



Republic of Tunisia

Ministry of Economy, Finance and Investment

Tunisian Institute for Competitiveness and Quantitative Studies

Annual Competitiveness Survey on the business climate and competitiveness 2019

Main results
of the business climate

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Thanks

The Tunisian Institute of Competitiveness and Quantitative Studies would like to thank all those who contributed to the success of the annual survey on competitiveness, in particular, the business leaders who answered the questionnaire for the warm welcome they reserved to our investigators. The responses collected served as a basis for analyzing the business climate and the company's competitiveness for 2019 and identifying the main shortcomings that need to be remedied in order to improve the business environment.



Summary

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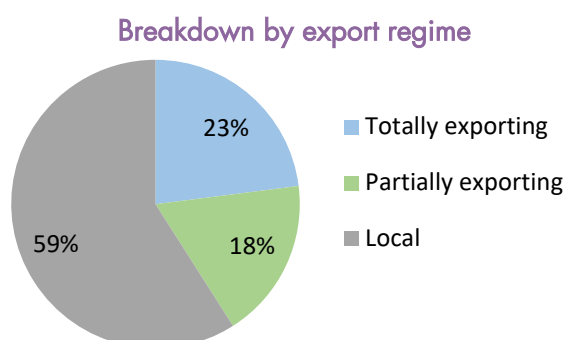
Introduction

In an increasingly competitive environment both nationally and internationally, a favorable business climate characterized by a developed financial system, a solid basic infrastructure, an efficient judicial system, a workforce that meets the needs of the companies, an administration attentive and serving the economic sectors... etc. is needed to improve the competitiveness of businesses and stimulate economic growth. Therefore, a continuous assessment of the perception that business leaders have on different areas of the business environment helps enlightening decision-makers on the scope of the reforms undertaken and the actions to be taken in order to revive investment and create jobs.

In this document and on the basis of the 2019 survey, we present the summary of the results relating to the business climate in these different components, as well as the results detailed in a graphics book in the appendix.

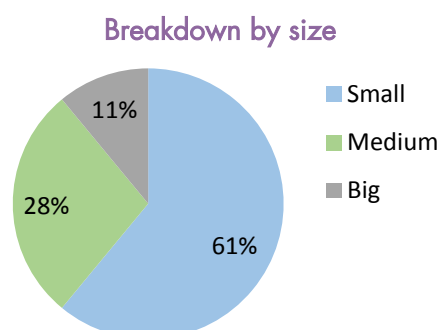
I- Presentation of the sample

The 2019 survey, whose fieldwork took place during the months of November and December 2019, targeted 1,200 private companies operating in industry and services and spread in all the regions of Tunisia. The response rate reached is 90%, i.e. 1,077 who responded by direct interview, including 59% operating only on the local market against 18% partially exporting and 23% totally exporting.

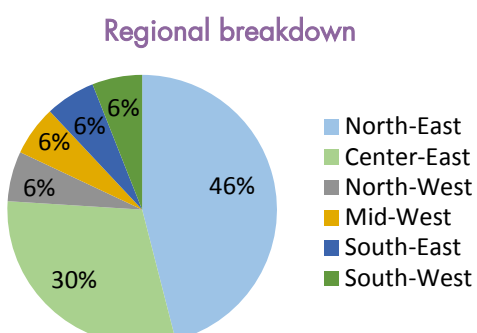


The sectoral distribution of responding companies is made up of 42% of companies operating in the services and 58% in the industry.

In terms of size, small businesses cover 61% of the sample compared to 28% and 11% respectively for medium and large businesses.



In terms of regional distribution, the majority of the interviewed companies, i.e. 82%, are located on the coast (46% in the North-East, 30% in the Center-East and 6% in the South East) and 18% are scattered in the West.



II- Main results of business climate

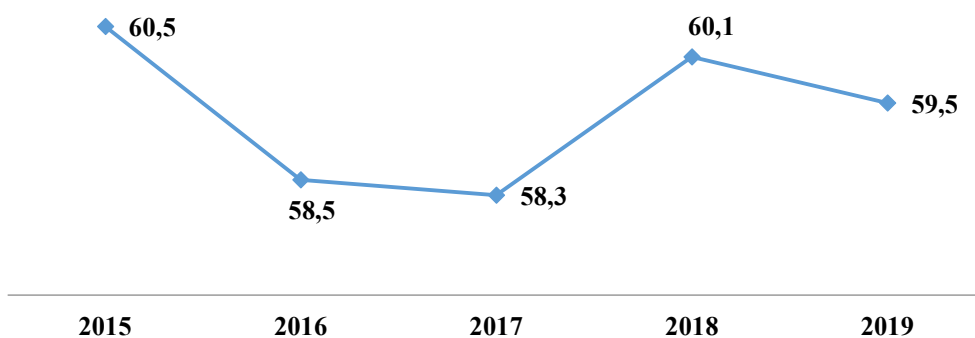
The perception that business leaders have on several regulatory and institutional areas allows assessing their satisfaction with the environment in which they operate. The more favorable this environment is, the more entrepreneurs expand their activities, hire more, pay their taxes, etc.

Thereby, we present in the next part the main results of this survey related to the institutional and regulatory business environment.

A drop in the Business Climate Perception Indicator

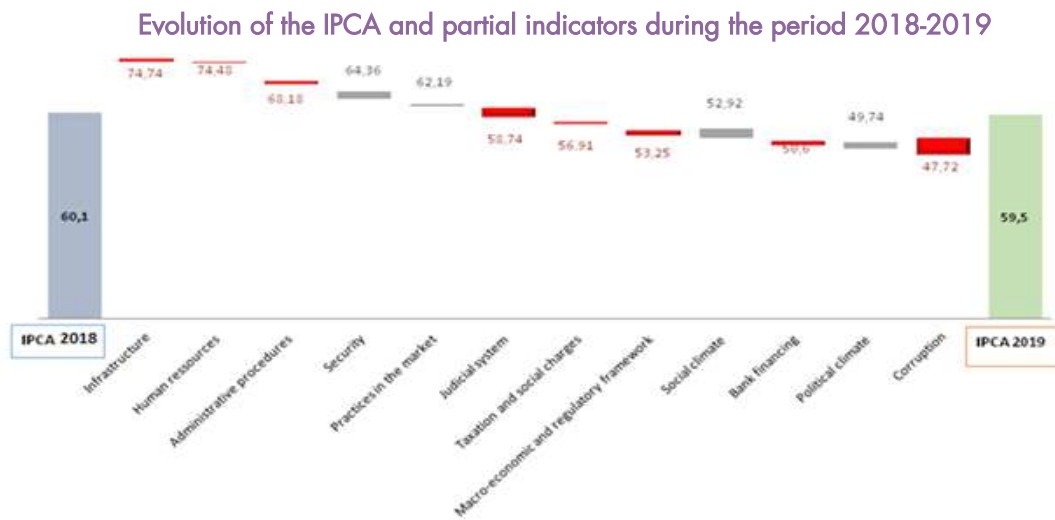
After the improvement recorded in 2018, the IPCA business climate perception indicator of 2019 fell to 59.5, which means less satisfaction with the business climate. Remember that this synthetic indicator varies from 0 to 100 and that, the closer it is to 100, the best the business climate is perceived.

Evolution of the business climate perception index (IPCA)



The diagram below analyzes the evolution of the IPCA in 2019 compared to 2018 by observing the evolution of these different components, namely: infrastructure, human resources, administrative procedures, judicial system, macroeconomic and regulatory framework, taxation and social charges, bank financing, market practices, corruption, security situation, social climate and political climate.

Each domain is represented by a green colored column for rising values and red for falling values. This diagram helps to determine which areas have contributed positively and which have contributed negatively to the evolution of the IPCA. It shows that 8 out of 12 areas are responsible for the marked drop in the IPCA in 2019, the most important of which are: corruption, the judicial system, the macroeconomic and regulatory framework, bank financing and administrative procedures.

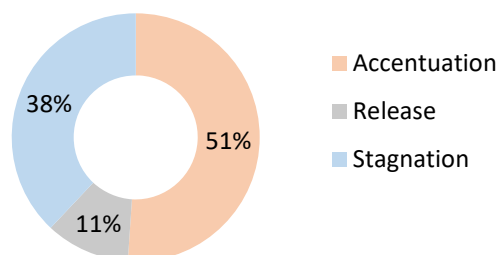


Corruption : the main constraint in the business climate

Corruption, whose indicator has shown the biggest drop from 52.8 to 47.7, was positioned as the main cause of the deterioration in the perception of the business climate in 2019.

