# Need assessment for the Kairouan Community Foundation


## By WOJTEK SZPOCINSKI

## Development Policy Foundation



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## Instead of introduction

Tunisian model of economic and social development under Ben Ali or crony authoritarian modernization (if you wish), much praised by the IFIs during his rule, created a system of structural self-replicating flaws, failures, mismanagements and misconducts including the following key:

a. Extreme centralization & overall dependence of the local authorities on Tunis: the Ministries and its representatives - "delegations", field or branch offices, the governors (in total 24 gouvernorats): in terms of the resources management and decision-making, in almost every sphere, what largely enhanced Ben Ali's clique grip on power.

b. Puzzling & amorphous legislation, concerning both public and private entities and institutions, including the regional and local authorities : inconsistent, contradictory & dispersed regulations. Whereas, the organic or general acts of law tend to be vague, hollow or effectively irrelevant, the secondary law being biased toward the narrow-scope regulations & focused on "context tailored decisions", pertaining to the specific sectors, social groups, zones or case-precedences.

Thus in a broad perspective producing an ineffective, entangled, corruption-prone system of privileges, subventions (fuel & household & refurbishment & various social assistance programmes and many more), tax exemptions (e.g. near total PIT exception for so-called "free professionals", including consultants, lawyers and doctors, about to be partly altered in 2015), sectoral regulations (e.g. tax/regulatory and market access dichotomy between export-oriented sector/FDIs driven offshore and domestic sector/onshore, with the extensive tax breaks), a plethora of prohibitive concessions, further "preferential local regimes", in theory designed to encourage the investments and job-creation in Tunisian interior. However being completely ineffective proved by the very fact that the first clashes erupted in Sidi Bouzid, Kasserine, El Kef and Gafsa, the most underdeveloped amongst the Tunisian interior areas.

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### Regional & Local Bureaucracy: incompetent & largely corrupted:

Regional and local authorities under Ben Ali's were organized along two ideological *buzz axes* or the hollow propaganda notions:

- The hoax *déconcentration*: standing for a transfer of execution powers and resources to clearly subordinated regional bodies, being *de jure* merely execution hand of the state: the ministries or agencies. Under *déconcentration* the regional authorities are stripped from their autonomy: they do not posses legal personality & have no contractual power.
- Being rolled down in parallel with a monk-up *decentralization*: under the highly centralized decision-making system of the previous regime the municipalities/local authorities, formally self-governing or autonomous (even what regards the local budgets, still on paper only), had extremely limited responsibilities and played a minor role in local development.

Further compounded by:

a. The post-colonial entanglement of the state close to the EU and its former colonial power (strong unionist and syndicate movement, especially within the large public sector, being a lucid legacy of the French model of industrial dialog), with the relatively high HDI as well as the educated and skilled labor: a huge progress achieved in the field is rightly considered as a key tangible success of Ben Ali's rule. Tunisia was ranked 94th of 187 countries in the 2011 Human Development Report, though its score has risen more quickly than that of most other non-oil Arab states since 1980's.

b. Vast and increasing intra-regional development gaps (the Interior/South & West versus the Cost & the North East) & large income inequalities and concentrated pockets of poverty and underdevelopment in the Interior. These resulted in: a huge population out-flux from underdeveloped areas to Tunis and the coastal towns; Unregistered depopulation in Sahel (Central Tunisia/not mismatched with a boundary zone in Central Africa) and the Interior; Unsustainable and uncontrolled “metropolitanization”: 7 million Tunisians or two-thirds of the total population, live in the country’s towns and cities: Tunis, the North and the central coastal area. …...

## How it was possible to make the system sustain for so long?

### 1. FDIs and the Tunisian Investment Code: good for the economic realities of 70's, but not early 21st C.

The economic opening of Tunisia started in 1972, when the government implemented a new regulatory regime aimed at attracting foreign investors by its location, low-cost but skilled labor force, a serviceable infrastructure, and a comparative political and social stability. Beginning with subcontracting in the textile sector and subsequently expanding its activities to the mechanical and simple electrical sectors (the irons & mixers). This largely contributed to the creation of flawed off-shore/on-shore sectoral dichotomy (see more below). In broad terms the FDIs attraction and retention system turned to be unsustainable due to overall transformation of global production chains/global market, entailing China & SE Asia rise, bursting global competition (including the CEE), slashed transport costs, raising connectivity. In early 21st c. Tunisia for good became no more cheap and neither competitive, especially in textiles and simple household appliances.

