automotive

The automotive industry in Tunisia is an important economic activity, which will grow in the coming years. The automotive sector contributes 4% of Tunisia's GDP in 2017 and has recorded more than TND 1 billion of investments, 87% of which came from abroad.

2nd largest Producer of Automotive Components in Africa

In 2017, the automotive sector presents:

- An amount of TND 4.5 billion of export destined for the most competitive markets.
- More than 255 companies of which 67% are totally exporting.
- Nearly 67,000 direct jobs and 13,000 indirect jobs.

In 2017, the yarns and cable harnesses sector accounts for nearly 74% of the sector's total exports, followed by mechanical components around 23%—almost 75% of exports are made to Germany, France and Italy.

In addition to strong presence of international actors (Valeo, MGI Coutier, Faurecia, etc.).

Skills

Tunisia has a favourable position in the automotive components market thanks to the wide availability of a skilled workforce.

Tunisia has several public institutions (National School of Engineering, Polytechnic, etc.) delivering advanced theoretical training and meeting the needs of the automotive sector (mechanical engineering, electromechanical, etc.) in terms of employability.

This is supported by vocational training centres (CETIME, Smart Diagnostic Training Centre, etc.) delivering applied training courses and supplying the market with technicians and qualified operators.

Tunisia has a wide availability and qualification of its managers and technicians and is considered to be competitive for labour-intensive processes:

- 4,500 engineers and senior technicians graduate every year.
- Eight engineering schools.
- 36 sectorial training centres in 14 governorates.
- An engineering school specialising in mechatronics and electronics.

A High-Quality Infrastructure

Tunisia provides an infrastructure that meets international standards while responding to the requirements of the automotive industry:

- A competitiveness cluster in Sousse, dedicated to mechatronics (55 ha), an offshoring area specialising in services (48 ha) and a multisectorial industrial area (142 ha).
- A training centre for aerospace trades in ElMghira which also includes Technology Platforms in sectorial training centres.
- A Technical Centre specialising in Electrical and Mechanical Industries (CETIME).
- A research centre in microelectronics and nanotechnology.

5. Textile and Apparel

The Textile and Apparel sector in Tunisia is experiencing true dynamics:

- 1,695 companies employing 10 or more people—of which 1,410 are exclusively producing for export.
- One of the main sectors of the manufacturing industry in terms of employment. It employs more than 160,000 people.
- At the end of 2015, the number of foreign companies reached 1,142 employing more than 125,274 people.
- FDI flows in 2015: TND 40.8 million of which TND 10.3 million are in the form of new projects and TND 30.5 million are expansion projects.

Tunisia is Among the World Leading Providers in Apparel

The T&A sector is positioned as a cornerstone of the Tunisian industry and keeps a prominent place in the national economy while maintaining a strong contribution to the socio-economic balance of Tunisia.

Thanks to multiple assets, these activities in Tunisia are increasingly competitive in the region and make the Tunisian site more favourable to foreign direct investment:

- Geographical proximity to Europe facilitating the just-in-time.
- Good quality level consistent with the requirements of contractors.
- Short and respected delivery deadlines, high responsiveness to small series and to replenishment.
- Competitive production costs.
- Skilled human resources and confirmed know-how.
- Support and training facilities.
- Modernisation and computerisation programmes.
- Compliance with social and environmental standards.

Skills

9th EU Supplier
2nd Supplier of France

To maintain the level of competitiveness and command of skills in the Tunisian textile and apparel industry, the Tunisian government implemented an academic and vocational training system covering almost all activities and providing the market with an increasingly specialised know-how:

- The Higher Institute of Technological Studies-Ksar Hellal (170 graduated technicians in T&A a year).
- The National School of Engineers of Monastir (ENIM).
- The Higher Institute of Fashion Professions of Monastir (ISMM).
- 11 training centres for specialised workers in T&A.
- Eight sectorial training centres for supervisors and technicians in T & A.
- Established in 2006, the Competitiveness Cluster-Monastir El Fejja (Governorate of Monastir), called MFCPOLE is a new smart industrial platform for industrial and service companies with a focus on the Textile sector.



Several reforms have been undertaken to improve the business environment and stimulate the investment flow in line with the national priorities and objectives of the National Development Strategy, including inclusive regional development, employability, the increase in added value and the green economy.