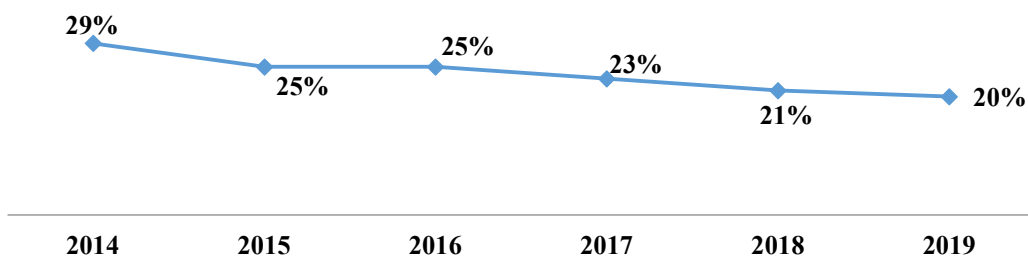
This decline suggests that despite the measures taken by decision-makers, business leaders have an increasingly negative perception of the evolution of this phenomenon within the institutional framework, tending more towards its amplification than its relaxation.

Evolution of corruption in 2019 compared to 2018



This paradoxical situation is further obvious in terms of practices given that the percentage of companies declaring having been forced to pay bribes continues its downward trend that began in 2014, dropping from 29% to 20% in 2019.

Companies solicited to give bribes
or gifts during their transactions with the various public structures



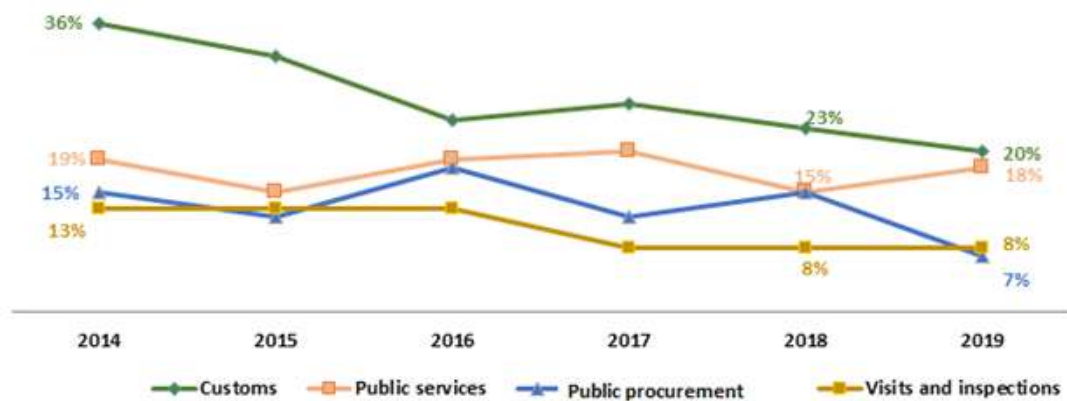
This decline in terms of practices is especially obvious in companies dealing with customs and, secondly, with the public procurement with percentages falling respectively from 36% in 2014 to 20% in 2019 for the customs and from 15% in 2014 to only 7% in 2019 for the public procurement. This result suggests that the effort made in terms of digitization in customs¹ and the public procurement² is starting to bear fruit.

¹ - Granting of export visa and Certificate of Conformity for Export via the TradeNet platform managing the "One-stop-shop for Foreign Trade and Transport".

- Total dematerialization of the "Cautioned bonds" which represents a method of payment for import duties and taxes (article 130 of the customs code). This dematerialization would prevent the operator from having to move to his bank to submit the application and obtain this document, as well as its physical deposit with customs.

² Tunisia On line E-Procurement System (Tuneps)

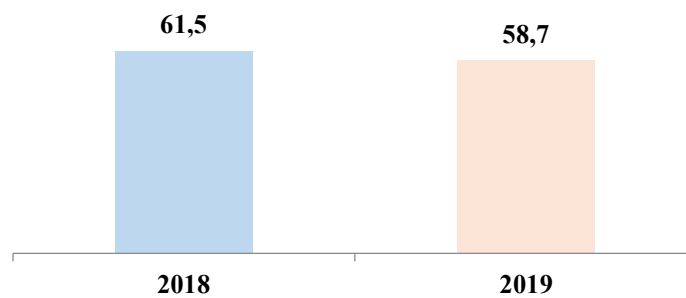
Companies forced to pay bribes during their transactions with various public structures



The judicial system : a heavy constraint on the business climate

Having recorded a decrease of 2.8 points, this indicator reflects less satisfaction with the current judicial system.

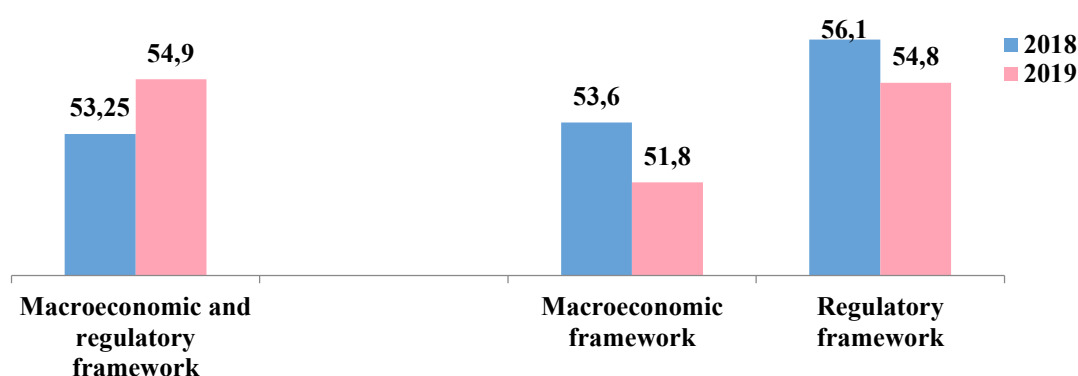
Evolution of the partial indicator "Judicial system"



Macroeconomic and regulatory framework : persisting impediments

The partial indicator relating to the macroeconomic and regulatory framework continues its downward trend, going from 56.3 in 2017 to 54.9 in 2018 then to 53.25 in 2019. This deterioration reflects the persistence of macroeconomic and regulatory problems that have contributed on the continued depreciation of the dinar and rising prices, causing the disruption of supply to companies. As such, half of the respondents said that the depreciation of the Dinar disrupted their procurement process in 2019. This frequency rises to 25% when it comes to price increases.

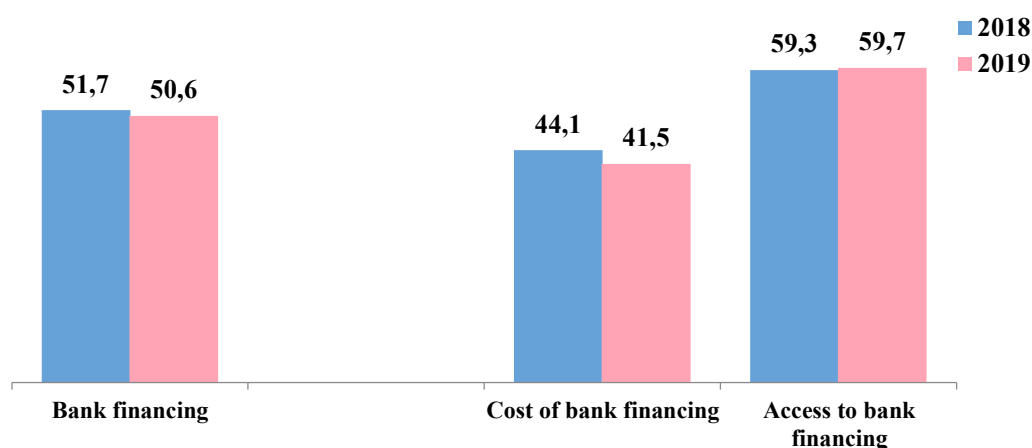
Evolution of the partial indicator "Macroeconomic and regulatory framework" 2018-2019



Bank financing : One of the three main constraints of the business climate

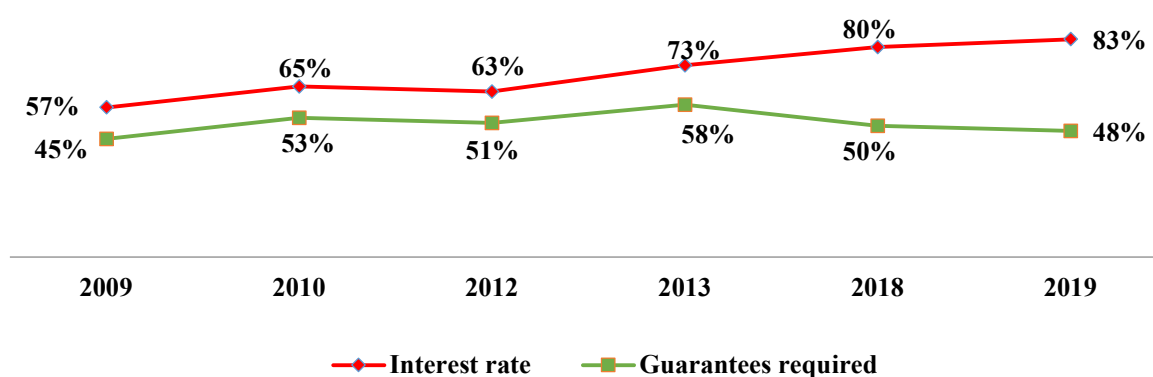
The partial indicator relating to bank financing recorded a decrease of 1.1 points between 2018 and 2019. This decrease is mainly attributed to the accentuation of the "Cost of bank financing" which indicator fell by 2.6 points.