### 2. Quest of for a sun: rise of mass & package tourism in 70's and its current relative decline in Tunisia?

Tunisia, due to its location, attractions, relative stability, good security records, largely conducive social and policy framework in late 70's became a magnet for an early mass package-based/all-inclusive tourism from those days rich Western Europe, especially Germany, Scandinavia, France and the UK. In early 90's Tunisia, already dimmed and sightly shabby for the rich Westerners, reemerged due to the booming influx of sun & the core standard hungry Poles, Balts, Russians, Ukrainians, Belorussians (Czechs were never a considerable group: largely clinging to Croatia). The times nevertheless were changing: the mass-tourism excessively dented by the 2010/11 revolution was nosediving regardless the stability and security concerns.  Meanwhile, the competition was stark in terms of costs and the perceived attractiveness or a measure of exotic for a destination, while Tunisia indulging in a short-sighted tourism booms of 80's and 90's  turned its key attractions into abominable concrete juggles in decay, offering not much instead. Given a unprecedented rise in low-costs carriers, further booming competition on the air travel market, tour-operators have been relocating to the South Eastern Asia, Turkey or Morocco (btw enjoining the Open Sky with the EU). Besides the very concept of package-tour is on decline: the tourists, equipped with Internet resources/e-tools are keen to arrange on their own, book independently, to explore & chase for the true hidden gems/off beaten path/ embarking on pseudo adventure itineraries/backpacking, while enjoining "feel/act-like local" approach in eating, shopping and entertainment etc. All in all, what the current Tunisia can offer in this regard apparently happens to be badly pale compared to its competition.

## The overview of the current local public policy making environment and its key features

### Municipalities & Local Finances Inter-play

Chapter 7th of the new Constitution contains the general provisions on self-governing & financially autonomous both regional and local/ municipal local authorities. Except this general clauses not much scope-relevant legislation was developed, adopted or amended yet. Current regulations and provisions on municipal finances are splintered and dispersed among at least 40 organic legal acts, 120 secondary regulations and 200 one-off or precedent-case laws, targeted or time-bound measures: including generic provisions on local taxes (see below for more details), overall regulations of subsidies and equalization transfers, special co-financing schemes, territorial regimes, targeted payments. Consolidation was announced to be a priority starting from 2015 onward, in its principle before the local elections to be held in 2015 or early 2016. The process is expected to be impeded by immense current legislative entanglement, further emboldened by the vested interests at various level institutions profiting from the current state of affairs.

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The key features of the current system :

- The municipal staff, except the top echelons (e.g. the mayor of Kairouan), was largely unchanged!

  *No independent staffing policy exists at the local level, while the absolute majority of the local administrative staff has been retained after the revolution: due to the centralized, cumbersome system of the administrative job assignment, under which the local and regional authorities are bound to request the line Ministry (routinely one in charge of administration/ the MIA) for the assignment of the relevant administrative assignment from amongst the centralized pool of approved candidates. The capacities are as plainly low that even taping of an official document in a native Arabic can pose a huge problem for the administrative staff, including in Kairouan, not to mention in French (only 2, amongst 90, employees have a good working knowledge of French) or in English (not a single person).*

- Awareness and knowledge of the regulations pertaining or directly influencing the execution of local competences remains strikingly limited as they were, and to a large extend still are, irrelevant, taking into account the vertical, narrow -scoped decision making schemes.

- The municipal competences are not clearly identified and consistently drawn anywhere in the body of law.  Being irrationally splinted and fragmented, enabling various counter-effective horse trading & blame passing e.g. the collection of municipal waste lies with the municipalities, while processing largely confined to the state agency, with a minor municipal co-financing (20%). Lack of intra-municipal cooperation in communal services provision, widely proliferated in the EU/PL, though the respective general provisions introduced by the new Constitution.

- The local taxes collection suffers from outdated, no-existent or fragmented tax inventories, what regards especially the property taxes. The castrate system is largely dysfunctional due to dispersed data, or lack thereof. Under the current system the municipal income does not in any way depend on PIT or CIT: respective income taxes from the local constituent

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population and the local businesses. This income leverages should be considered under the new legal arrangements, as they provide a clear incentives for a meaningful local public policy making.