“The Investment Law” (Law n.71 of 2016)

The investment law promulgated on the 17th of September 2016 grants to foreign investors a certain number of benefits:

- The investor is free to own, rent and exploit non-agriculture properties for the purpose of achieving direct investment operations or their extension.
- A foreign investor must not be treated less favourably than a Tunisian investor in like circumstances with regard to his rights and obligations.
- Investor’s funds, possessions and intellectual rights are guaranteed in conformity with the legislation in force.
- Investors’ properties shall not be expropriated, except for public interest without any discrimination regarding nationality and upon fair and equitable compensation in accordance with due process of the law.
- Foreign investors can freely transfer abroad funds in foreign currency in accordance with applicable change legislation.
- Dispute Settlement: Where a dispute arises between the Tunisian State and the investor, parties are freely allowed to agree on the mediation’s procedures and rules. Otherwise, Conciliation Rules of the United Nations Commission on International Trade Law shall apply. If a dispute between the Tunisian State and a foreign investor is not settled through conciliation, it may be submitted to arbitration under an agreement between the parties.

Oriented Incentive system

A very advantageous incentive systems been developed advocating grants and tax exemptions by targeting especially regional development zones and priority sectors with high potential such as the aircraft sector, automotive sector, ICT and renewable energies. The package of incentives for the projects of national interest include:

- Income tax rate reduced to 10% for totally exporting companies.
- Total exemption from VAT and customs duties on inputs to products to be re-exported.
- Total tax exemption of benefits for up to 10 years granted to companies operating in regional development zones.

- Specific investment grants in regional development zones covering up to 30% of investment cost capped at TND 3 million.
- Investment grants for priority sectors and value chains.
- Economic yield grants on intangible investment and research and development expenditure.
- Subsidies of employers’ contributions to mandatory schemes.
- Subsidies of expenses incurred under training programmes leading to certification.

The Law of PPP Projects

This law aims to boost private public projects taking in account the following criteria:

- Value added and economic cost of the project.
- Technical, formal and practical characteristics and availability of the public user.
- Percentage of Tunisian labour force and supervision ratios.
- Percentage of the use of the national products in the project.
- Percentage of Tunisian labour force and supervision ratios.
- Percentage of the use of the national products in the project.
- Responding to the requirements of sustainable development.
- The percentage of activities allocated for handling for SMEs.

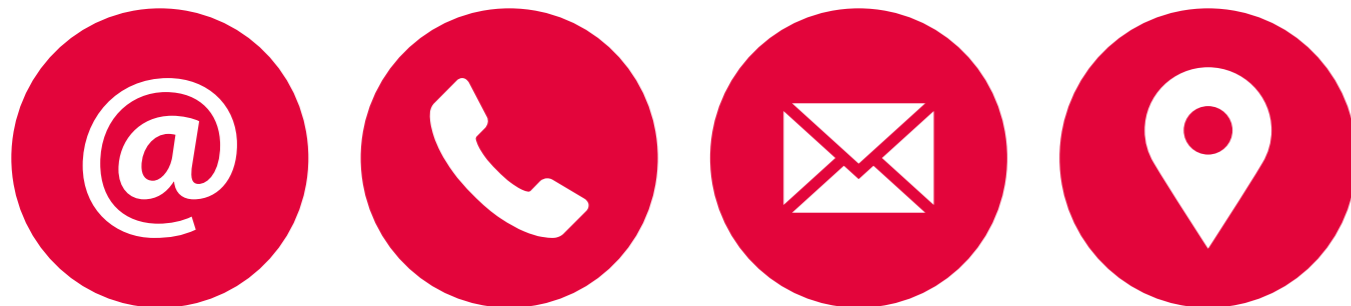
The Start-up Act (Law n 20 of 2018)

This act aims to increase the number of startups, especially in the high-tech sector, making innovative entrepreneurship in Tunisia more competitive internationally and potentially increasing economic growth and employment.

The law introduces tax exemptions for startups for up to eight years, giving public and private sector employees one year to set up a new business after which they have the right to return to their old jobs, and a state-funded salary for up to three founders per company during the first year of operations. They all aim to encourage young people with limited financial resources to become entrepreneurs.

The Corporate Social Responsibility Act (Law n 35 of 2018)

The objective of the Corporate Social Responsibility Act is to promote the principle of reconciliation between institutions and their environmental and social environment through their contribution to the path of sustainable development and good governance.



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