Evolution of the partial indicator "Bank financing" 2018-2019



These results are comparable to the percentage of companies having identified the interest rate as the main difficulty encountered in terms of bank financing, which has continued to increase over the years, rising from 57% in 2009 to 83% in 2019. This can be explained by the rise in the key interest rate on several times. On the other hand, the percentage of those who have identified the guarantee rate as a difficulty experienced a certain release.

Main difficulties encountered in terms of bank financing

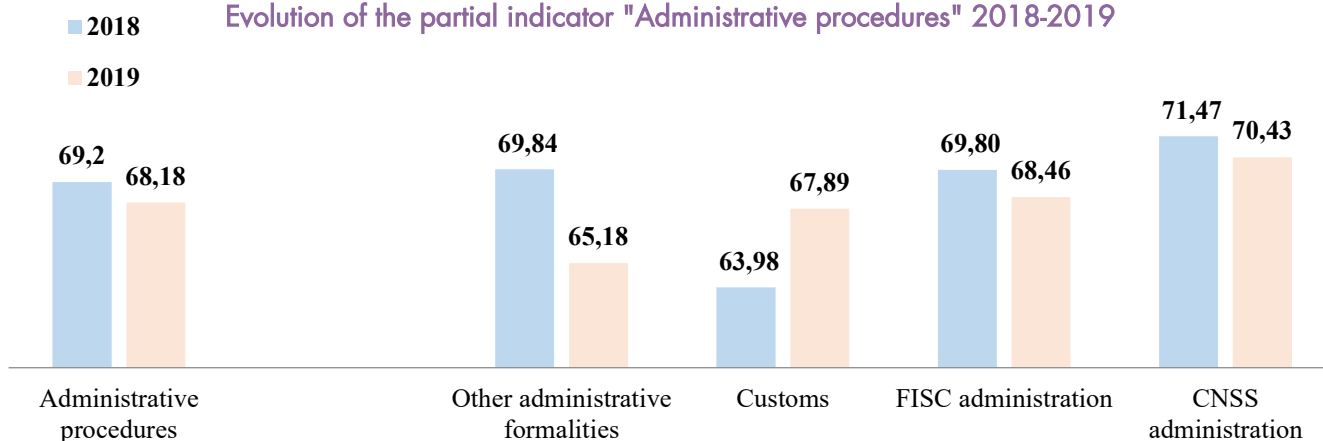


Administrative procedures : A heavy task for business leaders

Although administrative procedures appear relatively well perceived with an indicator of 68.18, this indicator hides shortcomings since each procedure corresponds to the journey that a business manager must take to complete his file.

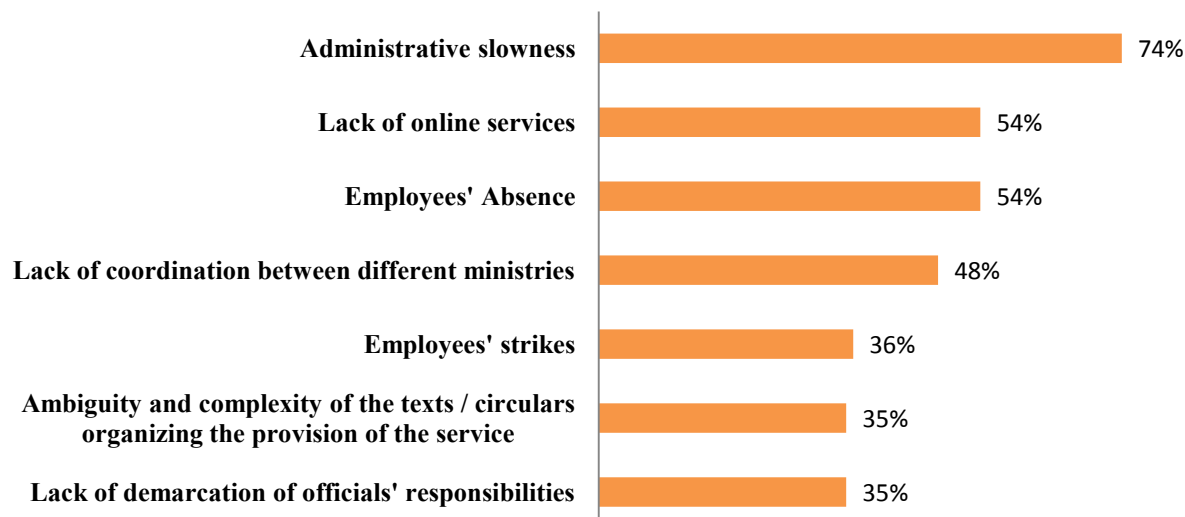
The perception of business leaders on administrative procedures focused on four types of procedures: those related to "Customs", "Tax administration", "Social administration" (CNSS) and "Other administrative formalities". The investigations about these different types of procedures show that only "Customs procedures" have seen an improvement in their perception and that the indicator relating to "Other administrative formalities" (authorizations, inspections... etc.) is the one that showed the biggest drop, going from 69.84 to 65.18.

Evolution of the partial indicator "Administrative procedures" 2018-2019



Asked about the hassles encountered in their dealings with the administration, three quarters of business leaders mention administrative slowness, followed by the lack of online services (54%) and the absence of employees (54%).

What kind of hassles have you encountered in your dealings with the administration ?

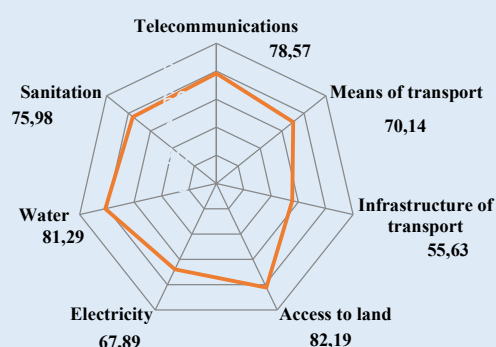


Infrastructure : several shortcomings, particularly in transport

The partial indicator for "Infrastructure" decreased slightly from 75.6 to 74.7 indicating less satisfaction with infrastructure in general. This drop is explained by the increasingly negative perception of "Electricity" which indicator has shown the most significant drop from 72.19 to 67.89. This is understandable given the increase in "Electricity costs" since June 2019 which ranges between 12 and 15%.

Moreover, despite the slight improvement in the "Transport infrastructure" perception, it remains a weak link that deserves more attention from the authorities.

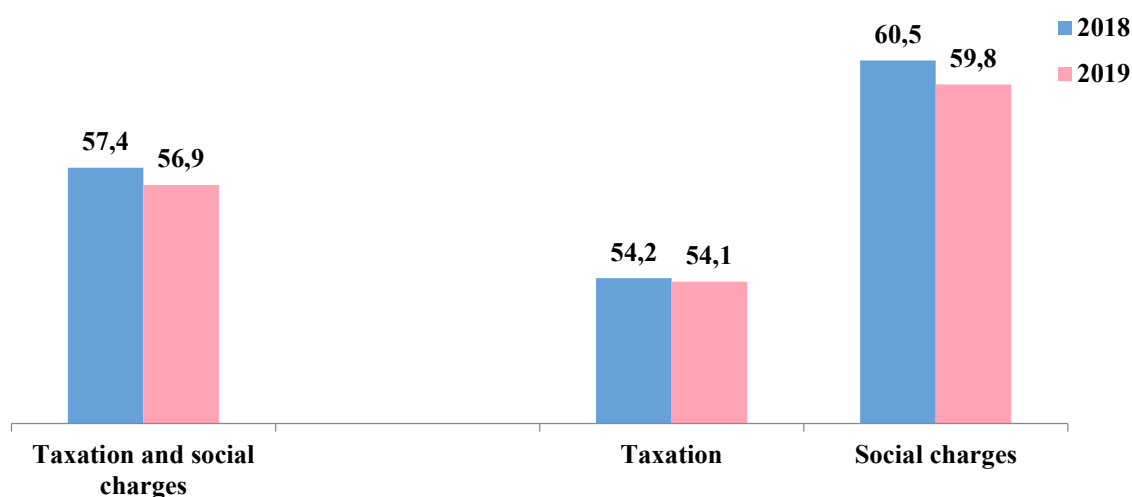
Composite indicators	2018	2019	Variation
Electricity	72,19	67,89	-4,3
Sanitation	77,20	75,98	-1,22
Telecommunications	79,73	78,57	-1,16
Water	82,14	81,29	-0,85
Access to land	81,60	82,19	0,59
Means of transport	68,69	70,14	1,45
Infrastructure of transport	53,71	55,63	1,92



Taxation and social charges : A slight drop in the appreciation of business leaders of this partial indicator

Dropping from 57.4 to 56.9, this indicator contributed to the deterioration of the IPCA for the year 2019. This decrease is due to a lower satisfaction of business leaders with "Social charges".

