

**Document of
The World Bank**

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IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-87610)

ON A

LOAN

IN THE AMOUNT OF EURO 457.2 MILLION
(EQUIVALENT TO US\$500 MILLION)

TO

THE REPUBLIC OF TUNISIA

FOR A

BUSINESS ENVIRONMENT AND ENTREPRENEURSHIP
DEVELOPMENT POLICY LOAN

MAY 2020

CURRENCY EQUIVALENTS

(Exchange Rate Effective, as of May 20, 2020)

Currency Unit	Tunisian Dinar (TND)
US\$ 1.00 =	TND 2.8759
EUR 1 =	TND 3.1464

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

BEE	Business Environment and Entrepreneurship
BFPME	<i>Banque de Financement des Petites et Moyennes Entreprises</i> (Small and Medium Enterprises Financing Bank)
BCT	<i>Banque Centrale de la Tunisie</i>
BNA	<i>Banque Nationale Agricole</i> (National Agriculture Bank)
BH	<i>Banque de l'Habitat</i> (Housing Bank)
CMA	<i>Conseil du Marché Financier</i> (Financial Market Council)
CNAPP	<i>Comité National d'Approbation des Projets Publics</i> (National Committee for Public Projects Approval)
CPF	Country Partnership Framework
DPF	Development Policy Financing
DPL	Development Policy Loan
DPR	Development Policy Review
FDI	Foreign Direct Investment
FOPROLOS	<i>Fonds pour la Promotion du Logement Social</i> (Social Housing Promotion Fund)
GDP	Gross Domestic Product
GNI	Gross National Income
GO	Governance and Opportunity
GOJ	Governance, Opportunities, and Jobs
ICI	Investment, Competitiveness and Inclusion
IFC	International Finance Corporation
IMF	International Monetary Fund
ISR	Implementation Status and Results Report
KfW	Kreditanstalt für Wiederaufbau, Reconstruction Credit Institute
M&E	Monitoring and Evaluation
MDICI	Ministry of Development, Investment and International Cooperation
MENA TF	Middle East and North Africa Trust Fund
MoF	Ministry of Finance
NPL	Non-Performing Loans
PA	Prior Action
PDO	Program Development Objective
RRE	Resilience Recovery and Emergency
SME	Small and Medium Enterprises
SOE	State-Owned Enterprise
SOTUGAR	<i>Société Tunisienne de Garantie</i> (Tunisian Guarantee Company)
STB	<i>Société Tunisienne de Banque</i> (Tunisian Bank Company)
STEG	<i>Société Tunisienne d'Electricité et de Gaz</i> (Tunisian Gaz and Electricity Company)
TA	Technical Assistance
TIA	Tunisian Investment Authority
TTN	Tunisia Trade Net
UGPO	Unité de Gestion Par Objectifs

TUNISIA
Business Environment and Entrepreneurship Development Policy Loan

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A. BASIC INFORMATION

Country:	Tunisia	Program Name:	Tunisia Business Environment and Entrepreneurship DPL
Program ID:	P158111	L/C/TF Number(s):	IBRD-87610
ICR Date:	05/20/2020	ICR Type:	Core ICR
Financing Instrument:	DPL	Borrower:	GOVERNMENT OF TUNISIA
Original Total Commitment:	USD 500.00M	Disbursed Amount:	USD 537.36M
Revised Amount:	USD 500.00M		

Implementing Agencies:

Ministry of Development, Investment and International Cooperation

Cofinanciers and Other External Partners:

B. KEY DATES

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	06/06/2016	Effectiveness:	12/08/2016	08/16/2017
Appraisal:	04/27/2017	Restructuring(s):		
Approval:	06/13/2017	Mid-term Review:		
		Closing:	12/31/2018	12/31/2018

C. RATINGS SUMMARY

C.1 Performance Rating by ICR

Outcomes:	Moderately Unsatisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Moderately Unsatisfactory
Borrower Performance:	Moderately Unsatisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Bank	Ratings	Borrower	Ratings
Quality at Entry:	Moderately Unsatisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Moderately Satisfactory	Implementing Agency/Agencies:	Moderately Unsatisfactory
Overall Bank Performance:	Moderately Unsatisfactory	Overall Borrower Performance:	Moderately Unsatisfactory



C.3 Quality at Entry and Implementation Performance Indicators

Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Program at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Program at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Satisfactory		

D. SECTOR AND THEME CODES

	Original	Actual
Sector Code (as % of total Bank financing)		
Public Administration		
Central Government (Central Agencies)	38	38
Financial Sector		
Capital Markets	12	12
Banking Institutions	37	37
Industry, Trade and Services		
Trade	13	13
Theme Code (as % of total Bank financing)		
Economic Policy	13	13
Trade	13	13
Trade Logistics	13	13
Finance	38	38
Finance for Development	13	13
Housing Finance	13	13
Financial Infrastructure and Access	38	38
Credit Infrastructure	25	25
MSME Finance	13	13
Private Sector Development	38	38
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Investment and Business Climate	25	25
Regulation and Competition Policy	13	13
Public Private Partnerships	13	13
Public Sector Management	13	13
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E. BANK STAFF

Positions	At ICR	At Approval
Regional Vice President:	Ferid Belhaj	Hafez M. H. Ghanem
Country Director:	Jesko S. Hentschel	Marie Françoise Marie-Nelly
Practice Manager:	Eric Le Borgne	Eric Le Borgne (Acting)
Task Team Leader(s):		Abdoulaye Sy, Gabriel Sensenbrenner, Mohamed Hisham El-Shiaty
ICR Team Leader:	Dalia Al Kadi	
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F. RESULTS FRAMEWORK ANALYSIS**Program Development Objectives (from Project Appraisal Document)**

The program development objective is to help Tunisia (i) improve the business environment, and (ii) support entrepreneurship and deepen access to finance.

Revised Program Development Objectives (if any, as approved by original approving authority)

The PDOs were not revised.



(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Number of anti-competitive practices prevented or eliminated			
Value Quantitative or Qualitative)	3	6		2017-3 2018-11 Oct 2019-8
Date achieved	12/31/2016	12/31/2018		12/31/2018
Comments (incl. % achievement)	Achieved (see Annex 3 for details)			
Indicator 2 :	Publication and availability on the website of MDICI: (i) list of activities subject to investment entry authorization, deadlines, procedures, terms and conditions; (ii) draft report for consultations, final report on recommendations and concrete proposals			
Value Quantitative or Qualitative)	Not available	All information and documents are readily available on the website of MDICI		(i) List of 127 authorizations related to economic activities and 143 administrative authorizations published by decree no. 2018-417 dated 11 May 2018 but not on MDICI website, (ii) consultations took place, but no draft and final reports published
Date achieved	12/31/2016	12/31/2018		12/31/2018
Comments (incl. % achievement)	Partially achieved (see Annex 3 for details)			
Indicator 3 :	Share of investment projects for which a feasibility study, including a cost-benefit analysis, has been completed during the pre-investment phase			
Value Quantitative or Qualitative)	40 percent	80 percent		85 percent
Date achieved	12/31/2016	12/31/2018		12/31/2018
Comments (incl. % achievement)	Achieved (see Annex 3 for details)			
Indicator 4 :	Container dwell time			
Value Quantitative or Qualitative)	16.6 days	12 days		19 days
Date achieved	12/31/2016	12/31/2018		12/31/2018
Comments (incl. % achievement)	Not achieved (see Annex 3 for details)			



Indicator 5 :		Amount of seed and equity capital raised from investors		
Value Quantitative or Qualitative)	TND 200 million (average per year in 2012-2016)	TND 300 million (average per year in 2017-2018)		TND 469.5 million (average per year in 2017-2018)
Date achieved	12/31/2016	12/31/2018		12/31/2018
Comments (incl. % achievement)	Achieved (see Annex 3 for details)			
Indicator 6 :		Number of private credit bureaus licensed and operational		
Value Quantitative or Qualitative)	0	1		0
Date achieved	12/31/2016	12/31/2018		12/31/2018
Comments (incl. % achievement)	Not achieved (see Annex 3 for details)			
Indicator 7 :		Number of cases initiated under the new law on collective procedures		
Value Quantitative or Qualitative)	0 (Program Document) 85 cases (actual)	200 cases		163 cases
Date achieved	12/31/2016	12/31/2018		12/31/2018
Comments (incl. % achievement)	Not achieved (see Annex 3 for details)			
Indicator 8 :		Number of FOPROLOS loans		
Value Quantitative or Qualitative)	286 (average per year 2013-2015)	600		2016: about 290 loans 2017: 453 loans 2018: 385 loans
Date achieved	12/31/2015	12/31/2018		12/31/2018
Comments (incl. % achievement)	Not achieved (see Annex 3 for details)			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years

G. RATINGS OF PROJECT PERFORMANCE IN ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
ISR30842	22-Dec-2017	Moderately Satisfactory	Moderately Satisfactory	537.36
ISR35213	04-Jan-2019	Moderately Unsatisfactory	Moderately Satisfactory	537.36



H. RESTRUCTURING (IF ANY)

Not Applicable



1. Program Context, Development Objectives and Design

1. This Implementation Completion and Results Report (ICR) assesses the results of the Business Environment and Entrepreneurship Development Policy Loan (BEE DPL) to the Republic of Tunisia. This DPL was a standalone single-tranche operation in the amount of Euro 457.2 million (US\$500 million equivalent) and aimed at supporting key areas of reform in the Government of Tunisia's Five-Year Development Plan for 2016-2020. The DPL was conceived to help Tunisia (i) improve the business environment, and (ii) support entrepreneurship and deepen access to finance.

1.1 Context at Appraisal

2. **The DPL was appraised in spring 2017, six years after the 2011 revolution, and after what had proven to be a long and unstable period characterized by a successful political transition but weak economic growth.** The BEE DPL was the fifth in a series of successive DPLs since the 2011 revolution with the aim of supporting the country's economic and political transition in a challenging economic, social, and security context, and was designed as a bridge DPL between the previous Governance, Opportunities, and Jobs (GOJ) DPL series and another standalone program, Investment, Competitiveness and Inclusion (ICI) DPL. The political transition following the revolution led to the adoption of a new Constitution in early 2014, followed by presidential and parliamentary elections in late 2014. This successful political transition was in large part led by a robust civil society which was acknowledged by the Nobel Prize for Peace. It also led to greater transparency and accountability in public service. However, Tunisia's economic growth performance was weak and volatile between 2011 and 2016 and the implementation of economic reforms in the context of social and security instability was challenging. Recurrent social tensions, domestic security shocks, political and security instability including in neighboring Libya and Algeria have limited the growth. Political transition lasted longer (2011-2014) followed by recurrent political instability with 12 governments since the revolution with frequent cabinet reshuffles and changes of key ministers. Key economic reforms were therefore delayed, and investment both from private and public sources remained limited.

3. **Tunisia's deteriorating fiscal and external situation led to growing public and external debts and significant financing needs.** The authorities undertook countercyclical fiscal policies following the revolution including by expanding public sector hiring (raising the wage bill to 14.5 percent of GDP in 2016 against 10.7 percent in 2010) and increasing current spending. Monetary policy was also loosened. However, the impact of these policies on growth was limited and it averaged 2.5 percent during the 2012-16 period. Inflation was elevated (averaging 4.5 percent between 2012 and 2016) fueled by wage inflation, administered energy and food price increases, and persistent Dinar depreciation. As growth and exports weakened after the revolution, combined with a contraction of tourism receipts, especially after the 2015 terrorist attacks, the current account deficit shot up to 9.5 percent of GDP on average between 2012 and 2016 (compared to 4.8 in 2010), and reserves plummeted to 3.4 months of imports at end-2016 (against 4.4 months in 2010). The fiscal deficit (including grants) rose from an average of 1.8 percent of GDP in 2007-2010 to 5.7 percent of GDP on average during in 2012-2016, driven by wage bill growth and expanding subsidies and transfers during 2011-13. Slower GDP growth, which weakened tax collection, further expanded the fiscal deficit. From 2014 onwards, the Government started to implement fiscal measures to limit the growing current expenditure. Nevertheless, the debt-to-GDP ratio increased by about 23.1 percentage points between 2010 and 2016, reaching 62.3 percent



in 2016. Ratings at appraisal had remained broadly unchanged since the repeated downgrades of 2013, except for Fitch, which downgraded Tunisia from BB- to B+ in early February 2017, and Ratings and Investment Information (R&I), which downgraded Tunisia by a notch from BBB- to BB+ in December 2015. Tunisia had relied on external resources to cover both public and external financing needs. It also had been under successive IMF programs since 2013, but with mixed results and with the change in focus between the 2013 SBA program and the 2016 EFF (Extended Arrangement under the Extended Fund Facility) which focuses more on the fiscal expenditure management.

4. **The structural inability of the Tunisian economy to create enough jobs was accentuated in the post-revolution period by security events and political headwinds.** As a result, unemployment stagnated at a higher level of 15.6 percent in 2016 (compared to 13 percent in 2010) contradictory to the initial aspiration of the revolution which was precisely driven by high unemployment and exclusion of youth especially in the hinterlands. Regional disparities that were also considered among the causes of the revolution remained large.

5. **In this context, the Government adopted a Five-Year Development Plan for 2016-2020 focusing on "economic efficiency based on innovation and partnership, social inclusion and sustainable development" in April 2017, and the reform momentum picked up slightly.** The DPL was designed to support the second and third axes of the Plan, namely business climate and promotion of private investment, and financing of the economy, and to contribute indirectly to its first axis on better economic governance. In a more politically stable environment since fall 2015, the Parliament also approved several key legislations to support an improvement of the business environment, such as the Law on Access to Information, the Competition Law, the PPP Law, the Law governing the Central Bank, the Law on Collective Procedures, the Banking Law, and the new Investment Law. Some of these Laws were supported by the previous Governance, Opportunity and Jobs (GOJ) DPL series.

6. **The BEE DPL, as a stand-alone DPL, focused on implementation of these newly adopted legislations, allowing for new budget support at a critical time while consistently drawing lessons from the previous DPL series.** The DPL allowed the WB to continue to support Tunisia at a critical juncture in its post-revolution transition, especially in light of the political and economic aftermath of the 2015 terrorist attacks and the associated growth of its financing needs. It also served as an opportunity to continue and deepen some of the reforms that were started under the Bank's 2012-2015 GOJ DPL series. Finally, the DPL was one of the tools (alongside TAs and other support) used by the Bank to accompany Tunisia in its efforts to implement the newly adopted legislations outlined in the previous paragraph. Importantly, the Bank made a concerted effort in its design and implementation of the BEE DPL to learn from the lessons of the previous DPL series, which was noted as too ambitious given challenges around political feasibility and institutional capacity during the transition period.

7. **Reform progress was constrained by unstable governments, by lack of communication and consensus building around reforms in a politically and socially sensitive context, and strong vested interests against certain reforms.** The BEE DPL therefore systematically applied the political economy assessment in each of the reform areas in order to better understand the risks, potential mitigation measures, and conditions for successful implementation of the reforms. The program was informed by the 2015 Systematic Country Diagnostic (SCD) and sought to contribute to the pillar of the MENA strategy on renewing the social contract



and to pillar 1 of the Country Partnership Framework (CPF) on restoring an environment conducive to sustainable economic growth and private sector-led job creation.

1.2 Original Program Development Objectives (PDO) and Key Indicators

8. **The Program Development Objective (PDO) was to help Tunisia (i) improve the business environment, and (ii) support entrepreneurship and deepen access to finance.** The program comprised 8 prior actions, 4 for each of PDOs. Each reform had an associated indicator, with a total of 8 indicators as indicated in Table F on the Results Framework: (i) Number of anti-competitive practices prevented or eliminated; (ii) Publication and availability on the website of the MDICI of the following: a. the list of activities subject to investment entry authorization, the deadlines, procedures and the terms and conditions for their granting; b. the draft report for consultations as well as the final report on the recommendations and concrete proposals for streamlining investment entry authorizations; (iii) Share of investment projects for which a feasibility study, including a cost-benefit analysis, has been completed during the pre-investment phase; (iv) Container dwell time; (v) Amount of seed and equity capital raised from investors; (vi) Number of private credit bureaus licensed and operational; (vii) Number of cases initiated under the new law on collective procedures; (viii) Number of FOPROLOS loans.