- The local taxes and fees are badly aligned to the genuine executed municipal competences and resources: e.g. no outright local waste tax, while our preliminary study estimates that waste management amounts to about 35% of municipal budget of Kairouan, with extremely low recovery rate of 30%. The only viable local tax is so-called hotel tax, though as a real and tangible source of income confined to the coastal areas exclusively. Additionally the downturn in the organized tourism is limiting its fiscal income effects.
- Spatial Policy & Public Space Management: The spatial policy & property registrations is considered to be a key to effective urban management, due, amongst the other factors, to its important role within the urban municipal tax basket (build, non-build, inhabited/non-inhabited, commercial). Currently it remains anarchic and uncoordinated because of inter-agency interplay, contradictory regulations and lack of the GIS based inventories/data & management e-tools (in Kairouan no supportive e-tool exists: only plot info request/Carnet Noir are registered in the dataset?): it takes at least 3 agencies and 3 utility service provides and 7 procedures in: *allotment, plot inventarization, registration, construction consent* **each.** The procedures are costly and not covered by the state budget, otherwise than when dealing with the agricultural land. In consequence e.g. in Kairouan: 80% buildings and properties are not indexed and inventarized. Large scale of semi-illegal development exists. Interestingly, in case of Kairouan, compounded by the fact of a very existence of lingering private claims to the per-colonial so-called habous or wakfs (the Koranic law private or mixed property endowments, rooted in the city's complex history of a major religious center of Maghreb) on the outskirts on the town.
- The overall current municipal budgets in non-metropolitan areas, including equalization transfers & targeted project-oriented subsidies, are extremely slim. Being a few dozen times slimmer (600% less) than in the comparable, peer non-metropolitan, poor Eastern Poland municipalities. Given the current budget limitations the Tunisian non-metropolitan

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municipalities are merely the local executive hybrids, without genuine independence & capacities. This should change before the local elections are held: posing a democratic legitimacy treat!

### What is so wrong with the Tunisian development model?

The recent World Bank (The Unfinished Revolution, WB, 2014) study tentatively proves existing large differences in productivity (in simple words: it explains how people combine various primary resources as labor, raw materials, capital, land, skills to produce more goods or services – chasing for the best combinations) across sectors, Tunisia shows surprisingly only a small productivity gap between manufacturing and agriculture, which highlights the worrisomely low productivity of Tunisian manufacturing (agriculture is by its token less productive in such conditions). This agriculture-manufacturing/production gap is extremely low in Tunisia compared to peer countries. In 2005, labor productivity in manufacturing in Tunisia was only 1.7 times higher than in agriculture - this is even lower than the 2.3 gap in Sub-Saharan Africa and much below the 2.8 in Latin America and 3.9 in SE Asia. In most developing countries, agriculture is the sector with the lowest productivity; however, in Tunisia manufacturing is not much more productive than agriculture, and in fact the textiles sector is less productive than agriculture. It means that the manufacturing is extremely inefficient in Tunisia: a lot of people should quite the sector. It has very little added value!

### Why there is so little added value in Tunisian manufacturing and industry?

Plausibly because the goods produced are made of imported goods and just reexported: say only assembled in Tunisia, not made in Tunisia. Any proves for this: key business in Tunisia is the final assemblage or the final cuts for France or Italy based firms, having almost no added value, based on imported ready inputs only. It's not bad par excellence (everybody starts from this), the question stands why the French or Italian companies do not want to draw more on local materials or use more local inputs, eventually to induce spill-overs? Plausibly, due to to Tunisian old times Law on

Investment from 70's. Since the 1970s Tunisia adopted a public sector-led development model that saw the state play an active role in strategic sectors and in imposing barriers to entry into large segments of the economy: establishing effective dualism in the economy: off-shore/export oriented sector with preferential regime for FDIs and on-shore /domestic market hardly connecting and meeting. The offshore is treated preferentially (in terms of taxes & procedures & energy subsidies) and freely trading & emboldened by the crony capitalism & good connections, but under 1 condition: hardly buying and selling on local/on-shore market, being protected from the foreign competition. Very smart but for the reality of 70's , not 21st C. It's huge topic in Tunisia and improving a little recently: from 2015 onward the offshore firms will be allowed to sell up to 50% of its production on the local market.

### Social assistance: burdensome and mis-targeted subsidies

Tunisia's social security system, which heavily relies on blind, non-targeted and extremely expensive food and fuel subsidies actually profit mostly the better off.