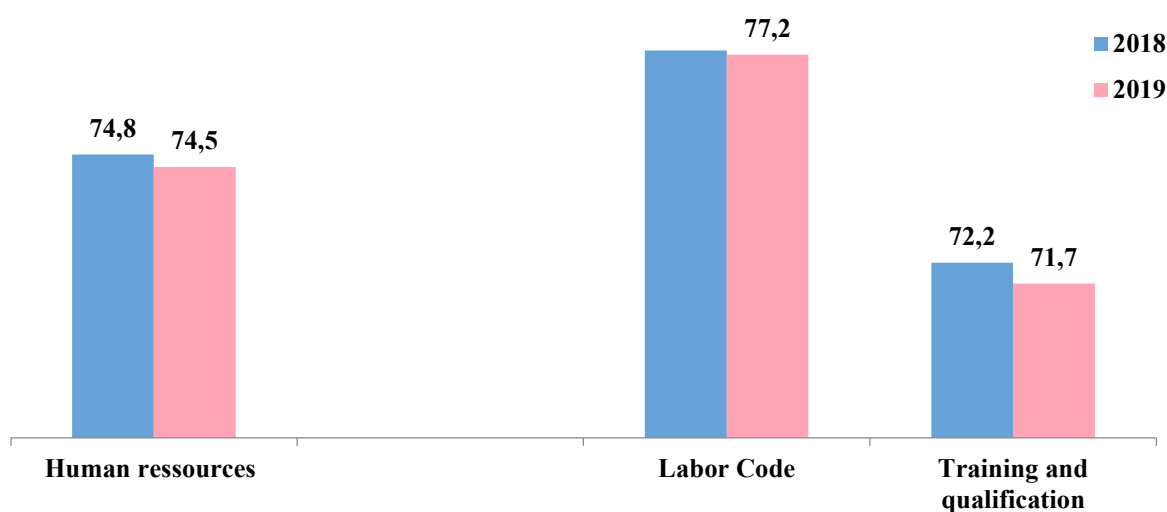
Evolution of the indicator relating to "Taxation and social charges"



Human resources : Partial indicator down

The "Human Resources" indicator which includes the perception that business leaders have on "Training and qualification" and on the "Labor Law" showed the smallest drop compared to the previous year.

Evolution of the indicator relating to « Human Resources »



An improvement in the perception of the business climate in 4 partial indicators

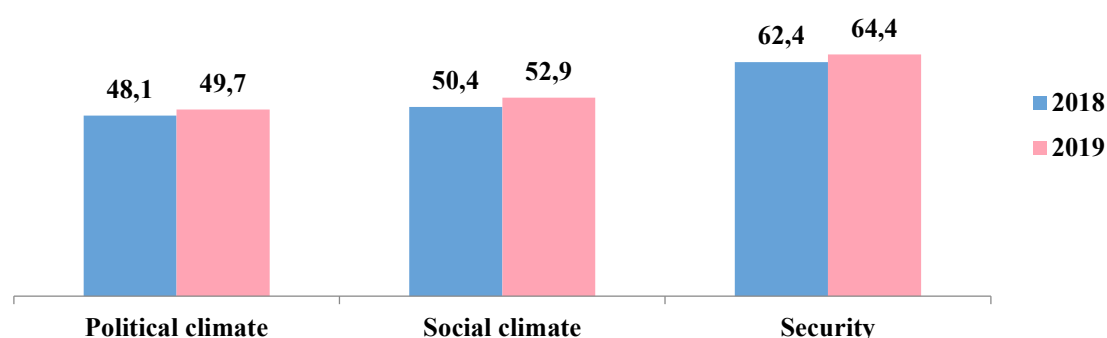
Four areas saw an improvement in their partial indicator in 2019 compared to 2018. These are "social climate", "security", "political climate" and "practices in the market".

Concerning the "social climate", this area was favorably perceived with a partial indicator rising to 52.9 against 50.4 in 2018, reflecting a relative relaxation of social tension in the country.

The perception of "security" has improved substantially from 62.4 in 2018 to 64.4 in 2019, reflecting the great efforts made by the security apparatus and the national army against terrorism and all kinds of crime.

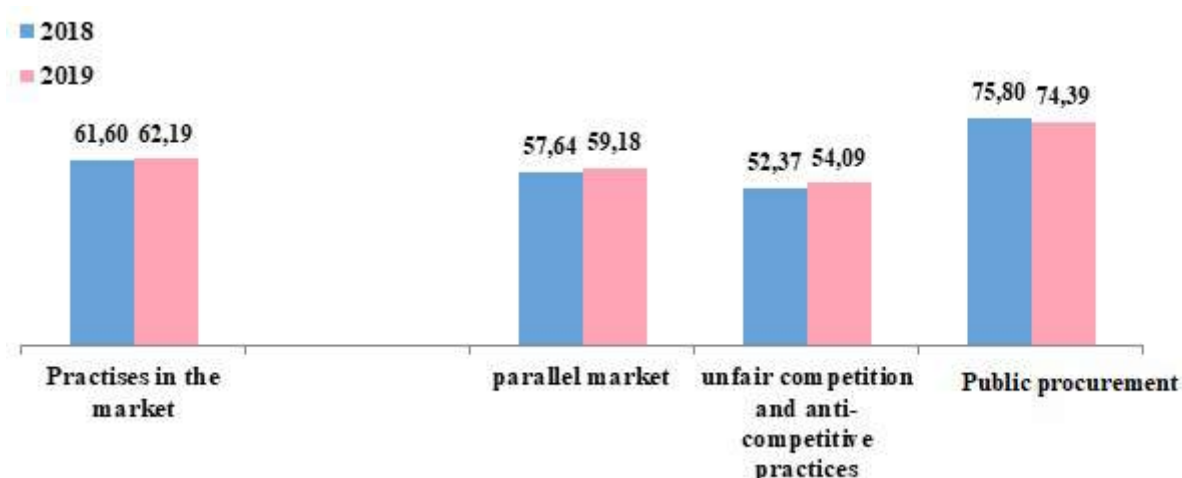
In the same context, the "political climate" continues to ease but the value of its partial indicator still remains below average (48.1 in 2018 and 49.7 in 2019), reflecting the persistence of tensions on the political scene.

Evolution of partial indicators "Political climate", "Social climate" and "Security" 2018-2019



Finally and concerning the partial indicator relating to "practices in the market", a timid improvement was recorded in the "unfair competition and anti-competitive practices" and in the "parallel market" while the "public procurement" saw its partial indicator fall by 1.41 points.