1.3 Revised PDO and Key Indicators, and reasons/justification

9. The PDOs and indicators were not revised.

1.4 Original Policy Areas Supported by the Program

10. **The two policy areas specified in the Program Document were (i) improving the business environment; and (ii) supporting entrepreneurship and deepening access to finance.** The program was linked to Axis 2 and Axis 3 of the Government's Five-Year Plan, putting the private sector at the heart of the growth and jobs agenda, creating a level playing field for competition, and deepening financing for young firms and entrepreneurs. It also aimed to contribute to the goals of Axis 1 in terms of improving governance, transparency, and service delivery. The program's reforms implementation status is presented in section 2.1 with Annex 4, the achievements in section 3.2, and the PDO indicators are reported in Annex 3.

Policy Area 1. Improving the business environment

11. **The four implementing decrees of the new Competition Law:** The new Competition Law was adopted in 2015 and the reform supported under the DPL focused on the implementation of the Law through 4 of its implementing decrees. These decrees outlined (i) Procedures and modalities of obligatory consultations with the Competition Council on draft laws and decrees, in order to strengthen the Council's standing vis-à-vis sectoral regulators and line ministries and to more systematically embed competition principles in sectoral policies; (ii) Procedures for exempting agreements that are justified based on economic or technical progress and that are unlikely to restrict competition; (iii) Guidelines increasing the threshold for merger notification in order to reduce the transaction costs for both the private sector and the Competition Council for mergers that were unlikely to have anti-competitive effects on the market; and (iv) Leniency application procedures to enhance transparency of the leniency process and encourage cartel detection by granting immunity from fines to companies participating in cartel agreements that decide to cooperate with the Competition Council.

12. **The new Investment Law and its implementing decree (No. 2017-390) establishing the unit at MDICI responsible for streamlining investment entry authorizations:** The new Investment Law was adopted in 2016



with the following key changes: (i) a general investment framework that affirms the rights and guarantees to investors in a clear single text; (ii) separation between fiscal and financial incentives; (iii) adoption of the "silence is approval" principle, and the obligation to state in writing reasons for refusing authorization; (iv) improved foreign recruitment rules for expatriate managers; (v) the creation of the new investment authority and its special status designation; and (vi) clearer rules for market access. The reform focused on the implementation of the Law notably through a decree which creates the unit at MDICI in charge of setting clear rules for market access by establishing a list of activities subject to investment entry authorization, and designating the deadlines, procedures and the terms and conditions for their granting; and in charge of consultations resulting in the report on the recommendations and concrete proposals for streamlining investment entry authorizations. This reform aimed to improve the transparency and effectiveness of the investment framework, thereby encouraging local and foreign investment and improving competition.

13. **The decree (No. 2017-394) establishing a unified public investment management (PIM) framework for public investment projects (PIP) and public private partnership (PPP) projects:** In order to improve the efficiency and efficacy of capital expenditures in a context of a tight fiscal situation and a lack of fiscal space, and to effectively deliver the Government's Five-Year Development Plan for 2016-2020, the new unified PIM framework aimed at establishing a harmonized public investment decision process that covered the entire project cycle, from concept to pre-feasibility and feasibility studies, prioritization of capital investment (based on cost-benefit analysis and expenditure efficiency), financing modalities, continuous monitoring of the fiscal affordability of all projects, project execution, operation and ex-post evaluation.

14. **The Circular (No. 86, 2016) introducing the digitization of remaining port procedures:** The policy reform aimed to streamline trade and transport procedures from ship arrival to the exit of containers from the port in order to improve the business environment. This was to be achieved by clarifying the roles and responsibilities of all operators connected to the Tunisia Trade Net (TTN) platform and enhancing the flow of information into TTN by (1) making the electronic notice of arrival of merchandise mandatory rather than optional; and (2) specifying the information to be included in the advance cargo manifest for faster identification of the owners of containers by customs and port authorities. The reform was expected to reduce the dwell time of containers at the port, freeing space and reducing congestion and hovering costs.

Policy Area 2. Supporting entrepreneurship and deepening access to finance

15. **The draft Code for Seed and Equity Capital (Code des Organismes d'Investissement Collectif):** the draft Code was adopted by the Government and transmitted to Parliament on May 2, 2017 as a prior action of the program. The Code, once adopted by Parliament, was to provide a nimbler framework for Seed and Equity Capital. It aimed to reduce the regulatory burden on sophisticated investors, ensure protection of other investors, and introduce new financial instruments and corporate forms that have become standard in the international practice of seed and equity finance for SMEs and start-ups. This was also to increase access to equity capital to entrepreneurs in Tunisia's knowledge economy, thereby supporting the development of this sector and its creation of jobs.

16. **The draft Law on Credit Bureaus:** the Government adopted and transmitted to the Parliament the draft Law on credit bureaus on February 27, 2017. The Law was to allow credit bureaus to operate legally in Tunisia as the framework provided by the 2004 Law on Protection of Personal Data appeared insufficient. The draft Law directs the Central Bank of Tunisia (BCT) to develop implementing regulations that set minimum



requirements and obligations for credit bureaus including around the protection of confidential data. The BCT was expected to issue at least one license to operate a credit bureau by end-2018. The reform aimed to enhance access to credit for SMEs (including women) and the self-employed, as well as to encourage access to housing loans for low-income populations. For established borrowers, credit bureau information would lead to less demanding loan terms.

17. **The Law of Collective Procedures:** The Parliament adopted the Law and it was published on May 10, 2016 as a prior action. Prior to the reform, Tunisia’s bankruptcy regime was outdated and fragmented, with two different laws dealing with restructuring and bankruptcy, thereby creating duplicate and cumbersome processes for both business restructuring and exit and leaving a marginal role to creditors. The new Law was meant to (i) improve efficiency and flexibility through simplified and impartial bankruptcy procedures, and (ii) create a culture of business restructuring, through reduced emphasis on bankruptcy as a crime, giving creditors new money privileges (with a cap on state privilege), encouraging them to restructure viable businesses, and modifying judicial settlement provisions to encourage entrepreneurship while sanctioning bad faith debtors. The new Law was expected to improve the NPL ratio of the banking sector, increase confidence of creditors in SMEs and entrepreneurs, and decriminalize bankruptcy. It also aimed to facilitate exit of unviable borrowers and entry of entrepreneurs.

18. **The decree (No.2016-1126) revising the eligibility criteria of the Social Housing Promotion Fund (FOPROLOS, Fonds de Promotion du Logement pour les Salariés)** was published on August 30, 2016. Only 4 percent of households have a housing loan and banks are reluctant to lend to low-income or non-salaried borrowers. FOPROLOS helps to address this challenge by providing mortgages to salaried workers who earn less than 4.5 times the minimum wage. Despite its notional cash-on-hand of TND 600 million in 2015, FOPROLOS lent out only TND 13 million to 303 households, reflecting out-of-date eligibility criteria, limited distribution by the Banque de l’Habitat (BH, Housing Bank), centralized decision making at the Ministry of Housing, limited room for BH to restructure distressed loans (resulting in 25 percent NPLs), and an absence of leveraging of BH’s own resources to expand FOPROLOS resources.

1.5 Revised Policy Areas

Not Applicable.

1.6 Other significant changes

Not Applicable.

2. Key Factors Affecting Implementation and Outcomes

2.1 Program Performance

19. **All prior actions under the DPL were fulfilled prior to approval of the operation by the Board of Directors. However, only 3 indicators (Prior actions (PA) #1-3) achieved their targets (including partially achieved indicator 2).** Two reforms were not adopted (PA#5 and PA#6) and three (PA#4, PA#7 and PA#8) are experiencing delays. As shown in the table 2, the BEE DPL was supported by large complementary TAs and projects. However, the reform that was the most successfully implemented (PA#3) is the one with a dedicated



WB TA that included significant support for the operationalization phase (as opposed to drafting a legislation or TA in the same area but not for the same reform). While the policy reforms implementation had mixed results, the BEE DPL contributed to improving the broad business environment of the country, with key complementary reforms adopted by the Government in the same direction, including through a follow-up DPL and complementary projects, such as the adoption of Horizontal law that included some key measures of the planned reform (but not sufficient) or the adoption of law on public banks which largely contributed to reduce the NPLs in the banking sector. The program also allowed the Bank to continue its ongoing policy dialogue with the authorities around business environment improvements, expand its support to PIM reform, and develop follow-on engagements including the ICI DPL and a variety of TAs and projects. Annex 4 provides a detailed account of the program performance in terms of implementation of reforms after the adoption of PAs.

2.2 Major Factors Affecting Implementation

20. **Adequacy of the Government's commitment:** The Government was committed to implementing certain reforms supported by the DPL. However, in the case of PA#5 and PA#6, there seems to have been a divergence in the priorities of the executive and legislative branches of Government which resulted in those draft laws not being approved by Parliament to date. Similarly, PA#2's mix results are attributable to limited buy-in from the Government and related administrations. Further, there was no single entity with oversight of all the reforms supported by the DPL. The MDICI, which is the implementation agency of the WB DPLs, played its traditional role as the Bank's institutional counterpart but without a clear cross-governmental leadership or coordination role nor the capacity to resolve bottlenecks when reforms involved other ministries (as is the case for many multi-sector DPLs). This issue, which was raised in previous DPLs, persists. While the BEE DPL program document planned the Prime Minister's office and the MoF to be involved in the monitoring of the program design and implementation, there was no single entity that had an overall oversight of the reform implementation. For some of the reforms that included multiple Government stakeholders, there was no operational mechanism to ensure ongoing monitoring and evaluation of progress and timely resolution of issues by senior policymakers.

21. **Soundness of the background analysis:** The program was built on an impressive body of analysis and TA from the Bank (as presented in Table 4 of the DPL program document), which was initiated to support Tunisia during the post-revolution transition. It also benefited from the knowledge and experience of the WBG team during the previous programmatic GOJ DPL series (1-3) and related TAs. Moreover, drawing on reform implementation difficulties in the volatile political context of the previous DPLs, the program preparation systematically assessed the political economy risks for each of the program reforms and worked on mitigation measures during the preparation stage.

22. Assessment of the operation's design:

- The DPL was built as a bridge DPL between the previous series and the next DPL, in the continuity of the reforms initiated since the revolution. It is based on broad Bank engagement with strong linkages to other Bank operations, TAs and projects. It was conceived as a bridge DPL between the previous GOJ DPL series (2012-2016) and the 2018 Investment, Competitiveness and Inclusion (ICI) DPL (Table 1). The program focused on advancing the reforms implementation initiated during the transition period which were supported by the GOJ DPL series, and on engaging key new reforms associated with the economic and social objectives of the new Government, notably the need to further support entrepreneurship. This continuity of Bank support to



the same reform areas helped to consolidate the achievements of previous operations and move them to the next stage in a consistent way, by expanding complementary TAs and projects around the core reforms since 2011 (table 1). For instance, critical synergy of the program of the BEE DPL with some projects helped to continuously push forward next stage of the reform, such as Tunisia Innovative startup and SME project (approved in June 2019) which was prepared following the BEE DPL and which contributed to the adoption of the Horizontal law, while Export Development Project 3 (2014-2020) gradually expands the digitalization of the port procedures and trade logistics reforms. Moreover, the first Resilience and Recovery Emergency DPL approved by the Board in June 2019 continues to expand some of the BEE DPL reforms, such as PA#4 on supply chain during the COVID19 pandemic, digitalization of trade formalities, logistic organization of containers in the port of Rades, or PA#8 on write off of public banks.

- However, the value added of the operation was diluted, reflecting rather pressing budget needs. While the continuity and complementarity were critical to support long and complex reforms, the BEE DPL in itself provided limited leverage, such as adoption of dropped triggers from previous series with limited actual reform implementation.
- The BEE DPL was designed by seeking complementarity with Bank TAs and projects (Table 2), but only one TA was specifically designed to support the actual operationalization phase (PA#3). This could explain in part its successful implementation, while other TAs for instance supported drafting of legislation or activities in the same area but not the actual implementation phase of the BEE DPL reform.
- The program was jointly prepared with the IFC. One of the 3 TTLs was from the IFC, which resulted in a close link to IFC activities, notably its TAs on competition (PA#1), investment framework (PA#2), credit bureau (PA#6) and bankruptcy legislation (PA#7). The IFC participated in the two supervision missions of the program.
- Many of the lessons drawn from the previous DPL series were taken into account in the design of the BEE DPL including ensuring streamlining and selectivity in terms of number of reforms covered, and structuring the program based on previous DPL pillars and complementary Advisory Services and Analytics (all PAs), in addition to catalyzing upstream consensus around critical reform principles that future operations can support (PA#2-4). Most result indicators had a clear baseline and were measurable. Contrary to fast-track experiences of the previous operations, the program was carefully prepared, with a 1-year preparation period (between Concept review to Board approval).
- Drawing on reform implementation difficulties in the volatile political context of the previous DPLs, the BEE DPL preparation systematically assessed the political economy risks for each of the program reforms and worked on mitigation measures during the preparation stage. While the political economy assessment identified the risks, actual feasibility of the mitigation measures was not realistic and implemented. These risks could have been better mitigated through for instance more focused WBG TAs specifically dedicated to the implementation of the policy measures (as was done for PA#3) and larger communication notably with the key stakeholders. It also lacked clear mechanisms for leadership and cross-governmental coordination by the authorities, particularly for politically sensitive reforms which involved several ministries and administrations (e.g. PA#2, PA#4).



Table 1 – Links between DPLs

Prior actions	Links between DPLs
<i>PDO 1. Improving the business environment</i>	
PA#1	Issuance of the implementation decrees of the Competition Law was a follow-up measure to the Competition Law adopted in 2016, which was a dropped indicative trigger of the GOJ series (postponed from GOJ-2 to GOJ-3 and dropped from the GOJ-3).
PA#2	The PA, the new Investment Law was a dropped trigger of the GOJ series (postponed from GOJ-2 to GOJ-3 and dropped from the GOJ-3). The PA included also its implementation decree. The streamlining of formalities was initiated under the GO DPL in 2011, then followed by the GOJ DPL series, both with mixed results. The publication of authorization list which was the BEE DPL’s result indicator is a prior action for the 2018 ICI DPL (decree n°2018-417). The simplification of the 27 authorizations that were eliminated by the decree is part of the BEE DPL reform.
PA#3	This PA focuses on efficiency of PIM, following implementation of public procurement reform in GOJ series and which was initiated by the GO DPL. The ICI DPL in turn made mandatory the use of e-procurement introduced in the GOJ series.
PA#4	Following the digitalization of remaining port procedures with this PA, a prior action in the ICI DPL made mandatory the digitization of all export and import procedures and the connection of all institutional stakeholders involved in trade to the Tunisia Trade Net platform by the end of 2018 (Decision of the Higher Council for Export dated January 4, 2018). The first resilience and recovery emergency DPL adopted in June 2020 expands the reform for critical supply chain during the COVID19 pandemic, digitalization of trade formalities, logistic organization of containers in the port of Rades.
<i>PDO 2. Supporting Entrepreneurship and Deepening Access to Finance</i>	
PA#5	The ICI DPL’s 2 prior actions, on draft Law on Secured Transactions on the collaterals and on improvement of the financial products offered by the SME Credit Guarantee Fund through SOTUGAR, are consistent with the BEE DPLs attempted reform on the draft Code on Seed and Equity Capital, both to increase access to finance for SMEs.
PA#6	Introduction of credit bureau followed the introduction of stricter prudential regulation and the portfolio cleanup through better governance and management of the public banks in GOJ series, reforms introduced in the post-revolution GO DPL.
PA#7	The new Bankruptcy Law was a dropped trigger of the GOJ series (postponed from GOJ-2 to GOJ-3 and dropped from the GOJ-3). It followed the introduction of stricter prudential regulation and the portfolio cleanup through better governance and management of the public banks in GOJ series, reforms introduced in the post-revolution GO DPL.
PA#8	No direct link to previous or next DPL, but indirect link to the first Resilience and Recovery Emergency DPL adopted in June 2020 (write off of public banks).