In order to cushion social hardship, the state – before and after the revolution – has offered both financial and direct aid to poor & marginalized families. However, this system has been stressed by unemployment rates that have risen after 2011. In the absence of unemployment assistance & insurance & dole, the role of the informal sector and of private solidarity networks remain crucial. State intervenes with regard to prices for so-called socially important commodities (e.g., sugar, flour, gasoline, propane liquid, milk, certain crops, etc) either directly (through regulations) or indirectly (via subsidies or guaranteed minimum prices). Although subsidies for some products (e.g. petrol) have been lowered in recent years, the total share of subsidies including energy subsidies has continued to rise after the revolutions, and now amounts to some 4.5% of GDP. Energy subsidies alone accounted for more than half of the subsidy budget and subsidies on cereals alone account for 75% of all subsidies excluding energy (WB, 2014). The state budget for social subsidies is higher than that for development. Ad hoc poor household assistance is distributed by the Kiarouan municipality too. However the process itself is very dubious, apparently the beneficiaries apply for more than one package under the different names & addresses. Generally attributed to lack of

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consistent data, what is certain no computer based dataset exists, while lists are typed from the arrays of paper. The allegations are difficult to verify.

**Education being accessible, while poor in quality and not meeting the needs of the market: to all misfortune the Tunisian universities are producing unemployed graduates?**

According to the latest available data, Tunisia spent 6.5% of its GDP on education in 2013, more than any other country in the region. Investment in human capital has undeniably been a major feature driving Tunisia's overall positive human development. Nearly 100% of children between six and 12 years of age are enrolled at the primary level. Education is mandatory and free of charge until the age of 15. Whereas 91.8% of secondary-school-aged children attend school, around 33.7% of students ultimately reach the tertiary level. While today's Tunisians aged 25 and above received an average of only 6.5 years of schooling, children beginning their education today are likely to complete an average of 14.5 years. Between 1986 and 2010, the number of university students increased tenfold, and the current absolute enrollment figures are well beyond 300,000 students. educational standards seem to have deteriorated outside middle-class urban areas of Tunis (huge quality gaps), at schools as well as at the universities. A recent UNDP study quoted by the African Development Bank's Tunisia strategy paper for 2014-15 found, for example, that the quality of education in Tunis is thirty times higher than in the center-west Kasserine. Moreover, classes usually are based on mere repetition and do not provide students with jobrelevant skills. This has strongly contributed to the fact that about 50% of youth looking for work are recent universities and college graduates. Very low quality of tertiary education & lack of R&D: according to the World Bank, only five to six patents are registered ever year in Tunisia (compared to 6,500 in France), a fact partially due to burdensome bureaucratic structures in the universities and research institutes. The vocational training sector also remains largely underdeveloped.

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## Free health-care for everyone? A flagrant display of development gaps and public sector privileges

The quality of the public health-care system in areas beyond Tunis and the northern coastal regions is low, including Kairouan (WHO, 2013). Therefore, public health services have increasingly been complemented by a vibrant private-clinic sector (covering no more than 3% of population). Since 2007, those insured under the public insurance scheme have been able to receive refunds for services and treatments they paid for in the private sector. Transitional governments since 2011 declared the construction of new hospitals in the country's inner regions a priority (see below on one in Kairouan). Government employees have plain right to a pension (very seldom outside the public sector). Employees with official contracts pay social insurance contributions; in 2007, this system included approximately 50% of the population (importantly of 50%: 80% provided by the public sector employees!) and offered coverage including maternity leave and some other services beyond basic medical care.

## Dismantling privileges and monopolies, if truly?

Heritage Foundation (2013) is pleasing the new authorities for fighting and dismantling monopolies, while it concerns the offshore sector and FDIs only, the domestic monopolies and cartels are largely untouched. After the revolution, a number of car importers owned by various members of the Ben Ali clan were nationalized and their shares were subsequently sold to private holdings, still some of them belong to persons closely connected to the old circle of cronies. See more on car batteries market below. Banks are fragmented & having large portfolio of NPLs/non-performing loans (especially in mass-tourism development/SIC!), being a legacy of lending nepotism during Ben Ali. The private banks are about being recapitalized by the state budget (pending under 2015 Finance Law/Budget), while their true ownership structure is largely obscure and ambiguous in term of respective shareholders connections to the old regime. See also on so-called "bank secrecy law";

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Law on public procurement, including by the municipalities, was amended after the revolution to streamline the competition, but the changes tend to be very facade and shallow. The decree represents various key shortcomings: lack of transparency in the selection criteria (no clear criteria!), institutional entanglement due to high number (at least 4) of authorities/agencies involved in single PP award process & burdensome double-check system of both a priori/ex ante and a posteriori evaluations/ex post. E-procurement is expected to be launched.