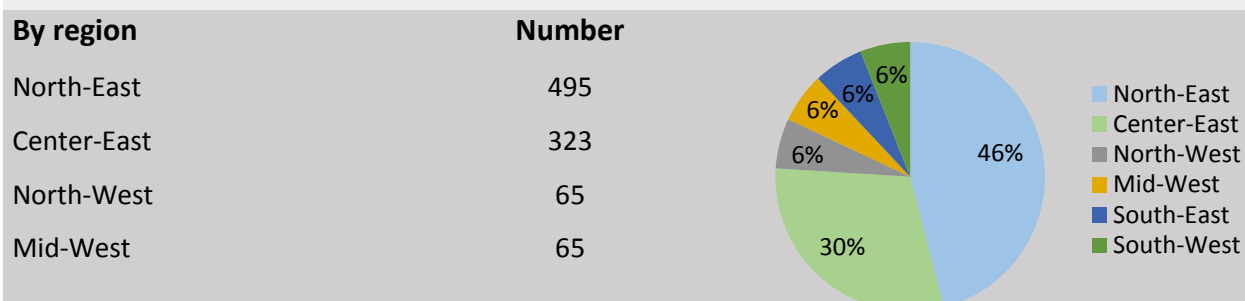
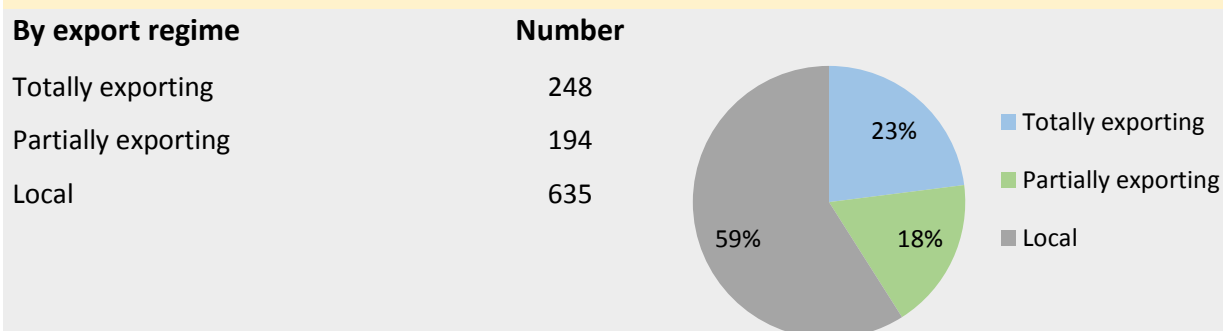
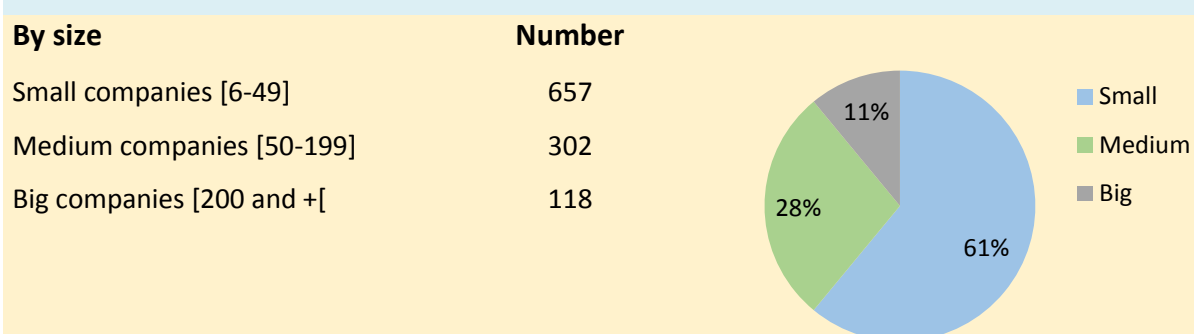
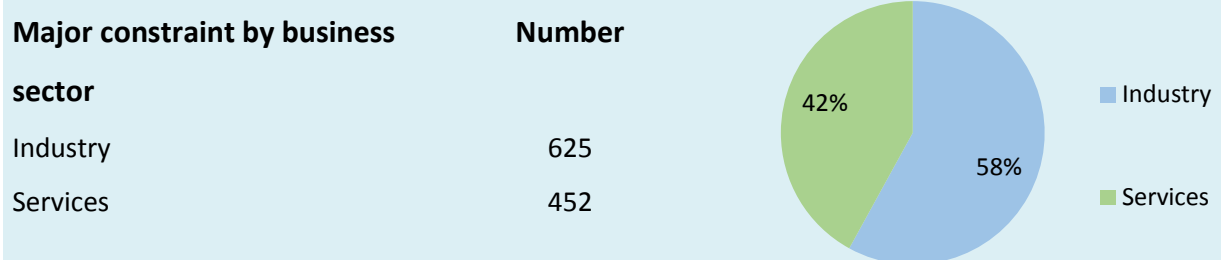
Evolution of the partial indicator "Practices in the market" 2018-2019



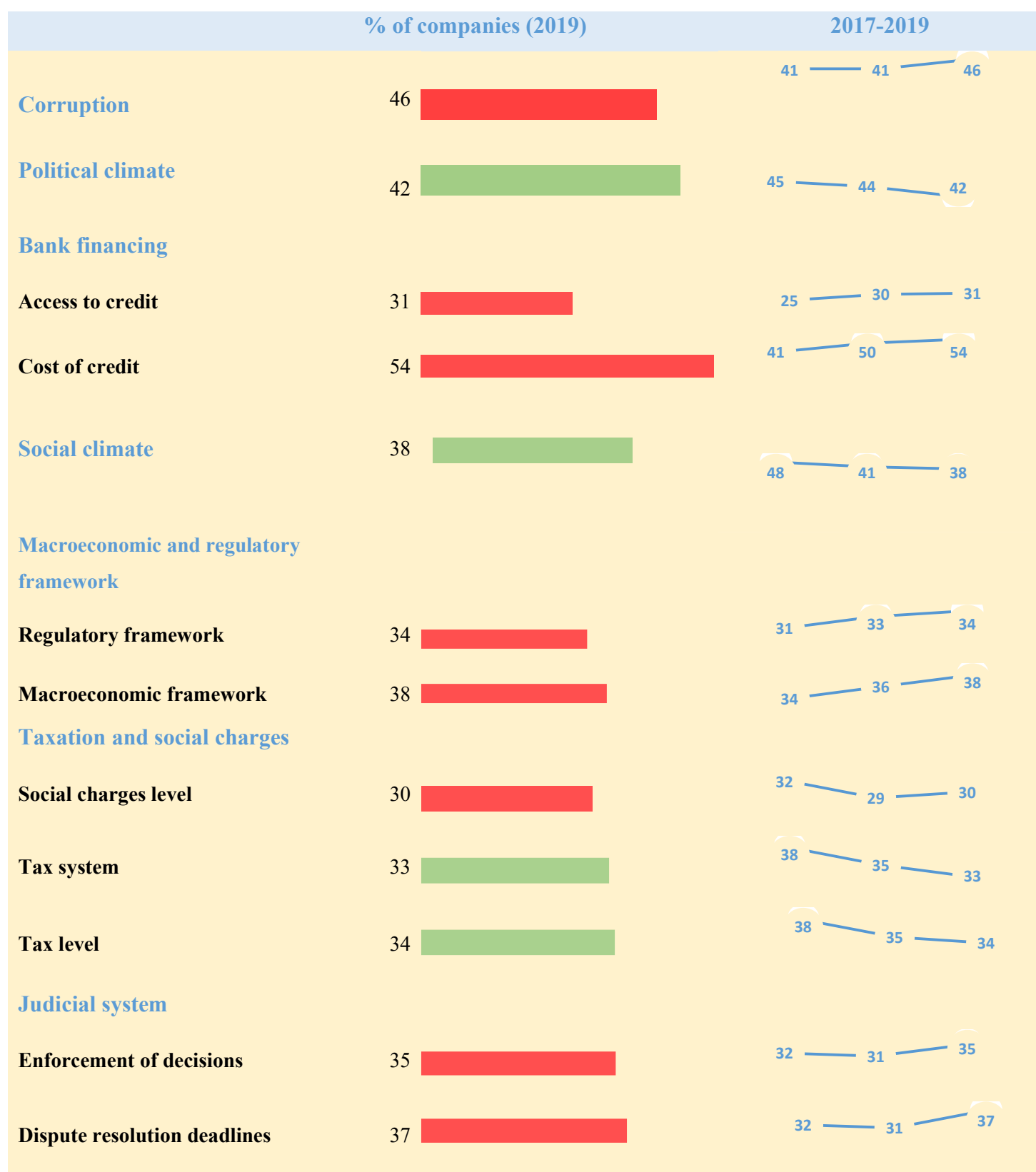
To conclude and for more details, see the graphics in the statistical annex below.