Table 2 – World Bank supports to reforms implementation

Reforms	World Bank Support
<i>PDO 1. Improving the business environment</i>	
PA#1	IFC TA Investment climate reform project (2012-2018) followed the Competition Council practices regarding the new Competition Law (no direct support)
PA#2	IFC TA Investment climate reform project (2012-2018) on Investment Law, its 4 implementation decrees, simplification of business formalities
PA#3	A WB TA on PIM tool TARTIB (2017-2018, a second phase of the TA was approved in 2019 to be implemented in 2020)
PA#4	Export Development Project 3 (2014-2020) subcomponents 1.1 on Support for the restructuring and modernization of customs and subcomponents 1.2 on Improvement of trade logistics
<i>PDO 2. Supporting Entrepreneurship and Deepening Access to Finance</i>	
PA#5	<ul style="list-style-type: none"> • Financial Sector Modernization Program – TA (2015-2019) on the drafting of the Code for Seed and Equity Capital • Innovative Startups and SME project (approved in June 2019)
PA#6	<ul style="list-style-type: none"> • Financial Sector Modernization Program – TA (2015-2019) to the BCT on drafting of the BCT Circulars on accreditation and supervision of the credit bureaus.
PA#7	<ul style="list-style-type: none"> • Tunisia Debt Resolution and Business Exit – IFC TA • WB leveraged the TA support provided by EBRD
PA#8	<ul style="list-style-type: none"> • Financial Sector Modernization Program - TA (2015-2019) component on affordable housing • MENA Regional Affordable Housing TA Project (2015-2021) – Diagnosis, FOPROLOS and guarantee fund

23. **Relevance of risks identified and effectiveness of mitigation measures:** The overall risk was rated high in the program document, based on the Bank’s Systematic Risk Assessment Tool (SORT). The risks were correctly identified. Several risks materialized despite the mitigation measures identified in the program document.

- Political and governance risk was rated high and correctly identified. Although the political context was relatively stable compared to the post-revolution transition period, with one Government in place during the period, there were two Government reshuffles in September 2017 and in November 2018, and a frequent change of Ministers including for key portfolios (8 changes in minister positions), reflecting a challenging political environment and a tense social and economic situation. The program preparation systematically identified and assessed political economy risks for each of the reforms with potential mitigation measures, which were not successfully implemented when the risks materialized (PA#2-6).
- Macroeconomic risk was rated high and the risk materialized. With 1.8 percent in 2017 and 2.5 percent in 2018, actual growth was below projections. All macroeconomic aggregates underperformed, except the fiscal balance which improved significantly, from 6.1 percent in 2016 to 4.8 percent in 2018 (excluding grants, privatization proceeds, and confiscated assets); nevertheless, public debt has continued to increase to reach 77 percent of GDP in 2018. The current account deficit has remained wide, at 10.2 and 11.2 percent of GDP in 2017 and 2018 respectively. As a result, forex reserves dropped below the critical threshold of 3 months of import, to 2.8 months in 2018. Inflation reached 7.8 percent (average) in 2018 against 3.6 percent in 2016, driven by dinar depreciation, wage hikes, credit growth and higher energy prices and unemployment remained elevated (15.4 percent in 2018). Consequently, Tunisia faced a tense social environment, which



made key macroeconomic reforms difficult to implement (notably reducing the wage bill and increasing energy prices). As a result, the country's performance on the IMF Extended Fund Facility deteriorated in 2018.

- **Institutional capacity for implementation and sustainability risk** was rated substantial. The first risk regarding the busy Parliament schedule and difficulty to pass sensitive reforms within a divided Parliament materialized (PA#5-6 not adopted). The second risk related to the challenge of coordinating various ministries and agencies for a multi-sector DPL reform also materialized, since the MDICI does not have a clear mandate nor the capacity to coordinate reform implementation by other ministries. The third risk on the actual implementation of the adopted reforms and the buy-in of the bureaucracy was also significant. For instance, the most successfully implemented reform (PA#3) had a dedicated Bank TA designed to specifically support the actual implementation of the reform.
- **Stakeholders risk** was rated high as the Tunisian Government counts on consensual decision-making in order to maintain the social peace, which means reforms take time and are often gradual. A lack of sufficient commitment of key stakeholders from the preparation stage led to slow implementation such as PA#4 which is facing implementation difficulty with a key counterpart (customs), and PA#6 which was led by the MoF with some divergence of view by the BCT.
- **Other (security related) risk** was rated substantial due to security concerns since the 2015 terrorist attack, and materialized in terror incidents in 2018¹. Its impact on tourism this time remained limited, with tourism receipts recovering in 2018. The Government maintained a high security-related budget.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

24. **M&E Design**: **The results indicators were mostly relevant but some could not effectively capture impacts in time.** The results framework focused on a limited number of key indicators, with 1 indicator for each PA reform (except PA#2) and most of them captured the achievements towards the PDO, with a clear baseline and available data. However, indicator 3 was not easily measurable, because of unclear definition of the indicator². Moreover, while indicator 5 reached the target, it is not attributable to the reform since the reform was not adopted. With only 3 result indicators achieved (including one partially achieved), some were overambitious relatively to the complexity or sensitivity of the reform in the country context (indicator #2, #4, #6, #7, #8), while others might have had better results if more appropriate indicators were chosen. For instance, while relevant as available and measurable indicator, dwell time in port (PA#4) is not directly related to the PA itself, which makes the achievement of the result indicator difficult. Similarly, number of cases initiated under the new law on collective procedures (PA#5) does not capture sufficiently its impacts, since it takes time to translate into actual court cases and the courts are not equipped with the tools to capture all the data needed to prove impact (for example: return to creditors, value saved by restructuring, etc.).

¹ On July 8, 2018, security forces near Algerian border were attacked with casualties. On October 29th, a bomb in central Tunis injured 15 security personnel and 56 civilians.

² At completion, the share of investment projects for which a feasibility study was conducted reached 100% of the projects submitted by the CNAPP to the Government; this is estimated to be approximately 85% of total projects (as projects assessed by the CNAPP did not include large local investment projects). The definition of the indicator was unclear if the indicator's denominator was the total projects at national level, or the projects submitted by the CNAPP, and if the percentage was in amount or in number of projects (it was confirmed that it is in number of projects).



25. **M&E Implementation and Utilization: Both supervision missions collected result indicators, but no effective government mechanisms were in place to systematically collect and analyze the results indicators.** The supervision mission in November 2017 (5 months after program approval) collected data on 4 out of 8 indicators (indicators 2, 4, 6, 8) and the supervision mission in November 2018 collected data on all 8 indicators. At the time of the ICR however, there was no central entity monitoring or collecting data on these indicators; instead each Ministry and agencies provided information when requested.

2.4 Follow-up Operation

26. **The BEE DPL was designed as a bridge DPL between the GOJ series and the Investment, Competitiveness and Inclusion DPL (ICI DPL)** (as mentioned in section 2.2) which highlights the WB's efforts to stay the course of reforms. A follow-up and stand-alone ICI DPL of US\$500 million was approved in May 2018, almost a year after the approval of the BEE DPL. The ICI DPL focused on 3 pillars, namely: (i) removing barriers to investment, trade and entrepreneurship, (ii) moving towards a more efficient, sustainable and inclusive energy sector, and (iii) promoting greater economic and social inclusion. The first pillar of the ICI-DPL followed up on and deepened the reforms under the business environment pillar of the BEE DPL. PA#1 of the ICI DPL was part of the result indicator for PA#2 of the BEE DPL (decree n°2018-417 which published the financial incentive list), and its result indicator monitored actual reform implementation (number of investment entry authorizations eliminated or simplified). Similarly, the PA#2 reform of the ICI DPL was a natural continuation of the BEE DPL's PA#4, as it extended the digitalization of port procedures to include all export and import procedures. In addition to these two reforms that are directly linked to the BEE DPL, the ICI DPL is also closely associated to PA#3 of the BEE DPL (moving from PIM to e-procurement), and to PA#5-7 of the BEE DPL through its measures on SME access to finance (PA#4-5). Moreover, the Bank has continued to support policies to leverage more private participation in the PPP projects, particularly in infrastructure in subsequent operations (2018 DPL, 2020 DPL, Energy operation). The first Resilience and Recovery Emergency DPL approved in June 2020 complemented some of the BEE DPL reforms, such as PA#4 on supply chain during the COVID19 pandemic, digitalization of trade formalities, logistic organization of containers in the port of Rades, or PA#8 on write off of public banks.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

Relevance of Objectives --- *Rating: High*

27. **The program objectives were highly relevant and were fully informed by the SCD and aligned to the CPF objectives.** Program objectives were based on the findings of the Systematic Country Diagnostic (SCD) that identified the following opportunities for the country: (i) Sustain reforms of the business environment to stimulate productive investment and prevent elite capture in the future; (ii) Develop and implement a national financial sector strategy to increase economic opportunities; (iii) Design and implement policies to stimulate growth and job creation in sectors where Tunisia holds a strategic advantage; (iv) Use the social dialogue to catalyze the adoption and implementation of more effective social assistance policies and that will improve the equity and efficiency of social assistance programs; (v) Decentralize as a gateway to increase and equalize opportunities. All BEE DPL reforms tackled these challenges by aiming to improve the business environment, competition, regulations, financial sector health, SME access to finance, and broader housing loans coverage.



The program objectives were also aligned to the CPF 2016-2020, in particular to its first pillar by improving the enabling environment for private sector competitiveness (CPF objective 1.2) and its third pillar on promoting increased social inclusion. The BEE DPL was also consistent with the pillar of the MENA strategy on renewing the social contract. The program objectives were aligned with the Government's five-year Development Plan 2016-2020 aiming at economic efficiency based on innovation and partnership, social inclusion and sustainable development and which contained 3 key objectives: (i) better economic governance, (ii) business climate and promotion of private investment, and (iii) financing of the economy, which are also covered by the program. Despite some changes in the Government, these objectives remain a high priority for the current Government.

28. **The program objectives were also strategically relevant and timely.** Many of the program reforms aimed at the operationalization of new key Laws (new competition law for PA#1, new investment law for PA#2, code for seed and equity capital for PA#5, organic law on credit bureau for PA#6, new law of collective procedures for PA#7), which are also the achievements of previous DPLs. In these cases, the timing is critical to avoid any legal confusion. In particular, the new investment law was coupled with the harmonization of tax system, notably the dismantling of existing special regimes that benefited from generous incentives and exemptions package. These particular regimes ended at end-2018, including large offshore regime (exporting sector) and regional development zones (high unemployment area), while new lower tax rates were introduced to cover these activities. Establishing the list of investment authorization, as well as the list of financial and tax incentives, were therefore urgent.

Relevance of Design --- *Rating: Modest*

29. **The continuity and complementarity of reforms with other operations are the strength of the WBG engagement in Tunisia, but BEE DPL in itself did not provide enough leverage for reform, reflecting rather pressing budget needs.** The BEE DPL, conceived as a bridge DPL between the previous DPL series (GOJ) and the next stand-alone DPL (ICI-DPL), also sought complementarity with other WBG TAs and projects (sections 2.2 and 2.4). Key legislations in the program (Competition Law (PA#1), Investment Law (PA#2), and Bankruptcy Law (PA#7)) were dropped triggers from the GOJ series, initially planned for 2013. The consistent continuity of the Bank to pursue the same objectives and similar reform is key to the Bank's engagement in Tunisia where reforms are generally gradual and consensual. Nevertheless, although they included their implementation decrees (PA#1 and PA#2) or publication (PA#7) to guarantee their effectiveness, the reform were not as impactful as expected, due notably to lack of Government commitment in some reforms and limited TA support for the actual implementation stage of the reform (as opposed to TAs in same area or drafting legislation). Other reforms that were follow-ons of previous reforms also continued to face similar implementation difficulties as in the previous DPLs (PA#2, PA#4, PA#5-7). It can be questioned if a programmatic approach with triggers would have resulted in greater leverage to reform implementation³ and if there could have been a better trade-off in providing additional TAs or projects in areas where the DPL alone did not have enough leverage.

30. **The results framework was mostly relevant but not sufficient to capture impacts in time.** The causal chain was clear, with most indicators directly linked to the PDOs, although some did not properly reflect the impacts (section 2.3). Exogenous factors were identified through a systematic political economy assessment

³ Key argument against a programmatic approach was the Tunisia's closeness to prudential limit and the political instability and high turnover of government since the preparation stage of the BEE DPL.



for each of the reform objectives which was carried out during the preparation stage, and which analyzed binding constraints, stakeholders' interests, and risks and mitigation. However, indicator 3 was not easily measurable, indicator 5 value was independent to the reform adoption, some others (indicator #2, #4, #6, #7, #8) were overambitious relative to the complexity or sensitivity of the reform in the country context, while others might have had better results if more appropriate indicators were chosen.

Relevance of Implementation Arrangements --- *Rating: Modest*

31. **While the implementation agency MDICI played well its traditional role as the Bank's institutional counterpart and managed the reform under its direct authority but lacked an intersectoral coordination mandate and capacity.** It coordinated the delivery of PA's before the program approval. However, after disbursement, and as often occurs with multisectoral DPLs, there was no single entity coordinating and maintaining oversight of all the reforms covered by the program. As a result, it was up to each ministry and agency to implement (or not) the relevant reforms. Reforms that exhibited the most progress were mainly those that were closely associated with other Bank operations (PA#3-4).

3.2 Achievement of Program Development Objectives⁴

PDO 1. Improving the business environment --- *Rating: Substantial*

32. **PA#1- The objective of starting to implement the new Competition Law (a dropped trigger from the previous DPL series) was achieved by effectively implementing the four decrees and by exceeding the results indicator target. However, this has not translated into a significant impacts on the business environment.** While past Bank analytical work clearly identified competition as a key structural challenge in the Tunisian context, thereby justifying the inclusion of a prior action in this area, it is not apparent that the reform supported by the prior action was in fact broad or deep enough to tackle key gaps hindering market efficiency and private sector development. The dual institutional framework responsible for antitrust enforcement (Competition Council/Ministry of Commerce) which was described in the program document of the BEE DPL persists, with the Ministry retaining broad discretionary power. The Council seems to have limited resources, with much of its workforce 'borrowed' from the Ministry of Commerce. It relies on the Ministry of Commerce to identify draft laws with potential competition implications and to refer them to it so it can provide its obligatory consultation on the laws. While the Council provides its opinion on exempting agreements, it is the Ministry of Commerce that takes the final decision on whether exempting agreements should be issued. The Ministry of Commerce continues to provide its own opinions on competition issues to the Government, potentially hindering the independence of the Council. Nevertheless, delays in responding to notices (which took up to several years) are being reduced gradually since the adoption of the Law and its decrees.

33. **PA#2- Tunisia has taken a significant step forward through its adoption of the new Investment Law, its listing of investment entry authorizations and separate listing of financial and tax incentives.** A list of 127 investment entry authorizations and 143 administrative authorizations was published and 27 of the investment entry authorizations were eliminated. However, lack of legal specifications (only 4 specifications published so far for 20 of the eliminated authorizations which need to be replaced by legal specifications) in the area authorizations were removed led to a regulatory vacuum which harms potential investments. Moreover,

⁴ See Table 1 for the details of reforms progresses.



combined with the complementary reform outside the DPL on financial and tax incentives, these reforms were part of the critical change in Tunisian production structure (the generous tax and incentives schemes associated with special regimes⁵ officially ended at end-2018) which also shows urgency in completing the reform. Key challenges to be addressed are around improving cross-governmental coordination, empowering the unit charged with streamlining authorizations, and enhancing ownership and buy-in across the Government and society.