## Paper Enviroment?

In the aftermath of the January 2011 revolution, the former Ministry of Environment was merged with the former Ministry of Agriculture into one Ministry of Agriculture. While environmental legislation in Tunisia does exist in many realms, it is largely contradictory, and fails to harmonize with urgent needs and other legislation in the relevant sectors (e.g., water, real estate, energy, construction). Environmental policy suffers from the stewardship of civil servants who lack the proper training, or from the conflicting jurisdictions of ministries and subordinate agencies/delegations and regional and municipalities. Given these shortcomings existing legislation can easily be ignored or circumvented. Sustainable consumption oriented actions are incidental & ad hoc and concern largely Tunis: recently established incentives for environmentally sound consumption and investments on the part of households and companies in Tunis, through actions such as establishing collection boxes for plastic water bottles or labeling environmentally preferable white goods – overall being rather PR than change oriented. Array of donor funded projects are being implemented, although most of them limit the pilots activities to Tunis and the rich urban areas of the North.

New law on renewable energy (2014) encourages RE development and allows for private owned, independent renewable energy sourcing, production and sales, nevertheless the secondary specific regulations on the sale procedures, grid access (owned by STEG) and pricing, fees/ rate fixing, operator responsibilities etc are still pending.

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## Local statistics in disarray

The flawed, complex and frequently overlapping/self-contradictory system of regional and local authorities, including municipalities, sectoral institutions, delegations, agencies and state-owned service provides made the reliable local statistics & data close to non-existent, at least outside Tunis. The steps are undertaken by agencies in line and municipalities (Kairouan too) to consolidate and up-date the castrate maps & relevant registries & budget data & spatial documents, while, due to lacking capacities and money, not much progress was achieved yet (There are some TAs on central level by EUROSTAT under MEDSTAT). Spurring, rightly designed and widely-acclaimed public information access & local participatory initiatives are struggling (including fixkairouan.org and baladia.marsad.tn), due to overall deficit of detailed local data.

## Testimonies and in-sights from the Tunisian policy imbroglio

State Employed Forming the Privilege Club

Tunisia has 800,000 state employees (including 200,000 workers in state-owned enterprises), which is about one-quarter of the total workforce. The public-sector wage bill rose to 13% of GDP in 2013 following the addition of some 70,000 new posts and generous wage rises under the coalition governments of 2011-13. Public-sector pay now represents over 30% of total government spending. Moreover, Tunisian state employees are relatively well paid, especially in the lower job categories (see above & below). In 2011/12 to counterbalance the economic decline and the rising unemployment rate, the transitional governments recruited an estimated 20,000 unemployed young Tunisians into the civil service. While this was politically understandable, it increased inefficiencies in the already over-sized state apparatus and will add to already high personnel expenses. Though difficult to verify, the ruling Ennahda party is said to have profited from this recruitment by infiltrating the civil service with its supporters (Bertelsman Stiftung, 2014). On the good side, the 2015 budget aims to limit growth in the public-sector wage bill to 6.6%, a far lower rate than in

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recent years. This increase must also cover 12,600 new public-sector jobs, including some 11,000 for the army and the police. This means that any wage increases will have to be below the rate of inflation, something the UGTT would oppose, especially since the UGTT and the employers' association, the Union tunisienne de l'industrie, du commerce et de l'artisanat (UTICA), agreed a 6% pay rise for the private sector in July 2015 (See unionists/FR legacy).

### How to make redundant the permanent contract employee?

The Labor Inspectorate with territorial jurisdiction or the Directorate General of Labor Inspection (DGIT), as applicable, shall, within fifteen days from the date of company referral, conduct an investigation concerning the request for dismissal or for putting employees on short time and attempt to reconcile the two parties. If it fails to reconcile the two parties, the Labor Inspectorate or the DGIT shall refer the case of dismissal to the regional commission or the Central Commission on Control of Redundancies, within three days from completing the reconciliation attempt. The regional commission or the Central Commission on Control of Redundancies shall be required to advise on the issue of dismissal. The commission decides by a majority vote: if the inspector and union reject the proposal, no dismissal is possible. The regulations are far to rigid limiting the formal employment. Already in 2004 Tunisia produced about 38 percent of its GDP and employed about 54 percent of its labor force informally (using the Schneider Index and the share of the labor force with pension coverage, respectively). These indicate that about half of all the workers in the country may not have access to health insurance and/or are not contributing to a pension system that would provide them with income security after their retirement.