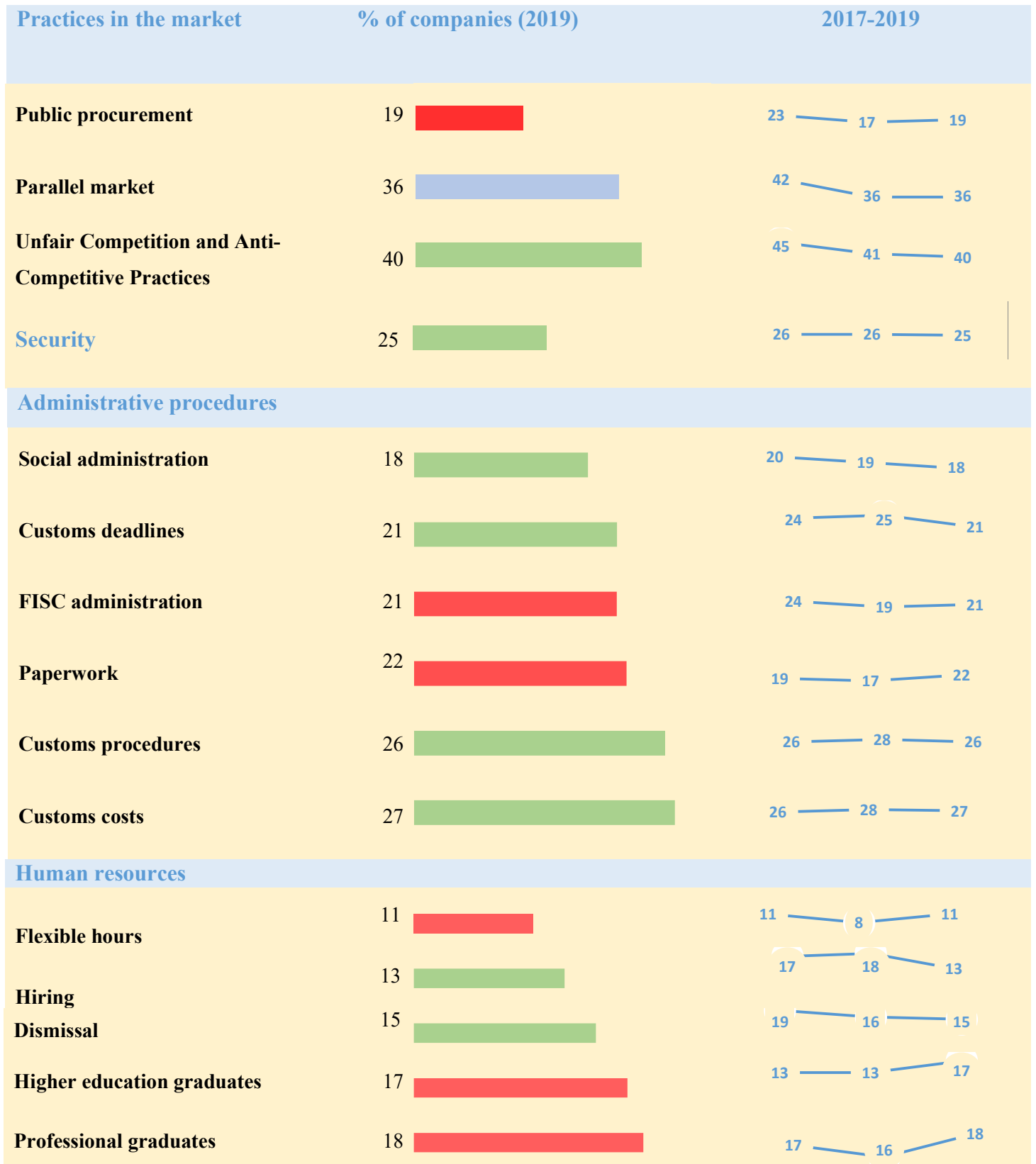
Statistical Annex

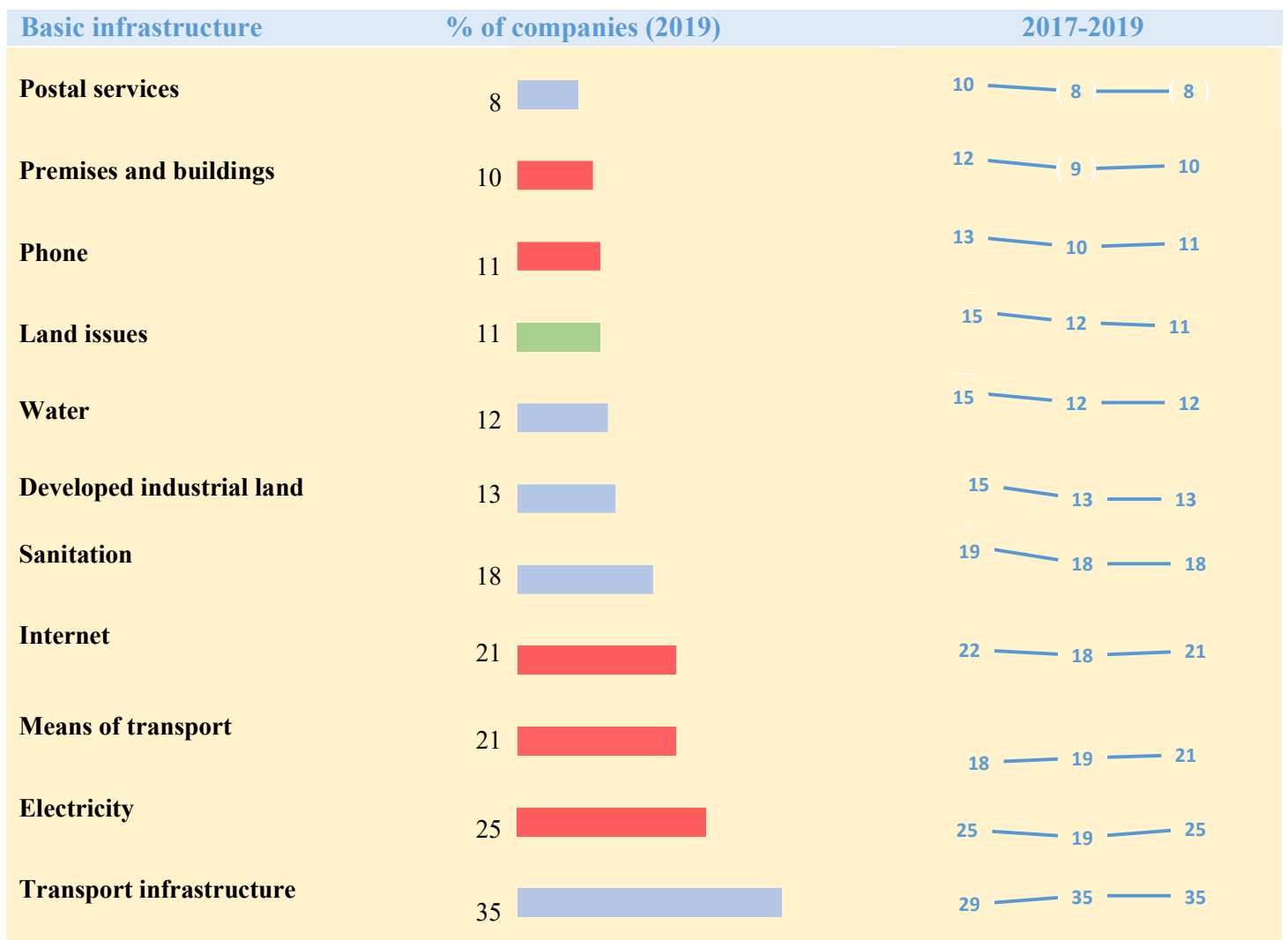
1077 Companies : Response rate = 90%



Companies considering the areas of the business environment as a major constraint