34. **Despite the underlying objective of streamlining the highly administrated Tunisian economy, the program indirectly contributed to increasing its complexity** by creating a new investment agency (TIA, despite the existence of 4 investment promotion agencies). The process also contributed to create a new investment fund whose role remains unclear, especially in the context of many existing public investment support funds. While the Bank support mainly focused on the investment authorizations, it should have also ensured the policy coherence of institutional arrangements of the newly adopted investment law (which the Bank supported the drafting). The formulation of the PA#2 in the program document seems to have supported the implementation of the investment law, however the Bank actually supported through BEE DPL only the establishment of the list of authorizations, and not other parts of the law, including implementation arrangements which for instance created Tunisia Investment Agency (TIA). TIA is created for large investment, but its role remains unclear relatively to 4 existing investment promotion agencies (APII, APIA, FIPA, CEPEX), which added the complexity to already confusing institutional background for investors.

35. **The Business formalities streamlining has continued to have mix results since 2011.** This reform is in the continuity of the business formalities streamlining reform (PA#2 in this DPL) which was launched in the aftermath of the revolution (see table 1), through the “guillotine” method (so called because it aimed to eliminate and simplify regulations in a short term of period and in a systematic way). While the business formalities and investment authorization reform has remained the focus of the Banks’ DPLs with its structural importance, it has continued to have mix results due to limited buy-in from the administrations. The reform ownership was questionable since the 2011 reform, and the interest from administrations faded with time. The second result indicator that focused on consultation should have contributed to improve administrations involvement if it was adequately organized.

36. **PA#3- In 2018, A unified public investment management framework for public investment projects (PIP) and public private partnership (PPP) projects was fully implemented for the preparation of the 2019 Budget Law.** The framework covers appraisal, selection and prioritization, financing modalities and continuous monitoring of all investment projects. The decree adopted by PA#3 put in place a unified framework with systematic and standardized projects screening, through TARTIB, a tool developed by a dedicated WB TA which resulted in clear and harmonized projects selection criteria including (i) economic, regional, social, and environmental sustainability, (ii) budget and cost-based analysis, efficiency, as well as (iii) quality assurance mechanisms, and project maturity. The decree created the CNAPP which is composed of key stakeholders (including large ministries, MDICI, MoF, IGPPP, IGSP) and is responsible for screening projects according to the criteria mentioned above. Selected projects are moved into the pipeline project list which is submitted to the Government. As of end-2018, 100 percent of projects submitted by the CNAPP to the Government for consideration during the budget law preparation comprised a feasibility study, including a cost-benefit analysis; this is estimated to be approximately 85% of total projects (as projects assessed by the CNAPP did not include

⁵ For instance, more than 70 percent of export was usually attributed to offshore sector.



large local investment projects). The result indicator is therefore achieved (over the target of 80 percent). Training is being provided to Government stakeholders through the TA. The second phase of the TA was approved in 2019 and may include trainings for regional and local government stakeholders in 2020.

- **PA#4- Despite progress in digitalization of port procedures, dwell time in ports (result indicator) remains high.** The processing of imported merchandise at the Port of Rades (which accounts for 79 percent of containers merchandises) is 90% digitalized, and many processes are also being digitalized in other ports. However, reform progress has been hindered by challenges with cross-governmental coordination. There is weak coordination within the Government over the implementation of this reform. This has resulted in different speeds of digitalization by Government entities that control the various steps of the port procedures. It has also led to difficulties in addressing interlinked issues in the digitization process: for instance, if a transport issue is addressed without addressing a related customs issue, no real impact is achieved. This institutional coordination challenge has been exacerbated by Government changes which have led to multiple changes in Ministers, Director General's, and technical teams overseeing the reforms. The persisting paper-based conduct of some steps of the port procedures also creates a disincentive against adherence to the digital process by some trade agents; others lack access to the TTN platform. In November 2019, TTN was in the process of testing a website that would provide alternative access to the platform. Port congestion remains a major issue. Consequently, and despite increased digitalization, dwell time in ports remains high and has even increased from 16.6 days to 19 days in 2018 (compared to a target of 12 days), in part due to additional security checks implemented in light of heightened security risks. However, merchandise trade with the EU, which represents the largest share of the port's activities, uses rolling units which currently have an average 4-day processing time. The average dwell time is expected to improve following the launch of the TOS and SMART Gate at the port of Rades in December 2019 (funded by the WB Export Development Project). Moreover, the first Resilience and Recovery Emergency DPL in June 2020 pursue the same objective of reducing dwell time and port transaction cost.

PDO 2. Supporting entrepreneurship and deepening access to finance --- Rating: Modest

37. **PA#5- The draft Code for Seed and Equity Capital has not been adopted by the Parliament**, reportedly due to the busy Parliament schedule but potentially also due to a lack of commitment by the Government to adopt the Code following the adoption of the Horizontal Law by Parliament in May 2019. The Horizontal Law consisted of a package of emergency economic measures that modified 24 laws relating to the business environment, to ensure their adoption in the context of a busy Parliament pipeline. The Horizontal Law included some of the critical provisions of the draft Code for Seed and Equity Capital notably introduction of funds in foreign currency and funds with compartments (allowing the creation of specialized funds – such as ones linked to tax incentives – within the same fund). This represents a key step forward for the financing of startups. The fund with compartments was a condition of the WB Innovative startup and SME project approved in June 2019 in which an “Anava fund of funds for innovative startups” was to be financed. The recently adopted Startup Act also introduced these provisions and some additional measures to promote startups in Tunisia. However, other key measures planned in the draft Code were not included in the Horizontal Law, such as protection for non-sophisticated investors (households) or stricter supervision by the CMF, which may be taken up in the wholesale reform of Tunisia's financial market code, as well as amendments of the Corporate Code to allow for less expensive forms of company incorporation and for new financial contracts such as stock options, preferred shares and convertibles notes. These measures would have helped to facilitate equity



finance, as the current system is rather based on SICAR (bank-managed investment products enhanced by tax incentives), instead of specialized management of equity funds. The draft Code was also to provide a coherent framework for SICAR and OPCVM (UCITS) which are currently under separate regulation. There might have been some reluctance from the MoF (due to these measures' strengthening of the CMF) and from some SICAR banks (against stricter discipline). In addition, two key complementary measures were adopted for SME financing mechanisms: (i) a regulation was adopted in August 2019 to facilitate SME access to financing through capital markets, and (ii) rules were relaxed for alternative market, and companies (total 13) listed on this market will be moved up to a lower compartment of the main market with a 1-year observance period which liberates space for new investments on the alternative market.

38. **The significant increase in the result indicator for PA#5 is not attributable to the reform, which was not adopted.** The amount of private equity increased from TND304 million in 2016 (an amount that was already above the target amount of TND 300 million) to TND453 million in 2018 (TND469.5 million on average in 2017-2018), well exceeding the target. This increase took place without the adoption of the Code for Seed and Equity Capital and is thus not attributable to the reform. The increase may be related to the tax incentives for equity investments in lagging regions, as 70 percent of the amount raised were for such projects.

39. **PA#6- The draft Law on Credit Bureau has not been adopted by the Parliament,** partially due to the busy Parliament schedule, but partially due to reluctance from key stakeholders including the existing private credit bureau, and the BCT. The private credit bureau was established in 2009, but the major banks are unwilling to share their credit data without a clearer legal framework.⁶ In addition, the draft Law preparation process did not sufficiently engage the BCT, and the draft as it stands creates an additional burden to the BCT which already has its own operational credit registry (Centrale des Risques) which is credited with Tunisia's good rating on the "depth of credit information" index of the Doing Business ranking⁷. However, the Law is still a necessity, especially given the need to fill the legal vacuum and to conform to financial security norms since a private credit bureau is expected to become operational soon.

40. **PA#7- The Bankruptcy Law (dropped trigger from the GOJ DPL series) is effective and two implementing decrees were adopted:** (i) decree n°2017-1356 dated 13/12/2017 on Commission of companies surveillance; (ii) decree n°201-463 dated 31/05/2018 on criteria and formalities of notifying early warning signs of economic difficulties. However, actual impacts are still limited, both on the banking sector and on the private sector since it takes time to translate into the cases. In fact, the complementary measures on public banks that were initiated following the adoption of the Bankruptcy Law seem to have better contributed to the healthier banking sector portfolio than PA#7 did: (a) new Laws on public banks (n°2018-36 and n°2018-37) were adopted in May 2018 to improve public banks' portfolios notably through the creation of an internal commission in charge of debt recovery and audit in each bank (since the public banks were not covered by the Bankruptcy Law); (b) a commission for write-off of public banks' loans was created under the MoF in February 2019. These measures permitted the transferring of public banks' bad loans to the dispute stage. Public banks' NPL rates improved significantly⁸ partly thanks to PA#7, which is also a continuation of the reform initiated under the previous DPL series on regulatory framework and corporate governance of public banks.

⁶ The existing Organic Law 2004-63 on personal data protection that leaves a legal vacuum regarding data protection on legal person

⁷ The depth of credit information index is rated 7 out of 8 covering 36.4 percent of adult population, in Doing Business 2020.

⁸ NPL were reduced from 24.4 percent in 2017 to 20.8 percent in 2018 (eop) for STB, from 18.4 percent to 17.2 percent for BNA and from 13 percent to 11.4 percent for BH.



41. **The number of cases initiated under the new law increased (result indicator), from 85 cases in 2016 to 163 cases in 2018 but were still well below the target of 200.** Key issues with the judiciary system such as the lack of specialized skills and the heavy workload for judges remain, and thus hinder the effective implementation of the law. The 12-month observation period of judiciary procedure planned in the Law is not respected and no additional mean is provided to support the judges. In order to better professionalize the judges and experts involved in the cases, a draft law on a general framework regulating the trustee in bankruptcy and conciliators (modifying Law n°1997-71) was prepared in the Ministry of Justice in early 2019 but has not been submitted to the Government yet. It includes (i) organizing conciliators, (ii) clarifying roles of stakeholders, (iii) setting deadlines for each step/stakeholder, and (iv) professionalizing the trustee of bankruptcy and experts involved.

42. **PA#8- The decree increased the amount and coverage of FOPROLOS loans to housing extension, construction and land acquisition, which allowed for coverage of a greater pool of potential beneficiaries, but weaknesses identified in the DPL program document remain:** (i) FOPROLOS loans are still exclusively distributed by the public bank Banque de l’Habitat (BH), which limits coverage, number (well below the result indicator target) and efficiency (due to lack of competition) of loans distribution; there are no plans to allow distribution by other banks; (ii) credit decisions are still centralized at the Ministry of Housing, which overburdens the Ministry and results in a lack of efficiency. (iii) since FOPROLOS is a separate targeted public fund, it is managed outside the BH portfolio, which avoids the worsening of its portfolio but prevents it from leveraging BH resources. In addition, a public fund to guarantee housing loans for irregular income households was created by decree n° 2018-749 with TND50 million adopted in the 2018 Budget law. The convention with SOTUGAR (as fund manager) was signed in October 2018 and SOTUGAR in turn signed conventions with BH and Atijari bank (June-July 2019) and BNA (December 2019), after which the fund became operational.

3.3 Justification of Overall Outcome

Rating: Moderately Unsatisfactory

Relevance			Efficacy		Overall outcome
Objective	Design	Implementation arrangement	PDO 1	PDO 2	
High	Modest	Modest	Substantial	Modest	MU

43. **The objectives of the program were highly relevant, whereas the design and efficacy of the program were modest, resulting in a moderately unsatisfactory rating of the overall outcome rating.** Measured impacts of the program reforms were more limited than expected. Only 3 out of 8 indicators (indicators 1, 2, and 3 under PDO1) achieved the target values, including one partially achieved (indicator 2). Whereas indicator 5 (under PDO2) was achieved, its achievement cannot be attributed to the program as the reform was not adopted. Moreover, as mentioned in the section 2.3, some indicators do not properly capture the reform impacts in time. Nevertheless, the BEE DPL contributed to improving the broad business environment of the country, with key complementary reforms adopted by the Government in the same direction and/or supported in follow-on operations such as the ICI DPL. This included: listing of tax incentives in separate tax legislation than the financial incentives (complementary to PA#2); planned roll-out of PIM reforms (PA#3) to local governments; broadening of the ports procedures digitalization to cover all trade procedures which is a prior action of the ICI DPL (PA#4); adoption of the Startup Act Law and boosting of alternative market (PA#5); reforms



of public banks' corporate governance and portfolio management (PA#7); and creation of a public fund to guarantee housing loans (PA#8). The program also allowed the Bank to continue its ongoing policy dialogue with the authorities around business environment improvements, expand its support to PIM reform, and develop follow-on engagements including the ICI DPL and a variety of TAs and projects. In light of the above factors, as well as the implementation of this program in an extremely challenging political and economic context, this ICR rates the overall outcome on balance as Moderately Unsatisfactory.

3.4 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

44. **The poverty and social impacts of the program are limited in the short run but are expected to be positive.** The program document comprised a poverty/social impact analysis of each reform, which found that the policies supported by this operation would not have negative poverty and social impacts. While actual direct impacts are still limited, strengthening of competition, clearer regulations and smoother trade (PA#1, 2, 4) would in the long run contribute to better consumer welfare and improved competitiveness of the Tunisian economy. Similarly, improved allocation and efficiency of public investment (PA#3) will have a positive impact on the reduction of poverty and inequality. Although the Code of Seed and Equity Capital (PA#5) was not adopted, key measures adopted in the Horizontal Law for startup and SME financing would result in greater availability of financing for entrepreneurship and jobs creation especially for the youth. The Bankruptcy Law (PA#7) whose impact is still limited, coupled with its complementary measures on public banks, would contribute in the long run to a healthier banking sector and better access to financing. Greater access to housing loans (PA#8) for lower- and middle-income household although lower than expected so far, has contributed to their social welfare and is projected to increasingly enhance household wellbeing, collateral, and access to finance in the future.

(b) Institutional Change/Strengthening

45. **The program contributed in a broader way to improving business environment and strengthening institutions.** Although actual impacts of the program are lower than expected, it triggered complementary reforms in the same areas (see section 3.3). The Tunisian administration, in its gradual way, is taking key steps to prepare institutions for greater competitiveness in the domestic market, trade and financial market. Moreover, improved PIM is contributing to a more accountable PFM.

(c) Other Unintended Outcomes and Impacts --- Not Applicable

3.5 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

Not Applicable

4. Assessment of Risk to Development Outcome

Rating: Moderate



46. **A change in priorities by the new Government (following the Presidential and Parliamentary elections held in October 2019 and the impacts of the COVID19 pandemic) is a possibility but is unlikely to reverse reforms supported by the program.** Reforms that are implemented and followed up by the ICI DPL and other Bank projects and TAs are likely to continue to be so. Impacts of the COVID19 will aggravate economic and social fragilities, thereby increasing further importance of structural reforms for inclusive growth. The Resilience, Recovery and Emergency DPL approved in June 2020 cover some of the reform at more advanced stage (PA#4 on port digitalization and logistics) or complementary (PA#7 on write-off of public banks). The Bank should also continue to push for the implementation of reforms that were not adopted in the program (PA#5-6) taking into account the political economy around these reforms.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Moderately Unsatisfactory

47. **Continuity of reforms and complementary supports through TAs and IPF were the key strength of the BEE DPL, but the program's value added could have been larger if proper implementation mechanism of the policy reforms and DPL were in place. Similarly, while political economy filter identified risks, their identified mitigation measures were not sufficient when the risks materialized.** Contrary to fast-track experiences of the previous operations, the program was carefully prepared, with a 1-year preparation period (between Concept review to Board approval). The Program involved several GPs and was jointly prepared with the IFC, drew lessons from the previous DPL series, and associated a dedicated TA on one of the reforms (see sections 2.2 and 3.1). Many reforms were also supported by a WBG project or TA (as shown in Table 2), but only one TA supported the actual implementation phase of the reform (PA#3) (as opposed TA covering the same area or supporting drafting legislation). However, by focusing on follow-on reforms to those supported by the previous DPL series, some of the reforms lacked the depth required to impactfully address identified development challenges. The results framework was mostly relevant with 1 indicator for each reform (section 2.3) and risks were correctly identified, but without adequate mitigation measures (section 2.2). Implementation arrangements, which centered around the Bank's institutional counterpart MDICI, were not suited for a multi-sectoral DPL. Leadership and coordination of politically sensitive reforms requires a powerful entity able and authorized to supervise other Ministries and agencies and quickly address bottlenecks and issues.