### If the best paid free professionals are paying taxes in Tunisia?

Till 2015 not really. Regime *forfettaire*, which was supposed to provide a small flat tax for micro-firms, appears to be severely abused with 98 percent of tax payers hiding behind this extremely low flat rate scheme (for individuals with turnover below TND100,000). The 2015 reform of the Regime Forfettaire to reduce the room for its abuse would increase tax compliance and reduce the regulatory bias towards small-scale production. Also, the tax system uses extensive withholding to

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collect taxes.

### Donors assistance to local authorities drawing on old bureaucracy arrangements

World Bank's comprehensible Urban Development and Local Governance Program (UDLGP) is drawing on old, largely dysfunctional system and institutional agreements. Placing the Training and Decentralization Support Center (CFAD) as a support agency for project structure implementation. CPSCL/Caisse de Prêts et de Soutien des Collectivités Locales (CPSCL), under the Ministry of Interior, will be responsible for selection and transfers of grants to municipalities and also for loans made to municipalities to cover expenditures planned in the Annual Investment Plans. The role for the municipalities are a largely limited to implementation of the pilots investments, despite the program objectives – to empower the independent policy making at local level. the OECD Busan commitments, but seemingly it's a little too risk-aversive approach.

Urban area with the historical medina may encounter trouble to get UDLGP grant? Why?

*Activities under the UDLGP should not have negative impacts on natural habitats and cultural resources: "natural areas located within the perimeters of urban areas are generally somewhat degraded and not particularly sensitive to small-scale municipal works, while of the seven World Heritage Sites in Tunisia identified by UNESCO, only three sites are located in urban areas: Kairouan (1988), Medina of Sousse (1988), and Medina of Tunis (1979) and should be avoided under the programme", WB, EIA, 2014;*

### Is Tunisia suitable for simple outsourcing services: like call-centers, accounting, data management, customer support or basic system maintenance or more sophisticated ICT?

Unfortunately it's not yet the case: due to existing monopolies on telecommunication market and rigid labor code; The state-controlled operator, Tunisie Telecom (TT), holds a monopoly on fixed-line telephone communications, one of the three cellphone and 3G licenses in the country. In the national market, all operators use Tunisie Telecom's national connection infrastructure (backbone), including the administration and private companies. Tunisie Telecom also owns all the landing stations of international submarine cables and enjoys de facto a quasi-monopoly position in the sale of national and international leased lines.

A benchmark on "Skypeout" calls shows that an incoming international call to Tunisia costs \$0.40/minute - nearly twenty times the international market price and approximately twice the price paid in neighboring MENA countries (Morocco is at \$0.25; Algeria, Egypt, and Libya are between \$0.15 cents and \$0.20; Turkey is at \$0.04; France is at \$0.02). For instance a phone call from Paris to Tunis is 11 times more expensive than a call from Paris to Istanbul. Prices of outgoing international calls are slightly cheaper but remain more than ten times the international prices. As a consequence, Tunisians avoid communication via international calls: Tunisia's per capita international calling minutes amount to merely half the Arab Maghreb Union average, they are 7 times fewer than the MENA average and 3 times fewer than Eastern European average international calling minutes.

### Any similar to above?

Monopolies are still effectively undermining the competitiveness of whole Tunisian economy and public policy.

In Tunisia, State Owned Enterprises/SOEs hold between 50 percent and 100 percent of the markets of gas, electricity, railroad transport, air transport and many SOEs act as monopolists in the production, import, and distribution of various goods (for example, cereals, olive oil, meat, and sugar)!

What is a nasty legacy of old regime: the government controls firms in many manufacturing and service sub-sectors, such as hotels, restaurants (like in Soviet system): even there are three SOEs providing golf facilities. Two dominant SOEs provide maritime transport services and also operations in ports, respectively. The Compagnie Tunisienne de Navigation (CTN) ensures passenger transport through the Goulette port (merchandise transport in this port is limited to break bulk cargo), while STAM is de facto monopoly that ensures freight forwarding, operations, and maintenance in the key trading port of Rades.