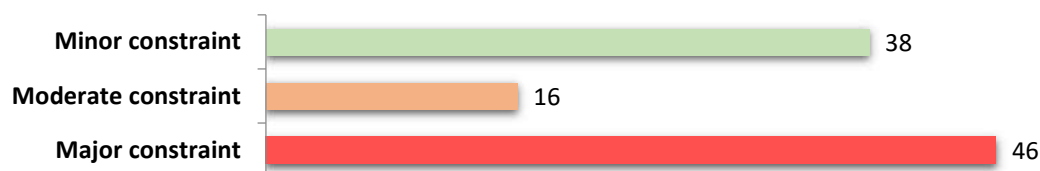




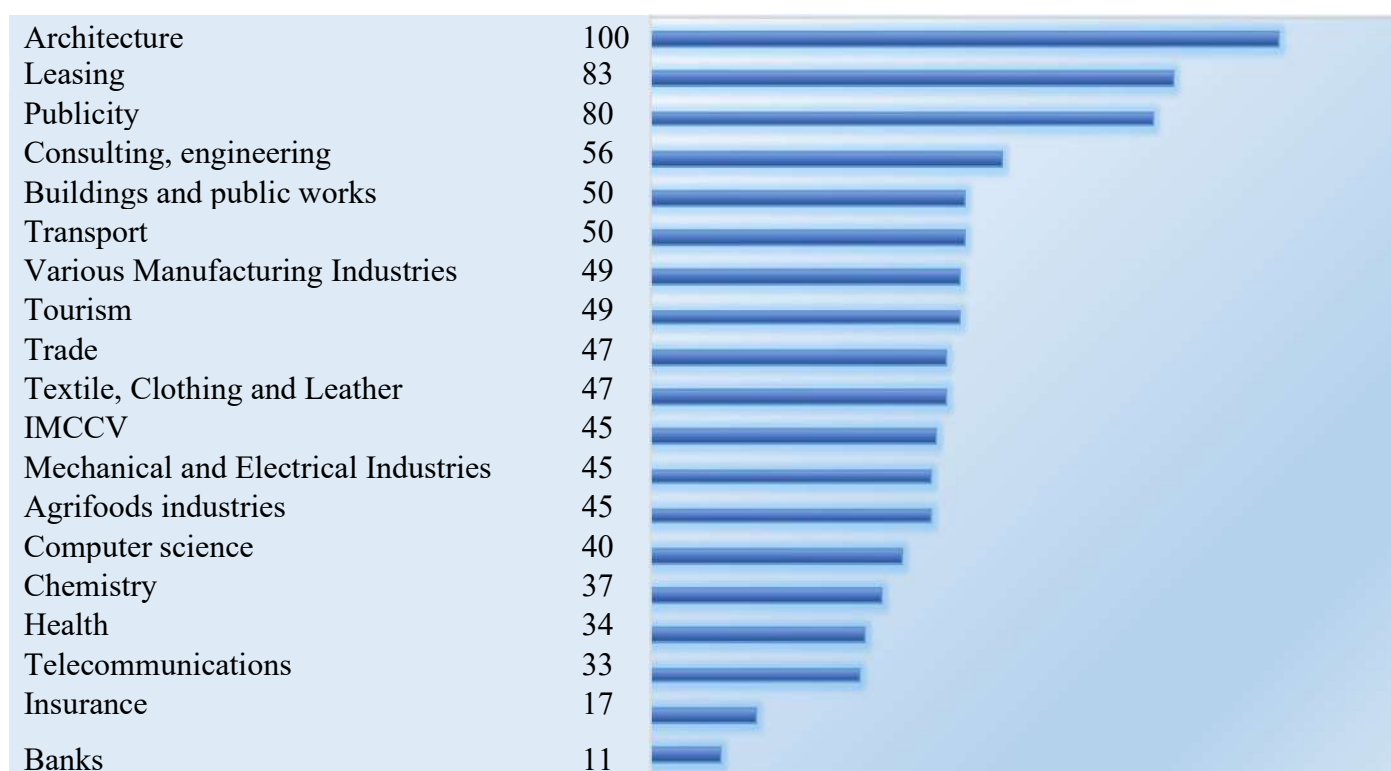


Corruption (in %)

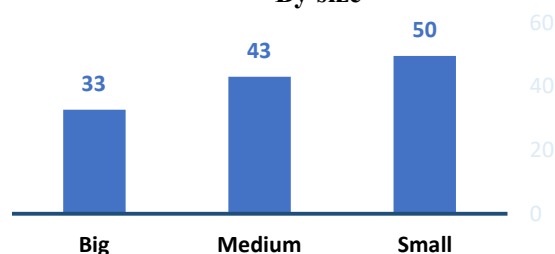
Companies considering Corruption as a constraint



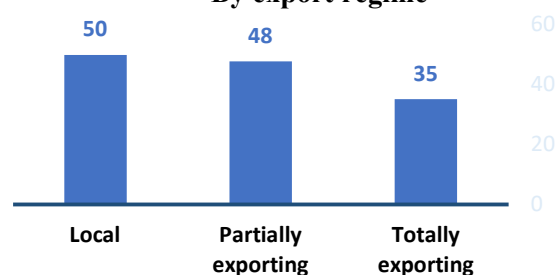
Major constraint by sector



By size



By export regime

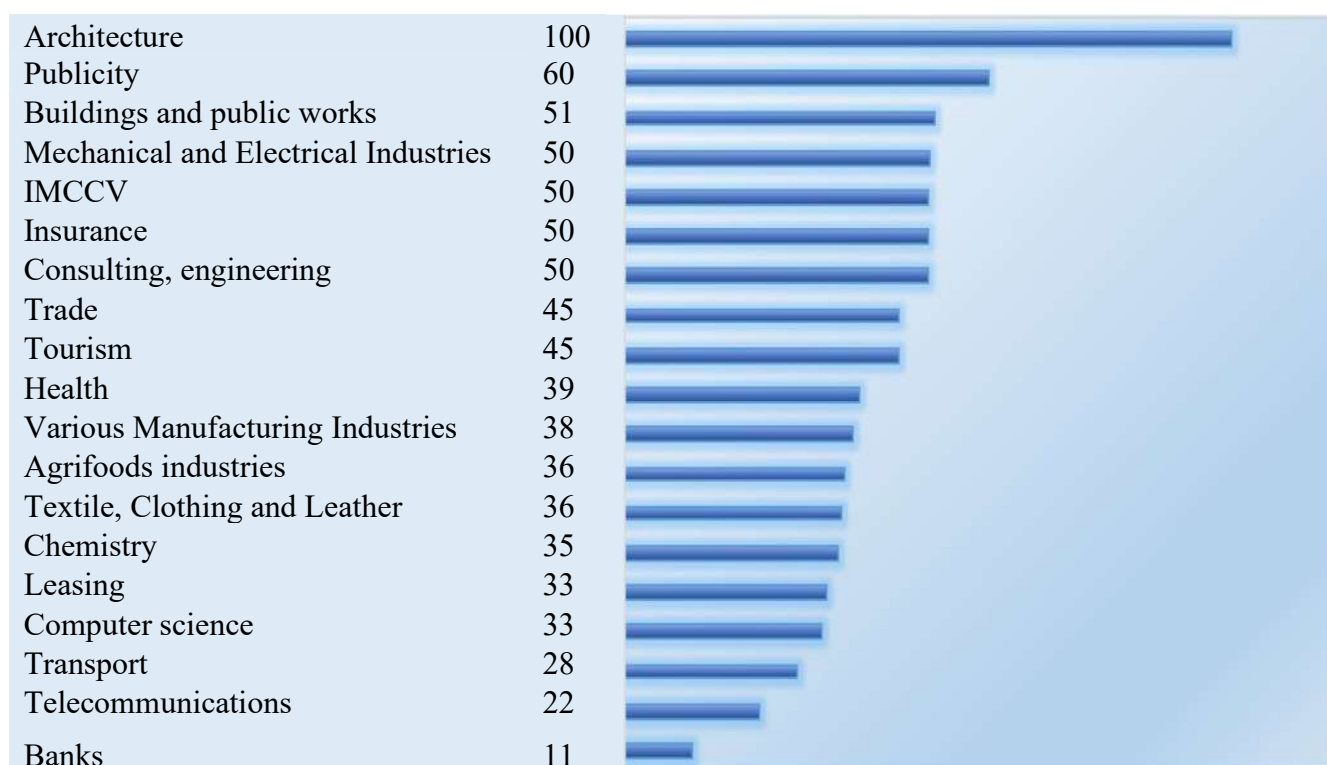


Political climate (in%)

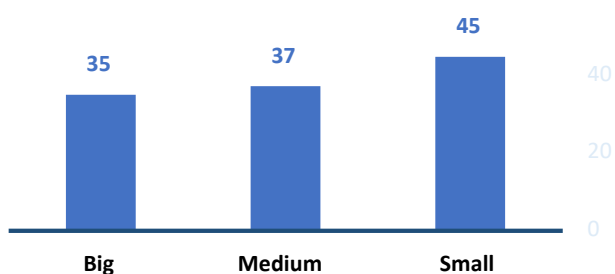
Companies considering Political climate as a constraint



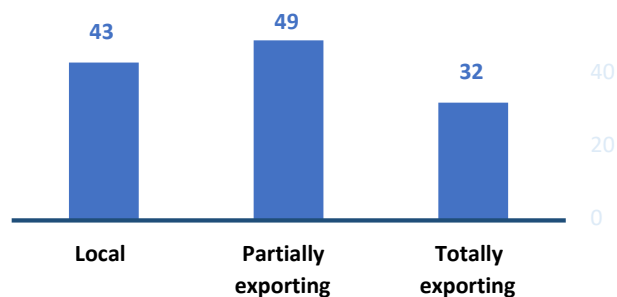
Major constraint by sector



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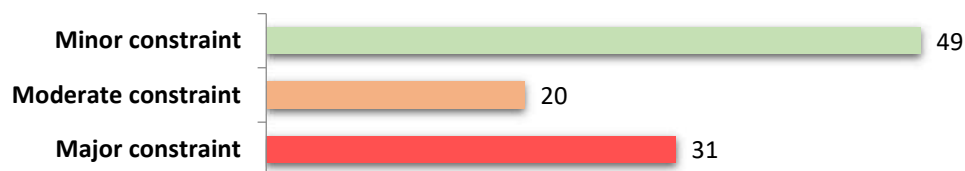