48. In light of the performance of previous DPLs and of the long and careful preparation of this BEE DPL program, the operation's quality at entry (strength of reform matrix and adequacy of design, implementation arrangements, and risk mitigation measures) could have been better considered, especially in light of the proximity of the Bank to its prudential limit of exposure to Tunisia (10.2 percent of Gross National Income - GNI).

(b) Quality of Supervision

Rating: Moderately Satisfactory



49. **Two supervision missions were conducted, but the presence of staff in the field (Tunis office and MENA region) ensured regular supervision.** The supervision missions were conducted in November 2017, 5 months after the approval, combined with the identification of the next DPL, and in November 2018, a month before the closing date. The first supervision mission collected information related to 4 result indicators, and the second one collected all the result indicators with a performance rating for each reform. Both missions made clear recommendations about the follow-up actions for each reform, and the proximity (if not Tunis-based) of many staff made continued follow-up easier. While timing of supervision missions can raise questions, there were continuous policy dialogue through complementary missions and meetings with Tunis-based staff and related projects teams in the region, although not necessarily or formally for the BEE DPL.

50. **Better follow-up from some projects and on result indicators might have helped achieve greater performance.** The innovative startups and SME project permitted the inclusion of its project institutional requirement on offshore funds (which was one of the project components) in the Horizontal Law, which was a pragmatic decision given the bottlenecks around parliamentary adoption of the Code for Seed and Equity Capital (PA#5) but may have contributed to a lack of progress on the Code's adoption. While the supervision mission collected result indicators, most of the administrations were not aware of the result indicators at the time of the ICR mission.

(c) Justification of Rating for Overall Bank Performance

Rating: Moderately Unsatisfactory

51. The quality at entry was Moderately Unsatisfactory and quality of supervision was Moderately Satisfactory. With the overall outcome Moderately Unsatisfactory, the overall World Bank performance is rated Moderately Unsatisfactory.

5.2 Borrower Performance

(a) Government Performance

Rating: Moderately Satisfactory

52. **The Government showed strong ownership and commitment on reforms that were implemented, and made progress through complementary legislation and reforms on some PAs that advanced less.** For instance, the Government was able to quickly adopt the PIM tool and to roll it out across all public investments for the 2019 Budget (PA#3) and was preparing to roll it out to local governments and all SOE's. The Government adopted complementary legislations and reforms to the enabling environment outside the program (such as listing tax incentives (complementary to PA#2), broadening of the ports procedures digitalization to cover all trade procedures which is a prior action of the ICI DPL (PA#4), boosting of alternative market (PA#5), a new startup act Law (PA#5), reforms of public banks' corporate governance and portfolio management (PA#7), as well as a public fund to guarantee housing loans (PA#8)). The Government provided its own ICR.

53. **The Government faced challenges around the governance of reform implementation (including relations with Parliament), and reform implementation monitoring (including the utilization of M&E) in a**



fragmented political context (notably PA#2, 5, 6, 7, 8). The unit in the MDICI in charge of investment streamlining struggled to effectively lead and coordinate this work with relevant Ministries and regulators. On PA#5 and PA#6, adoption of the Code for Seed and Equity Capital and the draft Law on Credit Bureaus by Parliament was impeded by a disconnect between the views of Government and Parliament around the urgency of these reforms, and potentially by the materialization of political economy risks outlined in the DPL program's Governance filter. Moreover, while the Bankruptcy Law was adopted, the Government was slow in ensuring the readiness of the judicial system for reform implementation, leading to a slow translation of the reform into actual impact (PA#7). Finally, FOPROLOS loans are still exclusively distributed by the BH, and potential improvements identified during the reform implementation process were not put in place due to limited cross-governmental coordination, thereby resulting in lower result indicator performance (PA#8).

(b) Implementing Agency Performance

Rating: Moderately Unsatisfactory

54. **No single entity undertook clear leadership, oversight of reform implementation, and M&E responsibilities for the whole program.** While the MDICI successfully coordinated the adoption of prior actions, it was not able to monitor and follow-up on reform implementation after disbursement when these reforms involved other ministries. MDICI closely followed up on PA#2 and PA#3 reforms whose implementation it led; however, even in the case of the PA#2 reform which was cross-governmental and faced challenges in coordination with other Ministries, the unit in charge at MDICI was not able to successfully escalate the issue and address it. Similarly, data on performance of result indicators were not centrally collected.

55. **Reforms that were not under the institutional authority of MDICI were not properly monitored or implemented.** This is especially the case for PDO2, which in part explain the modest rating in efficacy. Most of the PDO2 reforms were under the broad MoF authority which showed strong ownership, notably in adopting complementary measures (such as Horizontal law, which helped implementing few key measures of the Code of seed and equity (PA#5), public fund to guarantee housing loans for irregular income households (PA#6), list of tax incentives (PA#2)). While the MoF managed the adoption of some legislations, the reforms implementation was left to the charge of the sectoral Ministries, such as Ministry of Justice (PA#7) and Ministry of Housing and equipment (PA#8), which were not familiar or informed of the government commitments within the BEE DPL (both for the policy actions and for M&E).

(c) Justification of Rating for Overall Borrower Performance

Rating: Moderately Unsatisfactory

56. The Government performance was Moderately Satisfactory, and the implementing agency performance was Moderately Unsatisfactory. With the overall outcome rating being Moderately Unsatisfactory, the overall Borrower performance is rated Moderately Unsatisfactory.



6. Lessons Learned

Instrument Choice

57. **A standalone DPL when there is a high disbursement expectation might not be suited for a deep and long reform.** The BEE DPL was the fifth in a series of successive DPLs since the 2011 revolution and was designed as a bridge DPL between the previous GOJ DPL series and another standalone ICI DPL. While the continuity is proved to be a strength for the Bank's engagement in Tunisia, impacts of this BEE DPL were more limited than expected. Moreover, this may indicate that in transition countries with high financing needs where the Bank has been consistently lending over time, the expectation of continued lending is high and the Government is focused on disbursement, thus a standalone DPL might not provide the best leverage to push for reform implementation. Notably, it can be questioned if a programmatic approach with triggers would have resulted in greater leverage to reform implementation and/or if the disbursed amount could have been more impactful if split between the DPL and additional TAs or projects in areas where the DPL alone did not have enough leverage. It was also raised during the ICR mission that the EU programmatic budget support approach of disbursing according to the result indicators might have better impacts in such a country. It is important to note that at the time that this operation was approved, the Bank was approaching the prudential limit of 10.2 percent of GNI in terms of lending exposure to Tunisia. Consequently, it is especially critical for the Bank to carefully consider the opportunity cost of approving a large DPL when approaching the prudential limit, particularly if the implementation risks identified are high.

58. **A DPL can contribute to the enabling environment by broadening a government's commitment to the PDOs.** Although the actual and measured impacts of the program reforms were more limited than expected (only 3 out of 8 indicators achieved the target), the program encouraged the adoption of key complementary reforms by Government which contributed to the PDOs (sections 3.3 and 5.2). The DPL also allowed the Bank to continue its support on the business environment, expand its support to PIM reform, and develop follow-on engagements including the ICI-DPL, the RRE DPL and a variety of TAs and projects.

Operation Design

59. **The choice of reforms supported by the DPL ought to strike a fine balance between focusing on continuity and complementarity and between ensuring the reform depth required to impactfully address development challenges.** The BEE DPL was designed as a bridge DPL following the previous GOJ DPL series, thereby providing a continuity of Bank support to the same reform areas which helped to consolidate the achievements of previous operations and move them to the next stage in a consistent way. The BEE DPL program sought complementarity with Bank TAs and projects. Conversely, it was also a source of weakness for the DPL, as it resulted in a lack of reform depth in certain reform areas.

60. **Achievable and measurable result indicators able to capture reform impacts should be chosen and covered by a strong M&E system.** This is particularly true for DPLs since the large part of the assessment relies on result indicators. While the result indicators of the program were mostly clear and measurable, some were overambitious relatively to the context, and others not able to sufficiently capture reform impacts in time (PA#4, #7). While clear and simple result indicators are easier to monitor, if one indicator is not able to capture impacts, it can be complemented with another type of indicator that can reflect intermediary stage of impacts (such as number of judges trained for instance), so that the impacts can be measurable during and at the end



of the program. Moreover, there was no M&E system in place: most of the administrations were not aware of the result indicators and there was no entity in charge of monitoring them.

61. **The use of the innovative Political Economy Filter improved elements of the DPL design; however, it failed to properly assess the actual feasibility of the mitigation measures (e.g. PA#5-6).** Drawing on reform implementation difficulties in the volatile political context of the previous DPLs, the program preparation systematically assessed the political economy for each of the reforms. Some of the key positive impacts of the Filter include the following: (i) better and stronger identification of risk and a greater focus on political economy factors, namely the winners and losers, the areas of resistance, and the reforms should that should be avoided; (ii) stronger focus on attempting to mitigate risks through complementary activities, namely through TA or a different type of dialogue; and, (iii) exclusion of a number of reforms that were seen as politically “unfeasible”. However, the Filter’s impact could have been strengthened by: (i) allocating more resources – human and financial –to ensure that, during the implementation, there was adequate TA support to implement the DPL risk mitigation measures; and, (ii) addressing internal incentives of the Bank which focus more heavily on DPL preparation and less on supervision/implementation, which resulted in Filter efforts being too heavily dedicated during preparation and not as deeply in the implementation phase.

62. **The WB should work more closely with parliament and its core committees when it comes to complex and politically sensitive reforms, especially in a country where democracy is newly established in a fragmented political context.** In the case of PA#5 and PA#6, there was a divergence of the priorities between the executive and legislative branches of Government which resulted in the non-adoption of the draft laws. Tunisia being a new democracy with ongoing structural changes in a challenging political, economic and social context, the Bank should not assume that the parliament is a continuity of the executive and should proactively work with key stakeholders even outside the government.

Implementation Arrangements

63. **A broad engagement as a WBG team can mobilize strong expertise and close interaction with the counterparts.** One of the strengths of the DPL was the multi-GP and joint IFC team which brought its expertise and knowledge and worked with respective counterparts to support DPL implementation. Continuous policy dialogue through missions and meetings with Tunis-based staff, including those that were not necessarily or formally linked to the DPL, supported program implementation of certain reforms.

64. **The Bank and the Government of Tunisia should establish more effective implementation arrangements for multisectoral DPLs, able to coordinate, monitor and follow-up on reforms implementation.** This is particularly relevant and critical for sectoral or multi-sectoral DPLs with key actions or administrations outside of the direct control of the Bank’s institutional counterparts, and/or with politically sensitive reforms. Leadership and coordination of politically sensitive reforms requires a powerful entity able and authorized to supervise other Ministries and agencies and quickly address bottlenecks and issues. Implementation arrangements of the Banks’ DPL are traditionally centered around the Bank’s institutional counterpart MDICI, which used to have the overall Government policy planning and coordination role before the revolution, but the current MDICI does not have a clear mandate nor the capacity to coordinate reform implementation by other ministries. Furthermore, for some of the reforms that included multiple government stakeholders, there was no effective mechanism to ensure ongoing monitoring and evaluation of progress and timely resolution of issues by senior policymakers. Similarly, data on performance of result indicators were not centrally collected



and monitored. While the BEE DPL program document planned the Prime Minister's office and the MoF to be involved in the monitoring of the program design and implementation, they were not involved in the management of the overall BEE DPL reforms. The following ICI DPL tried to address these issues by better clarifying roles and responsibilities, expected actions, and deadlines of relevant Ministries and by involving the Prime Minister's office and MoF. For instance, the IMF programs are covered by a prime minister office, which makes easier to coordinate.

Coordination with other donors

65. **Whilst not always formalized, the WBG in Tunisia has close coordination with other donors.** The BEE DPL program document mentioned the possibility of joint supervision missions with other donors on specific reforms, which did not materialize. However, while there was no formal joint mission or joint matrix, the Bank has continued to seek coordination and complementarity with other donors. This is particularly true in the financial sector where several other donors (KfW, G20 Compact with Africa) complemented the reforms. Moreover, the Bank conducted in November 2019 a joint preparation mission for the next DPL with KfW and JICA, which demonstrates closeness of the field coordination in the practice.

Specific lessons

66. **PA#1- The dual institutional framework responsible for antitrust enforcement (Competition Council/Ministry of Commerce) which was described in the program document of the BEE DPL persists,** with the Ministry retaining broad discretionary power. Heavy reliance of the Competition Council on the Ministry of Commerce in terms of staffing and of decision-making authority potentially hinders its independence (section 3.2).

67. **PA#2- Some reforms with mixed results in the long term should be reconsidered.** The business formalities streamlining reform (PA#2 in this DPL) has continued to have mix results since 2011 (section 3.2) due to limited buy-in from the administrations. While the reform ownership was questionable since the 2011 DPL, the interest from administrations faded with time. The reform is highly relevant and urgent, however the way it is implemented should be reconsidered to better involve or incentivize administrations. It also needs to be reconsidered for its institutional arrangements, with stronger authority and clearer Government leadership to effectively coordinate related ministries and agencies.

68. **PA#2- The program indirectly contributed to creating a new entity - the TIA, which has a similar mandate to the existing four investment promotion agencies.** Although the Bank did not directly support the creation of the TIA, PA#2 indirectly the new Investment Law which created the TIA as part of institutional setup of the law (in addition to 4 existing investment promotion agencies). This further contributed to the duplication and overlap of roles and responsibilities and in the case of the TIA led to recent efforts by the authorities to study the institutional landscape and consider options to reorganize it. The need for institutional streamlining and better coordination between agencies could have been better advocated to avoid further institutional complexity to investors.

**ANNEX 1: Bank Lending and Implementation Support/Supervision Processes****(a) Task Team members**

Name	Role
Preparation	
Abdoulaye Sy	Team Leader (ADM responsible)
Gabriel Sensenbrenner	Team Leader
Mohamed Hisham El-Shiaty	Team Leader
Jean-Charles Marie De Daruvar	Counsel
Eric Ranjeva	Financial Management Specialist
Jean-Jacques Verdeaux	Procurement Specialist
Jean-Pierre Chauffour	Lead Economist for the Maghreb team
Muna Abed Salim	Operations Support to the Team
Edouard Al-Dahdah	Senior Public Sector Specialist
Fadwa Bennani	Senior Financial Sector Specialist
Carine Bolou-Mansilla	Senior Program Assistant
Lida Bteddini	Senior Public Sector Specialist
Francisco Cardona-Pereto	
Carine Clert	Lead Social Protection Specialist
Emmanuel Cuvillier	Senior Public Sector Specialist
Maria Da Silva Pereira	
Deborah Davis	Consultant / Editor
Dieynab Diatta	Consultant
Ibrahim El Ghandour	Research Analyst
Nawal Filali	
Henri Fortin	Lead Financial Management Specialist
Erik Huitfeldt	
Sunita Kikeri	Lead Financial Sector Specialist
Catherine Laurent	Consultant



Jean Michel Lobet	Senior Financial Sector Specialist
Mariem Malouche	Senior Economist
Jean Michel Mas	Consultant
Jan Philippe Nolte	Senior Financial Sector Specialist
Jan-Peter Olters	Country Manager
Montserrat Pallares-Miralles	Senior Social Protection Specialist
Heba Hamed Refaay	Translation services
Carlo Maria Rossotto	Lead ICT Policy Specialist
Sonia Sanchez Quintela	Consultant / Editor
Smriti Seth	Economist
Jean Nazaire Talla Onguene	Consultant
Vincent De Paul Tsoungui Belinga	Economist
Laurent Christian Van Burik	
Thomas Walker	Senior Economist
Edward R. Whitehouse	Consultant
Sebastien Boitreaud	Lead Financial Officer/Sovereign Debt
Antonio Velandia-Rubiano	Lead Financial Officer/Sovereign Debt
Andrea Coppola	Senior Economist
Georgiana Pop	Senior Economist
Fernando Britos	Consultant
Edgardo S. Mimica	Consultant
Diane Zovighian	Consultant
Supervision/ICR	
Abdoulaye Sy, Gabriel Sensenbrenner, Mohamed Hisham El-Shiaty	Team Leader(s)
Dalia Al Kadi	Senior Economist (ICR Team Leader)
Natsuko Obayashi	Consultant (ICR Primary Author)



(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Preparation		
FY16	40.59	307,478.69
FY17	64.11	461,201.38
FY18	0	- 467.90
Total	104.70	768,212.17
Supervision/ICR		
FY18	6.18	39,965.19
FY19	6.19	54,492.61
FY20	5.90	50,496.36
Total	18.27	144,954.16

ANNEX 2: Borrower's Implementation Completion and Results Report

République Tunisienne

Ministère du Développement, de l'Investissement
et de la Coopération Internationale
CI / DGCM/ N.F

Rapport d'achèvement de l'appui budgétaire 2017 -«Environnement des Affaires et Entreprenariat»

Un appui budgétaire de 413.4 millions d'euro a été signé entre la Gouvernement tunisien et la Banque Mondiale le 29 juin 2018. Cet appui budgétaire portait sur deux piliers:

- Améliorer l'environnement des affaires;
- Soutenir l'entrepreneuriat et approfondir l'accès au financement.