The SOE STEG (Société Tunisienne de l'Electricité et du Gaz) has the monopoly over gas and electricity supply and distribution.

Two companies (STEG, which holds 80 % market shares and the CPC, a private company, which holds 20 % market shares) are the electricity generators, but STEG has the monopoly over the distribution and supply of electricity. See above under new RE law; The quality of service is week, while STEG is a true tough player, for instance being not keen to share the data on its grids, even with the municipalities (Kairouan): being a serious impediment for the land & plots valuation and overall planning and urban management.

### More?

Further, Tunisia's Competition Law does not apply to the legal monopolies, limiting the effectiveness of competition in key sectors such as agribusiness inputs, mining, and construction materials. Office National des Huiles controls exports of olive oil (bulk, unrefined), while formally it has no exclusive rights on the exports of olive oil but controls access to the EU quotas and is issuing the respective quality certificates. Result: 50% of marvelous quality Tunisian olive oil is exported to Italy or Spain unrefined, in bulk to be sold in the EU as IT/ES product (a sort of corruption scheme btw). Being of huge importance for Kairouan and its vicinity, as a key production area. These effective monopoly induced barriers result in higher prices for consumers and firms: e.g. the price of bananas and the price of roasted coffee beans in Tunisia are both roughly twice as much as in the international market. The price of car tires is 30 to 50% higher than the international price. Certainly, the contraband is booming.

### Cutting-edge waste management practices and perfect business opportunity: possible?

The authors of the current research note discerned certain apparently unusual co-incidence or striking evidence of nepotism, being acclaimed by donors. GIZ, 2013 study on waste management in Tunisian reads: the sector of collecting and recycling used accumulators is sufficiently developed and supported primarily by the local manufacturers, who have by themselves organized the effective collection routes through their sales networks. The establishment of a fee indexed to the accumulator type is an effective solution that seems to be producing a conclusive result. While the recent WB, 2014 report underlines: during Prime Minister Nouira's era, the Tunisian authorities imposed that all imported cars enter the Tunisian territory without batteries and tires and gave exclusive rights (on the domestic-market) to two Tunisian batteries constructors and one major pneumatic tires producer. This provided these firms with extremely valuable rents (WB, 2014, p.115).

### Tourism still on downhill: but not much helped by the state

### You want to fly to Tunisia?

Tunisair is offering the cheapest alternative at 70% more than to similar destination e.g. in Morocco. Air France along Sky Team will follow. Why? Tunisair is monopolistic SOE controlling ground services and handling. Except Air France, which is a shareholder of Tunisair, the market remained relatively closed – exhibiting prohibitive handling fees to other airlines of 70 EURO per passenger on inbound + outbound each. Tunisair monopoly caused Tunisia's rejection of the Open Sky agreement with the EU: means no true low-costs carriers on the Tunisia sky. Meanwhile, the charter airline company Nouvelair used to be owned by Ben Ali's cronies. The regulatory framework protecting Tunisair prevents other airlines from offering viable transport alternatives, resulting in higher prices and lower quality services for Tunisian consumers: creating negative repercussions on many key sectors, notably on tourism. Consequences: reservations for July 2014 are under 40% of capacity, although 70% was initially targeted, as security concerns and economic stagnation in Europe as well as structural problems prevent tourism from rebounding. Highlighting the troubles facing the Tunisia tourism, the producers of the Star Wars recently announced that the southern region of Tataouine, where parts of five Star Wars films have been shot, will not be used as a filming location in the 7$^{th}$, which is due to be released in late 2015. The producers have instead opted for Abu Dhabi, partly owing to more beneficial tax regulations but also because of the

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entangled Tunisian bureaucracy and safety concerns.

### In Georgia you get a small bottle of wine on departure, while in Tunisia?

In October 2014 the government has introduced a tourist exit tax of TD30 (US$18). Tourist departure tax is one of several revenue-raising measures contained in the supplementary finance law/budget correction that was approved by parliament in August 2014.

### Being Tunisian and planning to travel abroad?

Apparently not so easy: since 2015 all Tunisians willing to go abroad are required to pay 1000 TND (1927 PLN, March 2015) annually, for a multi-exit “timbre de voyage"/ international travel stamp!!!

### Overall Bleak Picture!

If you need any additional information or consultancy write szproton@gmail.com

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