Pilier 1: Améliorer l'environnement des affaires

- **Afin de renforcer l'accès aux marchés, la concurrence et la transparence deux actions préalables ont été accomplies:**

1. **Action préalable 1:** Pour 'améliorer l'efficacité du cadre juridique de la concurrence les quatre décrets de mise en œuvre de la nouvelle Loi de la Concurrence N° 2015-36 du 15 septembre 2015 - Décret n° 2016-780 du 13 juin 2016, Décret n° 2016-1148 du 19 août 2016, Décret n° 2016-1204 du 18 octobre 2016 et Décret n° 2017-252 du 14 février 2017 - ont été publiés au Journal Officiel n°51 du 24 juin 2016, n° 72 du 2 septembre 2016, n° 87 du 25 octobre 2016 et n° 13 du 14 février 2017, respectivement.

L'adoption de ces quatre décrets avait pour finalité de renforcer la mise en œuvre de la Loi sur la Concurrence de 2015 et de contribuer à promouvoir l'ouverture des marchés et à sanctionner les comportements anticoncurrentiels les plus nocifs pour les consommateurs. Son résultat est mesuré par le nombre de cas anticoncurrentiels empêchés ou éliminés.

En 2016 (baseline) quatre pratiques anticoncurrentiels ont été éliminées, onze en 2018 et neuf en 2019 (abus de position dominante ou entente dans les télécommunications, cliniques privées, marchés publics).

2. **Action préalable 2:** Pour promouvoir une plus grande ouverture des marchés aux investisseurs, de stimuler l'investissement domestique et d'attirer les investissements étrangers, la loi de l'investissement n° 2016-71 du 30 septembre 2016, qui renforce les droits et les garanties des investisseurs et la réglementation de l'accès aux marchés et son décret de mise en œuvre et le Décret n° 2017-390 du 9 mars 2017, établissant l'unité au Ministère du Développement, de l'Investissement et de la Coopération Internationale chargée de simplifier les autorisations d'entrée d'investissement ont été publiés dans le Journal Officiel n° 82 du 7 octobre 2016 et n° 25 du 28 mars 2017, respectivement.

L'adoption de cette loi d'investissement et de ses décrets d'application a contribué à créer un cadre d'investissement plus transparent et plus efficace qui encourage la génération d'investissements locaux et étrangers dans des secteurs clés à créer des avantages durables pour l'économie et permet également de réduire les distorsions du marché et d'améliorer la concurrence.

Suite à la création de l'UGPO au sein du MDICI, un mapping des autorisations liées à l'investissement avec les délais, les conditions, et les procédures a été réalisé le décret gouvernemental 2018-417 du 11 mai 2018 a été publié au JORT. Le décret 2018-417 a supprimé 27 autorisations d'exercice d'activité économique dont un certain nombre a été ou en cours de remplacement par des cahiers des charges. Une première phase de simplification a été réalisée par le biais du décret 2018-417, une deuxième phase de simplification est en cours de préparation.

- Pour garantir une meilleure Gestion des investissements publics, un cadre unifié de gestion des investissements publics a été mise en place par:

3. **Action Préalable 3:** Le décret n° 2017-394 du 29 mars 2017 établissant un cadre unifié de gestion des investissements publics qui introduit un processus de décision coordonné pour les projets d'investissement public (PIP) et de partenariat public-privé (PPP) pour couvrir l'évaluation, la sélection et l'établissement des priorités (basé sur l'analyse coûts-avantages et l'efficacité des dépenses), les modalités de financement et le suivi continu de l'exécution et de l'abordabilité financière de tous les projets d'investissement a été publié dans le Journal Officiel n° 26 du 31 mars 2017.

Alors que la quantité d'investissement continuera d'être limitée par l'espace budgétaire, le défi le plus important dans la situation actuelle de la Tunisie reste la réalisation d'une amélioration qualitative de ses investissements publics. Plus spécifiquement, il est prévu que la qualité des projets s'améliore en termes d'études de pré-faisabilité et d'analyse coûts-avantages, d'exécution et de suivi et d'évaluation ex-post. Étant donné le caractère critique de la qualité du projet à l'entrée, l'indicateur de résultats qui a été proposé est la part des projets d'investissement dans les secteurs pilotes pour lesquels une étude de faisabilité comprenant une analyse coûts-avantages a été achevée pendant la phase de préinvestissement. Les trois secteurs pilotes sont l'équipement, le transport et l'agriculture et représentent 70 à 80 pour cent de l'investissement public total. Au-delà de cet indicateur, il est attendu que la réforme augmente l'intégration et la hiérarchisation des investissements publics avec des objectifs politiques plus larges et aide le gouvernement à veiller à ce que ses investissements favorisent la croissance du bien-être et réduisent les inégalités et le chômage, et que ses risques budgétaires soient bien identifiés et gérés.

En 2016 (baseline), la proportion de projets d'investissement pour lesquels une étude de faisabilité incluant une analyse coût-bénéfice a été préparée durant la phase de préinvestissement/financement était de 40%, elle est passée à 70% en 2018 et elle est de 100% pour 2019 (budget 2020).

- Pour une facilitation du commerce, du transport et de la logistique et afin d'améliorer le suivi et l'efficacité de la logistique portuaire

4. **Action Préalable 4:** Le Ministère des Finances et le Ministère du Transport ont approuvé la Circulaire n° 86 du 19 novembre, 2016 qui amende la Circulaire n° 19 du 30 mai, 2011 et introduit la numérisation des procédures portuaires restantes. La Circulaire n° 86 a été publiée sur le site du Ministère des Finances le 27 janvier, 2017. Cette action préalable devait se traduire par une réduction du temps de séjour d'environ 15-20 pour cent soit environ 3-4 jours grâce à une meilleure clarté sur les rôles des responsabilités de tous les opérateurs connectés à la TTN. Cela permettrait également un enlèvement plus rapide des conteneurs du port, libérant ainsi de l'espace et réduisant sa congestion, et la traçabilité des conteneurs, ce qui réduirait également les coûts logistiques pour les importateurs et les exportateurs.

Pilier 2: Soutenir l'entrepreneuriat et approfondir l'accès au financement

- Afin d'améliorer l'écosystème et le financement de l'entrepreneuriat

5. **Action Préalable 5:** Le Conseil des Ministres a approuvé et transmis au Parlement le 28 avril, 2017 le projet de Code des Organismes d'Investissement Collectif visant à améliorer l'accès au financement des jeunes entreprises et entrepreneurs.

Un projet de code des organismes d'investissement collectif a été élaboré en concertation avec le CMF ayant pour objectifs:

- Le regroupement des textes régissant l'activité dans un seul cadre législatif tenant compte des spécificités du métier et permettant aux investisseurs une meilleure lisibilité.
- L'amélioration de l'écosystème et du financement de l'entrepreneuriat, simplification et assouplissement du cadre réglementaire pour les fonds dédiés au investisseurs avertis et fonds off shore selon les meilleurs pratiques afin de promouvoir les financements en fonds propres pour les PME et la création d'emplois.

Le Code des Organismes d'Investissement Collectif n'est pas encore approuvé par le Parlement, cependant la loi transversale pour l'amélioration du climat des affaires, n°2019-47 du 29 mai 2019 prévoit la création de nouveaux véhicules de financement:

- Les fonds d'investissement spécialisés: sont considérés comme des fonds communs de placement en valeurs mobilières qui réalisent ses investissements pour le compte des investisseurs avertis conformément à une politique d'investissement fixée par son règlement intérieur.
- Les fonds d'investissement spécialisés peuvent comporter un compartiment ou plusieurs compartiments correspondant chacun à une partie distincte de ses actifs. Le règlement intérieur du fonds doit prévoir et fixer l'objet de chacun de ses compartiments. Chaque compartiment doit disposer d'un agrément allégé. Les actifs des compartiments visés sont souscrits en monnaie nationale ou en devise convertible.
- Le fonds des fonds d'investissement: est considéré comme des fonds communs de placement en valeurs mobilières dont l'actif est constitué exclusivement par la souscription dans les parts de fonds communs de placement à risque, la souscription des parts des fonds d'amorçage ou par la souscription dans des parts des fonds d'investissement spécialisés. Le fonds des fonds réalise ses investissements pour le compte des investisseurs avertis.
- Le fonds des fonds peut comporter un compartiment ou plusieurs compartiments correspondant chacun à une partie distincte de son actif. Chaque compartiment doit disposer d'un agrément allégé. Les actifs des compartiments visés sont souscrits en monnaie nationale ou en devise convertible.

Le gestionnaire des fonds d'investissement spécialisés et des fonds des fonds dont la totalité de ses actifs est souscrite en devise étrangère, peut être une société de gestion off-shore agréée par le conseil du marché financier.

- Nombre de véhicules: 57 SICAR, 44 FCPR, 9FA
- L'encours des fonds levés: 511.8 MD (dont 434.5 Fonds Gérés par des SICAR)
- Montant approuvé: 567.8 MD (672.5MD en 2017)
- Montants investis: 453.1MD (485.8MD en 2017)
- Nombre d'entreprises: 144 (136 en 2017)

D'autre part, le ministère de la justice a préparé un projet de loi modifiant et complétant le code des sociétés commerciales qui sera transmis prochainement à la Présidence du Gouvernement.

➤ **Pour renforcer l'accès aux marchés, la concurrence et la transparence:**

6. **Action Préalable 6:** Le Conseil des Ministres a approuvé et transmis au Parlement le 24 février, 2017 le projet de Loi sur les Bureaux de Crédit visant à améliorer l'information sur le crédit et promouvoir l'accès au crédit pour les jeunes PME et entrepreneurs.

Il est attendu que la Banque Centrale émette une licence pour exploiter un BC. La licence exige que le BC offre une notation de crédit pour les PME dans les deux ans suivant son fonctionnement. La réforme renouvellera le contrat social grâce à un crédit plus inclusif pour: (i) la création d'emplois par les PME, y compris les PME appartenant à des femmes, (ii) les travailleurs autonomes, et (iii) les besoins en logement des populations à faible revenu. Pour les emprunteurs établis, les informations des Bureaux de crédit se traduisent par des garanties de prêt moins exigeantes, de meilleurs taux et des prêts à plus long terme. Cela aide les banques et la micro finance à accorder des prêts aux nouveaux emprunteurs, en particulier les femmes dans les régions en retard de développement, et ramène plus d'activité informelle dans l'économie formelle.

➤ **Afin d'approfondir l'accès au financement des MPME et entrepreneurs et d'améliorer la gestion des risques:**

7. **Action Préalable 7:** La Loi des Procédures Collectives n° 2016-36 du 29 avril 2016, modernisant le régime de faillite en Tunisie, a été publié dans le Journal Officiel n° 38 du 10 mai 2016.

Un régime de faillite plus prévisible, transparent et efficace améliore la confiance des créanciers. Il appuie l'entrepreneuriat, donne une "deuxième chance" et dépénalise la faillite. Cela contribue à conserver les emplois dans des entreprises viables. Il encourage la production et le partage de l'information qui permet aux institutions financières de mieux cadrer les risques. En outre, le régime d'insolvabilité devrait faciliter la sortie et la réintégration des entrepreneurs, ce qui permet une allocation plus efficace des ressources vers des actifs productifs. La recherche suggère que les réformes de l'insolvabilité tendent à augmenter les rendements des créanciers.

Tous les décrets d'application relatifs à la loi n°2016-36 ont été publiés au JORT.

- Le décret gouvernemental n°1356-2017 du 13 décembre 2017 portant composition et fonctionnement de la commission de suivi des entreprises économiques et son autorité de tutelle
- Le décret gouvernemental n° 2018-463 du 31 mai 2018 relatif aux critères et procédures de notification des signes précurseurs des difficultés économiques.
- Le décret gouvernemental n° 89-2019 du 11 janvier 2019 portant composition et fonctionnement de la commission prévue à l'article 474 du code de commerce.

L'indicateur des résultats est le nombre de cas de faillite initiés en vertu de la nouvelle loi.

Le nombre des cas initiés depuis l'entrée en vigueur de loi sont de l'ordre de 392 cas jusqu' à la fin de l'année 2018 et ce comme suit:

- **2016 :85 cas**
- **2017:144 cas**
- **2018:163 cas**

➤ **Afin d'améliorer l'accès des ménages au financement du logement:**

8. **Action Préalable 8:** Pour améliorer l'accès des ménages au financement du logement, le décret n° 2016-1126 du 18 août 2016 révisant les critères d'éligibilité au FOPROLOS (Fonds de Promotion de Logements Sociaux) a été publié dans le Journal Officiel n° 71 du 30 août 2016.

La réforme permet d'élargir l'accès au financement du logement pour les ménages à revenu faible et moyen pour les acquisitions et améliorations de logements, améliorant ainsi considérablement leurs conditions de vie. Une disponibilité accrue du financement du logement permet également aux ménages de constituer les fonds propres et les garanties nécessaires pour mobiliser le financement d'activités génératrices de revenus, comme le démarrage et l'investissement dans une petite affaire. Au fil du temps, les investissements supplémentaires dans le logement qui

générés grâce à la réforme appui la création d'emplois dans et autour des chaînes de valeur de construction et connexes, activités typiques où les MPME fleurissent.

453 crédits FOPROLOS ont été octroyés depuis début 2017

1100 crédits octroyés depuis début 2017 jusqu'à juin 2019 avec un montant de 70 MD (DGF)

[Unofficial Translation]

Republic of Tunisia

Ministry of Development, Investment
and International Cooperation
CI / DGCM/ N.F

**Budget Support Completion Report 2017 –
«Business Environment and Entrepreneurship»**

A €413.4 million budget support was signed between the Tunisian Government and the World Bank on June 29, 2018. This budget support was based on two pillars:

- Improving the business environment; and
- Supporting entrepreneurship and deepening access to finance.

Pillar 1: Improving the Business Environment

- **Two prior actions were carried out to strengthen market access, competition, and transparency:**

1. **Prior Action 1:** To improve the effectiveness of the legal framework for competition, four decrees implementing the new Competition Act No. 2015-36 of September 15, 2015 — Decree No. 2016-780 of June 13, 2016, Decree No. 2016-1148 of August 19, 2016, Decree No. 2016-1204 of October 18, 2016, and Decree No. 2017-252 of February 14, 2017 — were published in Official Journals No. 51 of June 24, 2016, No. 72 of September 2, 2016, No. 87 of October 25, 2016, and No. 13 of February 14, 2017, respectively.

The purpose of adopting these four decrees was to strengthen the implementation of the 2015 Competition Act, help promote market liberalization, and penalize anti-competitive behavior deemed most detrimental for consumers. Its outcome is measured by the number of anti-competitive cases prevented or eliminated.

In 2016 (the baseline), four anti-competitive practices were eliminated, eleven in 2018, and nine in 2019 in the areas of abuse of dominant position or cartel in telecommunications, private clinics, or public procurement.

2. **Prior Action 2:** To encourage greater opening up of markets to investors, stimulate domestic investment, and attract foreign investment, Investment Act No. 2016-71 of September 30, 2016 reinforcing investors' rights and guarantees and the regulation of access to markets and its implementing Decree as well as Decree No. 2017-390 of March 9, 2017 setting up a unit in the Ministry of Development, Investment, and International Cooperation (**MDICI**) tasked with simplifying investment approvals were published in Official Journals No. 82 of October 7, 2016 and No. 25 of March 28, 2017, respectively.

The adoption of this investment legislation and its implementing decrees has helped create a more transparent and efficient investment framework that encourages the generation of local and foreign investment in key sectors so as to create sustainable benefits for the economy, help reduce market distortions, and improve competition.

Following the creation of the Results Based Management Unit (RBMU) within the MDICI, a mapping of investment-related authorizations with timeframes, conditions, and procedures was carried out, and Government Decree 2018-417 of May 11, 2018 was published in the Official Journal of the Republic of Tunisia (JORT). Decree 2018-417 abolished 27 economic activity authorizations, some of which have been or are being replaced by specifications documents. A first phase of the simplification process was carried out via Decree 2018-417, and a second phase is currently being prepared.

- To ensure better management of public investments, a unified framework for public investment management has been put in place through:

3. **Prior Action 3:** Decree No 2017-394 of 29 March 2017 establishing a unified public investment management framework that introduces a coordinated decision-making process for public investment projects (PIP) and public-private partnership (PPP) projects to cover assessment, selection, and prioritization (based on cost-benefit analysis and expenditure efficiency), financing arrangements, and continuous monitoring of the implementation and financial affordability of all investment projects was published in Official Journal No 26 of March 31, 2017.

While the amount of investment will continue to be constrained by fiscal space, the biggest challenge in Tunisia's current situation remains the ability to achieve qualitative improvement in its public investments. Specifically, project quality is expected to improve in terms of pre-feasibility studies and cost-benefit analysis, implementation and monitoring, and post-project assessment. Given the critical nature of project quality at entry, the proposed output indicator is the share of investment projects in pilot sectors for which a feasibility study, including a cost-benefit analysis, was completed during the pre-investment phase. The three pilot sectors are equipment, transportation, and agriculture, accounting for 70 to 80% of total public investment. In addition to this indicator, the reform is expected to increase the integration and prioritization of public investment with broader policy objectives, help the Government ensure that its investments promote welfare growth and reduce inequality and unemployment, and see that fiscal risks are properly identified and managed.

In 2016 (the baseline), the proportion of investment projects for which a feasibility study, including a cost-benefit analysis, was prepared during the pre-investment and financing phase was 40%, rising to 70% in 2018 and to 100% in 2019 (2020 budget)

- To facilitate trade, transportation, and logistics and improve the monitoring and efficiency of port logistics:

4. **Prior Action 4:** The Ministry of Finance and the Ministry of Transport approved Circular No. 86 of November 19, 2016 amending Circular No. 19 of May 30, 2011 and introducing the digitization of remaining port procedures. Circular No. 86 was published on the Ministry of Finance website on January 27, 2017.

This prior action was expected to result in a reduction of dwell time by about 15-20%, to about 3-4 days, due to greater clarity in the roles and responsibilities of all operators connected with *Tunisia Trade Net* (TTN). It will also allow for faster removal of containers from the port, thus freeing up space and reducing congestion, as well as the tracking of containers, which will reduce logistics costs for both importers and exporters.

Pillar 2: Supporting Entrepreneurship and Deepening Access to Financing

- To improve the ecosystem and the financing of entrepreneurship:

5. **Prior Action 5:** The Council of Ministers approved and sent to Parliament on April 28, 2017 the draft Code for Seed and Equity Capital (Code des Organismes d'Investissement Collectif), which is aimed at improving access to financing for young enterprises and entrepreneurs.

A draft code for Seed and Equity Capital has been developed in conjunction with the Financial Markets Authority (CMF), with the following objectives:

- Consolidation of texts governing the activity into a single legislative framework that takes into account the specificities of the profession and leads to greater clarity for investors; and
- Improvement to the ecosystem and financing for entrepreneurship and simplification and relaxation of the regulatory framework for Funds aimed at sophisticated investors as well as Offshore Funds (foreign currency denominated funds) in accordance with best practices in order to promote equity financing for SMEs and job creation.

The Code for Seed and Equity Capital has not yet been approved by Parliament; however, Horizontal Law No. 2019-47 of May 29, 2019 on the improvement of the business climate provides for the creation of new financing vehicles:

- Specialized Investment Funds are considered as UCITS (Undertaking Collective Investment in Transferable Securities) making investments on behalf of sophisticated investors in accordance with an investment policy governed by its internal rules;
- Specialized Investment Funds may comprise one or more compartments, each corresponding to a distinct part of its assets. The Fund's internal rules must provide for and determine the purpose of each of its compartment sub-funds. Each sub-fund must have a relaxed authorization procedure. A sub-funds' assets are denominated in the national currency or a convertible currency;
- A Fund of Investment Funds is treated as a mutual fund investing in transferable securities whose assets consist exclusively of subscriptions in venture mutual funds (FCPR), seed funds, or specialized investment funds. A Fund of Funds invests on behalf of sophisticated investors. A Fund of Funds may comprise one or more sub-funds, each corresponding to a distinct portion of its assets. Each sub-fund must have a relaxed authorization procedure. A sub-funds' assets are denominated in the national currency or a convertible currency.

The manager of a Specialized Investment Fund or a Fund of Funds whose entire assets are denominated in a foreign currency may be an offshore management company authorized by the Financial Markets Authority.

- Number of vehicles: Risk Capital Funds (57 SICAR, 44 FCPR), Alternative Funds (9FA)
- Outstanding funds raised: TND511.8 bn (of which 434.5 bn managed by SICARs)
- Amount approved: TND567.8 bn (672.5 bn in 2017)
- Amounts invested: TND453.1 bn (485.8 bn in 2017)
- Number of companies: 144 (136 in 2017)

In addition, the Ministry of Justice has prepared a bill amending and supplementing the Corporations Act which will soon be sent to the Office of the President.

➤ **To strengthen market access, competition, and transparency:**

6. **Prior Action 6:** The Council of Ministers approved and sent to Parliament on February 24, 2017 the draft legislation on Credit Bureaus (CB) aimed at improving credit information and encouraging access to credit for young SMEs and entrepreneurs.

It is expected that the Central Bank will issue a license to operate a CB. The license will require the CB to offer a credit rating for SMEs within two years of its launch. The reform will renew the social contract through a more inclusive

credit for: (i) job creation by SMEs, including women-owned SMEs; (ii) the self-employed; and (iii) the housing needs of low-income populations. For established borrowers, information from CBs will result in less demanding loan guarantees, more favorable interest rates, and longer-term loans. This will help banks and microfinance providers offer loans to new borrowers, especially women in regions where development is lagging, and bring more informal activity back into the formal economy.

➤ **To deepen access to finance for MSMEs and entrepreneurs and improve risk management:**

7. **Prior Action 7:** The new Law of Collective Procedures No. 2016-36 of April 29, 2016 modernizing the bankruptcy regime in Tunisia was published in Official Journal No. 38 of May 10, 2016.

A more predictable, transparent, and effective bankruptcy regime will improve creditor confidence. It will support entrepreneurship, give borrowers a second chance, and decriminalize bankruptcy. This will help keep jobs alive as part of viable businesses. It will encourage the generation and sharing of information, thus allowing financial institutions to better frame risks. In addition, the bankruptcy regime should facilitate the exit and reintegration of entrepreneurs, thus allowing for more efficient allocation of resources into productive assets. Research suggests that bankruptcy reforms tend to increase returns to creditors.

All implementing decrees relating to Law No. 2016-36 have been published in the JORT.

- Government Decree No. 1356-2017 of December 13, 2017 on the composition and functioning of the Economic Enterprises Monitoring Commission and its Supervisory Authority;
- Government Decree No. 463-2018 of May 31, 2018 on the criteria and procedures for reporting signs of economic hardship;
- Government Decree No. 89-2019 of January 11, 2019 on the composition and functioning of the commission provided for in Article 474 of the Commercial Code.

The performance indicator is the number of bankruptcy cases initiated under the new law.

The number of cases initiated since entry into force of the law was 392 as of the end of 2018, as follows:

- **2016: 85 cases**
- **2017: 144 cases**
- **2018: 163 cases**

➤ **To improve access by households to housing finance:**

8. **Prior Action 8:** To improve household access to housing finance, Decree No. 2016-1126 of August 18, 2016 revising the eligibility criteria for FOPROLOS (Fund for the Promotion of Social Housing) was published in Official Journal No. 71 of August 30, 2016.

The reform broadens access to housing finance for low- and middle-income households for home purchases and improvements, thereby considerably improving their living conditions. Increased availability of housing finance also enables households to build up the equity and collateral needed to mobilize financing for income-generating activities, such as a start-up or investment in a small business. Over time, the additional investment in housing generated through reform supports job creation in and around construction and related value chains, activities where MSMEs typically flourish.

453 FOPROLOS loans have been granted since the beginning of 2017

1,100 loans granted since the beginning of 2017 until June 2019, amounting to TND70 billion (DGF)

ANNEX 3: PDO indicators

PDO Indicators

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
PDO 1	Improving the business environment and the competition framework			
Indicator 1:	Number of anti-competitive practices prevented or eliminated			
Value	3	6		2017-3 2018-11 Oct2019-8
Date achieved	2016	2018		End 2018
Comments (incl. % achievement)	<u>Achieved</u> : It stagnated to 3 anti-competitive practices in 2017, but rapidly increased in 2018 to reach 11 practices. As of end-October 2019, 8 practices were eliminated.			
Indicator 2:	Publication and availability on the website of the MDICI of the following: (i) the list of activities subject to investment entry authorization, the deadlines, procedures and the terms and conditions for their granting; (ii) the draft report for consultations as well as the final report on the recommendations and concrete proposals for streamlining investment entry authorizations			
Value	Not available	All information and documents are readily available on the website of MDICI		(i) The list of 127 authorizations related to economic activities and 143 administrative authorizations was published by decree n°2018-417 dated 11 May 2018 (JO) and is available online on the website of the official gazette but not on the MDICI website, (ii) consultations took place between administrations, but no draft and final reports were published on the MDICI website.
Date achieved	2016	2018		End 2018
Comments (incl. % achievement)	<u>Partially achieved</u> : (i) the list of authorizations was published by the decree, but not on the MDICI website as stated as result indicator. As of the ICR preparation date, it was not accessible on the MDICI website and on none of the government websites; (ii) many consultations took place between administrations on streamlining investment entry authorizations in 2018-2019 (at two levels: Chief of Cabinets level and middle management level). However, no draft and final reports were published on the MDICI website and there are no clear plans to achieve the result indicator.			
Indicator 3:	Share of investment projects for which a feasibility study, including a cost-benefit analysis, has been completed during the pre-investment phase			
Value	40%	80%		85%
Date achieved	2016	2018		End 2018
Comments (incl. % achievement)	<u>Achieved</u> : At completion, the share of investment projects for which a feasibility study was conducted reached 100% of the projects submitted by the CNAPP to the Government; this is			

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
	estimated to be approximately 85% of total projects (as projects assessed by the CNAPP did not include large local investment projects). Discussion with the DPL team was necessary to clarify the scope and definition of the indicator and the baseline.			
Indicator 4:	Container dwell time			
Value	16.6 days	12 days		19 days
Date achieved	2016	2018		2018
Comments (incl. % achievement)	<u>Not achieved:</u> The indicator performance worsened due to slow progress in digitalization of ports procedures and due to additional security check steps and delays in importer removal of processed merchandise from the port. However, the indicator refers to average container dwell time for all merchandise trade; on the other hand, containers from the EU are under the rolling unit whose dwell time is only 4 days. (The EU accounts for 52% of goods imports and 75% of goods exports, as of end-2019; under free trade agreement for industrial goods).			
PDO 2	Supporting entrepreneurship and deepening access to finance			
Indicator 5:	Amount of seed and equity capital raised from investors			
Value	TND 200 million	TND 300 million		TND 469.5 million
Date achieved	average per year in 2012-2016	average per year in 2017-2018		average per year in 2017-2018
Comments (incl. % achievement)	<u>Achieved:</u> While the indicator target was met, the indicator performance was disconnected from the reform since the Law on Seed and Capital Equity was not adopted. According to CMF data, the target value was already achieved in 2016, with TND304 million of private equity investment raised for 175 projects. It increased to TND485.8 million for 136 projects in 2017 and TND453 million for 144 projects in 2018.			
Indicator 6:	Number of private credit bureaus licensed and operational			
Value	0	1		0
Date achieved	2016	2018		End 2018
Comments (incl. % achievement)	<u>Not achieved:</u> The only private credit bureau has existed since 2009, but is not operational, since there is a legal vacuum on data protection of legal person (the existing Law 2004-63 on personal data protection only covers individuals) which dissuades major banks from providing credit history data to the bureau. The reform under PA6 was intended to address this legal vacuum but the law has not been adopted by Parliament.			
Indicator 7:	Number of cases initiated under the new law on collective procedures			
Value	0 (Program Document) 85 cases (actual)	200 cases		163 cases
Date achieved	2016	2018		2018
Comments (incl. % achievement)	<u>Not achieved:</u> According to the Ministry of Justice, 85 cases were initiated in 2016 since the Law was enacted. The figured increased to 144 cases in 2017 and to 163 cases in 2018 but remained below target. Translation of the PA7 reform into performance of the result indicator took longer than planned, due to slow progress in readying the judicial system for reform implementation.			
Indicator 8:	Number of FOPROLOS loans			

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Value	286	600		2016: about 290 loans 2017: 453 loans 2018: 385 loans
Date achieved	on average per annum in 2013-2015	2018		
Comments (incl. % achievement)	Not achieved: The indicator reached 453 loans in 2017 and 385 loans in 2018, according to the Ministry of Equipment, Housing and Territorial Planning.			

ANNEX 4: Status of Reform Implementation

Prior Actions	Reform Implementation Status
<i>PDO 1. Improving the business environment</i>	
<p>PA#1: The four implementing decrees of the new Competition Law No. 2015-36 dated September 15, 2015- Decree No. 2016-780 dated June 13, 2016, Decree No. 2016-1148 dated August 19, 2016. Decree No. 2016-1204 dated October 18, 2016, and Decree No. 2017-252 dated February 8, 2017- have been published in the Official Gazette No. 51 dated June 24, 2016, the Official Gazette No. 72 dated September 2, 2016, the Official Gazette No. 87 dated October 25, 2016, and the Official Gazette No. 13 dated February 14, 2017, respectively.</p>	<p>The reform was successfully implemented but with limited impacts in terms of achieving the PDO: All 4 implementing decrees of the competition law are effective, and the result indicator exceeded the target. The reform strengthened the Competition Council’s role and mandate. The 4 decrees clarified the specific implementation of the Competition Law in the 4 areas detailed below.</p> <ul style="list-style-type: none"> • Decree No. 2016-1148: Obligatory consultation of Competition Council on draft laws was implemented. The decree clearly defined the framework for consultations on draft laws and enabled the Council to provide “ex ante” opinions thus limiting the potential for new laws to hinder competition in Tunisian markets. Before the publication of this decree, consulting the Competition Council on draft decrees on regulations (but not on draft laws) was obligatory. • Decree No. 2016-1204: The new decree codified the existing practices of the Council for exempting agreements that are justified based on economic or technical progress and set a 3-month deadline for exemptions, thereby helping to increase predictability, strengthen analytics underpinning exemptions and reduce wait times by businesses. • Decree No. 2016-780: The decree’s guidelines were implemented, which increased the threshold for merger notification thereby reducing the workload of the Competition Council and allowing it to concentrate on mergers with greater economic impacts; it also simplified mergers for businesses below the threshold. • Decree No. 2017-252: Leniency application procedures were put in place but have not been utilized to date by any companies that were originally part of cartels and wanted to cooperate with the Competition Council. However, the existence of leniency policies is viewed as a key tool to destabilize cartels and make them less likely to be formed and succeed. In Tunisia, this decree may have provided the Competition Council with bargaining power to extract information when necessary.
<p>PA#2: The new Investment Law No. 2016- 71 dated September 30, 2016, reinforcing the rights and guarantees of investors and market access regulation, and its implementing decree, Decree No.2017-390 dated March 9, 2017, establishing the unit at the Ministry of Development, Investment and International Cooperation responsible for streamlining investment entry authorizations, have</p>	<p>The reform is progressing, albeit slower than originally planned; while the decree No.2017-390 initiated streamlining of investment entry authorizations, the process is taking longer than planned. The investment Law initiated larger institutional setup which remains to be operationalized.</p> <p>➤ <i>Streamlining of investment entry authorizations</i></p> <p><u>Decrees n°2017-390 and n°2018-417:</u> While the Law initiated a key reform for streamlining investment entry authorizations, the complexity of the authorization system, and challenges associated with cross-governmental coordination and the need for greater reform buy-in created delays and led to a regulatory vacuum in some areas.</p> <ul style="list-style-type: none"> • Decree n°2017-390 created a unit under MDICI (Unite de Gestion Par Objectif -UGPO) in charge of streamlining investment entry authorizations over a period of 3 years (until March 2020). • A list of 127 authorizations related to economic activities and another of 143 administrative authorizations were published by the decree n°2018-417 dated 11 May

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<p>been published in the Official Gazette No. 82 dated October 7, 2016 and the Official Gazette No. 25 dated March 28, 2017, respectively.</p>	<p>2018. This decree also outlined the process for authorization issuance and eliminated 27 of these authorizations. The decree (the list of authorizations) was a result indicator for the BEE DPL and a PA for the following ICI DPL. The decree also required that within a six-month period, 19 specifications (cahiers de charge) be prepared to replace 20 of the eliminated authorizations. However, these specifications are yet to be finalized. Four specifications were published in October 2019 and 4 more were in the pipeline. Meanwhile investments in the activities subject to these specifications are de facto suspended as this regulatory vacuum creates uncertainty for investors.</p> <ul style="list-style-type: none"> • In parallel, the UGPO started in 2019 consultations with Ministries on the 143 administrative authorizations and the remaining 100 authorizations on economic activities, but there is no feedback from the Ministries so far. • The UGPO is expected to extend its activities, as work will be far from being completed by the deadline - end March 2020. <p>➤ <i>Institutional arrangement set by the Investment Law</i></p> <p><i>The decrees below are not directly supported by the BEE DPL, the PA being the list of entry authorizations, however they are part of the implementation package of the new investment law.</i></p> <p><u>Decree n°2017-388:</u></p> <ul style="list-style-type: none"> • TIA (Tunisian Investment Authority) became operational in June 2017 under the MDICI, as a “one stop shop” for investments above DT15million. However, there is concern on the duplication of mandates between the TIA and existing investment agencies, such as APII (Agency for Promotion of Investment and Innovation), APIA (Agency for Promotion of Agricultural Investment), FIPA (Agency for Promotion of Foreign Investment), and CEPEX (Center for Exports Promotion). APII and APIA are already “one stop shops” for investment in each area and FIPA in charge of FDI and CEPEX of exports. The authorities are studying options to review the roles of the various entities to address this governance issue. • The "silence is approval" principle and the obligation to state in writing reasons for refusing authorization have not been applied so far. The newly created TIA is responsible to grant the waiver, but at the time of the ICR mission, it did not have sufficient power neither capacity to enforce it. • The Higher Council for Investment was created by the new Law and held its first meeting in February 2018. It is presided by the Prime Minister and key line ministries that validate investment policies and incentives related to large investment projects. • A new investment fund was created by the decree but is not yet operational and its role remains unclear especially compared to many existing public investment support funds. <p><u>Decree n°2017-389:</u></p> <p>As planned by the new investment Law, the lists of financial and tax incentives were published separately. Decree n°389 published the definition and the list of financial incentives. To complement this decree, Law n° 2017-8 dated 14 February 2017 was prepared by the MoF and contains a review of tax incentives. Its implementing decrees n°2017-418, n°2017-419 and n°2018-613 published lists of tax incentives in services and physical investments.</p>

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<p>PA#3: The Decree No. 2017-394 dated March 29, 2017 establishing a unified public investment management framework for public investment projects (PIP) and public private partnership (PPP) projects to cover the appraisal, selection and prioritization, financing modalities and continuous monitoring of all investment projects has been published in the Official Gazette No. 26 dated March 31, 2017.</p>	<p>The decree is effective and significant progress has been made to implement a unified public investment management framework.</p> <ul style="list-style-type: none"> • The decree put in place a unified framework with systematic and standardized project screening through TARTIB, a tool developed through WB TA that implemented harmonized project documents with clear selection criteria including (i) economic, regional, social, and environmental sustainability, (ii) budget and cost-based analysis, efficiency analysis, (iii) quality assurance mechanisms, and project maturity. • CNAPP (Comité National d'Approbation des Projets Publics) was created. It is composed of key stakeholders including MDICI, MoF, IGPPP (Instance Générale des PPP), and IGSP (Instance Générale de Suivi des Projets Publics) and it screens projects according to the standardized criteria mentioned above. Selected projects are moved into the pipeline project list which is submitted to the Government. • In 2017, the framework was piloted during the preparation of the 2018 Budget Law with the 3 ministries whose projects represent a large share of the Government's public investment, namely the ministries of Transport, Agriculture, and Equipment. In 2018, during the preparation of the 2019 Budget Law, the framework was rolled out to all ministries and 7 SOEs (ONAS, STEG, SONEDE, OMMP, Groupe Chimique, ARRU (Agence de Reamenagement et de Renovation)). • Training is being provided to stakeholders through the World Bank TA on TARTIB. The 2nd phase of the TA was approved in 2019 for a total of US\$1.7 million and may include capacity building for regional and local governments.
<p>PA#4: The Minister of Finance and the Minister of Transport have issued Circular No. 86 dated November 14, 2016, replacing Circular No. 19 dated March 30, 2011, to introduce the digitization of remaining port procedures. Circular No. 86 has been published on the website of the Ministry of Finance.</p>	<p>The reform is being implemented, but with delays and limited impact towards achieving the PDO; reform progress has been hindered by challenges with cross-governmental coordination. Despite increased digitalization, dwell time in ports remains high and has even increased because of additional security checks implemented in light of heightened security risks.</p> <ul style="list-style-type: none"> • The processing of imported merchandise at the Port of Rades is 90% digitalized, except prior notice, prior transmission of the list⁹, and appointment for merchandise removal. Many processes are also being digitalized in other ports for merchandise import. Processing of customs declarations, an integral part of the port procedure process, is still paper based. • There is a lack of coordination within the Government over the implementation of this cross-governmental reform. This has resulted in different speeds of digitalization by Government entities that control the various steps of the port procedures. • The digitalization is facing challenges as many port formalities are still conducted in parallel with manual paperwork by certain Government entities, while some agents lack access to the TTN platform. In November 2019, TTN was in the process of testing a website that will provide alternative access to TTN to importers and individuals who are not connected to the platform. • The Higher Council for Exports, presided by the Prime Minister, was created in 2018 to make policy decisions for promoting exports, including accelerating digitalization of ports procedures. The Council adopted measures such as digitalization of export procedures and supply, creating a manual of export procedures to register all the administrations concerned, mandatory work to institutionalize 7 days week for all administrations, etc. Another decision of the Higher Council for Exports made

⁹ Decree 1005 of MoF dated 30/11/2018 oblige prior transmission of the list through TTN but software on custom side is yet to be operationalized.

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	<p>mandatory the digitalization of all export and import procedures and the connection of all institutional stakeholders involved in trade to the TTN, which was followed up as a prior action for the ICI DPL.</p>
<p>PDO 2. Supporting Entrepreneurship and Deepening Access to Finance</p>	
<p>PA#5: The Council of Ministers has approved on April 28, 2017, and the Head of Government has transmitted to Parliament on May 2, 2017, the draft Code for Seed and Equity Capital (Code des Organismes d'Investissement Collectif) enhancing access to finance of young firms and entrepreneurs.</p>	<p>The reform is only partially adopted after the Program closing date.</p> <ul style="list-style-type: none"> • The draft Code for Seed and Equity Capital has not been adopted by the Parliament, partly because of the busy Parliament schedule, but potentially also due to resistance and lack of interest from certain stakeholders. However, Law n°2019-47 dated 29 May 2019, referred to as the Horizontal Law, was adopted by Parliament with strong political backing. It consisted of a package of emergency economic measures that modified 24 laws relating to the business environment, to ensure their adoption in the context of a busy Parliament pipeline. • The Horizontal Law included some of the critical provisions of the draft Code for Seed and Equity Capital such as introducing funds in foreign currency and funds with compartments, which represent key measures for the financing of startups. Other key measures planned in the draft Code were not included in the Horizontal Law (e.g. protection for non-sophisticated investors (households); amendments of the Corporate Code to allow for less expensive forms of company incorporation and for new financial contracts such as stock options, preferred shares and convertibles notes). The draft Code was also to provide a unified framework for SICAR, private equity fund (“fonds commun de placement a risques”), and OPCVM (UCITS) which are currently under separate dispositions. In addition, a regulation was adopted in August 2019 to facilitate SME access to financing through capital market. Rules were relaxed for alternative market, and companies (total 13) listed on this market will be moved up to a lower compartment of the main market with a 1-year observance period which liberates space for new investments on the alternative market. <p>➤ <i>Complementary reform</i></p> <p>Banque de Region was also created by the 2018 Budget Law, following a KfW diagnostic study. It will specialize in intermediary financing of SME’s mainly in the regions and is to absorb BFPME (the public SME financing bank) and SOTUGAR (the public SME guarantee agency). However, it is still unclear how this new public bank will be efficiently managed along with many existing public financing mechanisms.</p>
<p>PA#6: The Council of Ministers has approved on February 24, 2017 and the Head of Government has transmitted to Parliament on February 27, 2017 the draft Law (loi organique) on Credit Bureau improving credit information and promoting access to credit for young MSMEs and entrepreneurs.</p>	<p>The draft Law on Credit Bureau has not been adopted by Parliament, partially due to the busy Parliament schedule, and partially due to reluctance from key stakeholders.</p> <ul style="list-style-type: none"> • The draft Law preparation did not sufficiently engage key stakeholders such as the existing private credit bureau and the BCT. The BCT already operates a credit registry, which it is planning to improve. Moreover, the BCT would be required to license and supervise private credit bureaus, in addition to running and improving its own credit registry, reason why the work burden is considered heavy for limited interest from BCT. • The existing private credit bureau seems to prefer maintaining the status quo to avoid entry by competitors and to avoid the new obligations and restrictions under the draft law. It is important to note that the existing credit bureau is not fully operational yet potentially due to the reluctance of major banks to share their credit history data with it given the legal vacuum around data protection. The existing Organic Law No. 2004-63 on personal data protection does not protect legal persons.

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<p>PA#7: The new Law of Collective Procedures No. 2016-36 dated April 29, 2016, simplifying Tunisia's bankruptcy regime has been published in the Official Gazette No. 38 dated May 10, 2016.</p>	<p>The reform is being implemented but its impact to date towards achieving the PDO is mixed: The Law is effective, and 2 implementation decrees were adopted.</p> <ul style="list-style-type: none"> • Two implementation decrees were adopted: (i) decree n°2017-1356 dated 13/12/2017 on commission of companies' surveillance; (ii) decree n°201-463 dated 31/05/2018 on criteria and formalities of notifying early warning signs of economic difficulties. • However, key challenges with the judiciary system such as a lack of specialized skills and a heavy workload for judges persist. The 12-month observation period of judiciary procedure planned in the Law is not respected and no additional means have been provided to support the judges. In order to better professionalize the judges and experts involved in the cases, a draft law on general framework regulating the trustee in bankruptcy and conciliators (modifying Law n°1997-71) was prepared within the Ministry of Justice in early 2019 but has not been submitted to the Government yet. It includes (i) organizing conciliators, (ii) clarifying roles of stakeholders, (iii) setting deadlines for each step/stakeholder, and (iv) professionalizing trustees of bankruptcy and experts involved. • While the indicator reveals an increase in the number of bad loans filed to the courts, it will take time for these cases to be resolved and the outcomes of the process to be realized (e.g. improved recovery of bad debts or turnaround of some of these businesses), thereby allowing for a better assessment of the impact of this reform on the PDO. <p>➤ <i>Complementary reform</i></p> <p>Since public banks were not covered by the Law, new Laws on public banks (n°2018-36 and n°2018-37) were adopted in May 2018 to improve the public banks' portfolio notably through the creation of an internal commission in charge of debt recovery and audit in each bank. In addition, a commission for write-off of public banks' loans was created under the MoF in February 2019 (decree n°89 -2019 modifying article 474 of Code of Commerce), after the closure of the Program. These measures increased the transfer of many bad loans held by public banks to the legal dispute stage. Public banks' NPL rates improved significantly partly thanks to this reform, but also partly thanks to the reform initiated under the previous DPL series on regulatory framework and corporate governance of public banks¹⁰.</p>
<p>PA#8: To improve households' access to housing finance, the Decree No. 2016-1126 dated August 18, 2016, revising the eligibility criteria of the Social Housing Promotion Fund (FOPROLOS or Fonds de</p>	<p>The reform is being successfully implemented albeit at slower pace and smaller scale than expected.</p> <ul style="list-style-type: none"> • The decree increased the amount and coverage of the FOPROLOS loans to housing extension, construction and land acquisition, which allowed for coverage of a greater pool of potential beneficiaries. • However, most of the weaknesses identified in the DPL program document remain: (i) FOPROLOS loans are still exclusively distributed by the public bank Banque de l'Habitat (BH), which limits coverage, number (well below the result indicator target) and efficiency (due to lack of competition) of loans distribution; there are no plans to allow distribution by other banks; and (ii) since FOPROLOS is a separate targeted public fund,

¹⁰ The GOJ DPL series 1-3 supported the introduction of good corporate governance rules based on international best practices. The series supported reform of the public banks in a gradual manner, first by enforcing stricter prudential regulations, and carrying out strategic and financial audits, and then by correcting weaknesses identified by the audits.

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<p>Promotion du Logement pour les Salariés) has been published in the Official Gazette No. 71 dated August 30, 2016.</p>	<p>it is managed outside the BH portfolio, which avoids the worsening of its portfolio but prevents it from leveraging BH resources.</p> <p>➤ <i>Complementary reform</i></p> <p>A public fund to guarantee housing loans for irregular income households was created by decree n° 2018-749 with TND50 million adopted in the 2018 Budget law. The convention with SOTUGAR (as fund manager) was signed in October 2018 and SOTUGAR in turn signed in June-July 2019 conventions with BH and Atijari bank and in December 2019 with BNA, after which the fund has become operational. This was supported by a Bank TA.</p>

ANNEX 5: List of Supporting Documents

Letter of Development Policy for Loan 8761-TN, May 2, 2017

Loan Agreement (Business Environment and Entrepreneurship Development Policy Loan) between Republic of Tunisia and International Bank for Reconstruction and Development, dated June 13, 2017

Program Document for a Proposed Loan in the amount of Euro 457.2 million (equivalent to US\$500 million) to the Republic of Tunisia for the Business Environment and Entrepreneurship Development Policy Loan, May 9, 2017

Mission Aide-Mémoire, Mission de Pré-Identification d'un Eventuel Programme d'Appui Budgétaire 2018 et de Suivi de la Mise en Œuvre de l'Appui Budgétaire 2017, October 30 to November 3, 2017

Mission Aide-Mémoire, Mission de Supervision de l'Appui Budgétaire 2017, October 22 to 30, 2018

Mission Aide-Mémoire, Mission de Supervision de l'Appui Budgétaire 2018, September 23 to October 2, 2019

Implementation Status & Results Report, December 2018

ANNEX 6: Map