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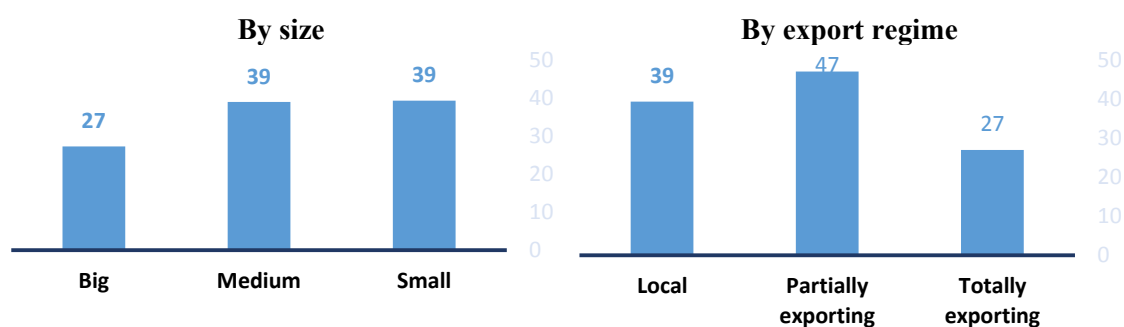
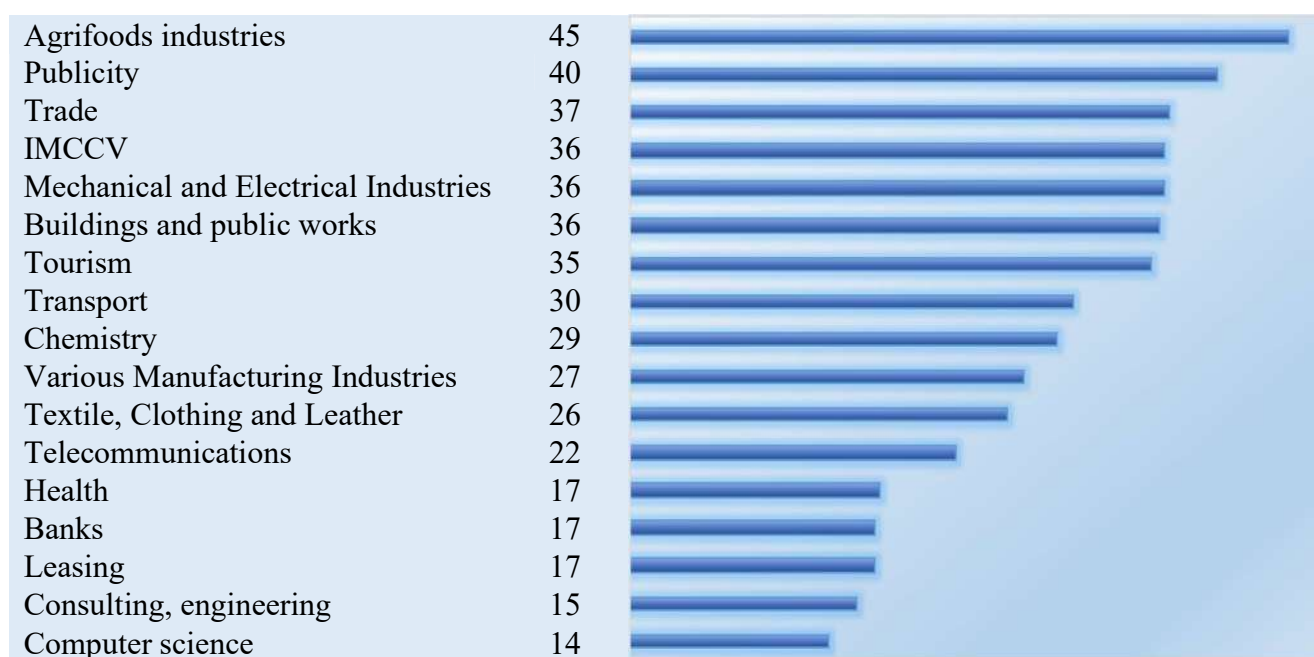


Bank financing : Access to credit (in%)

Companies considering Access to credit as a constraint

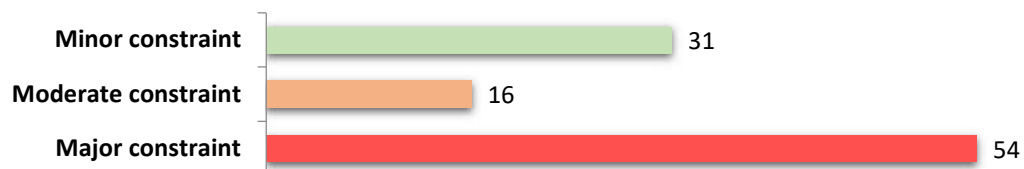


Major constraint by sector



Bank Financing : Cost of credit (in%)

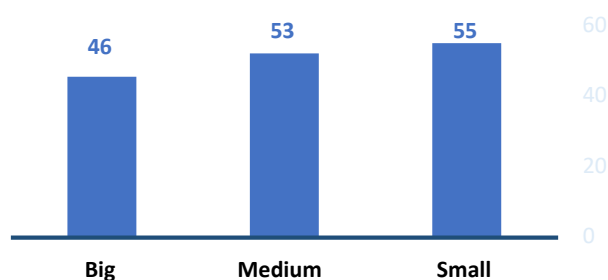
Companies considering Cost of credit as a constraint



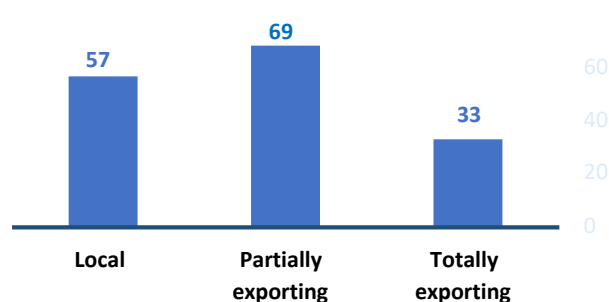
Major constraint by sector



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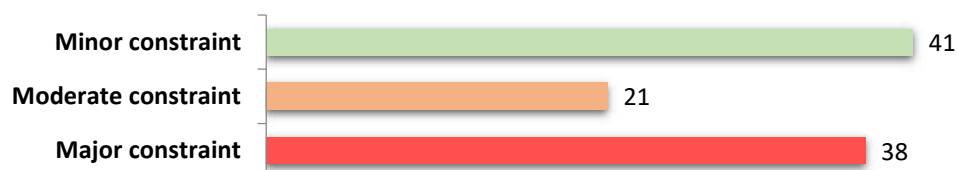


By export regime



Social climate (in%)

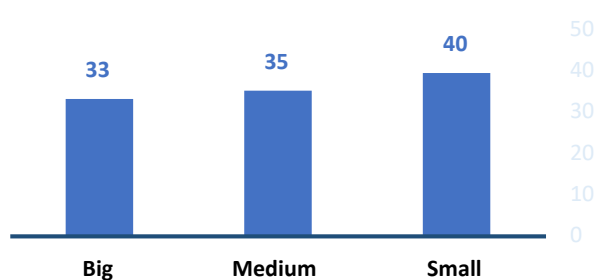
Companies considering Social climate as a constraint



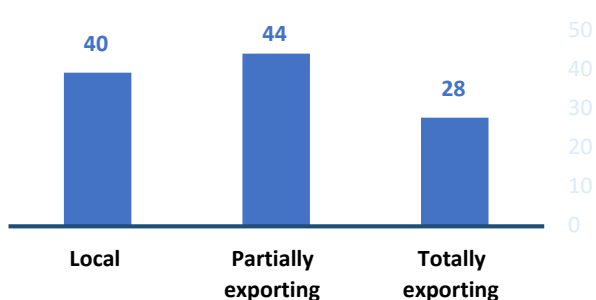
Major constraint by sector



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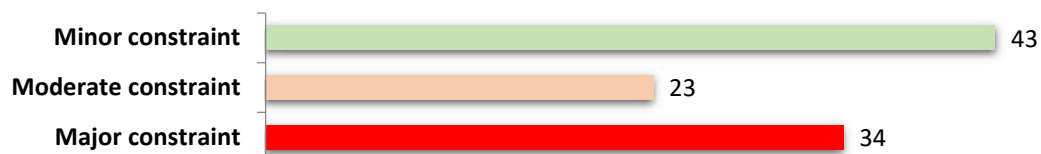


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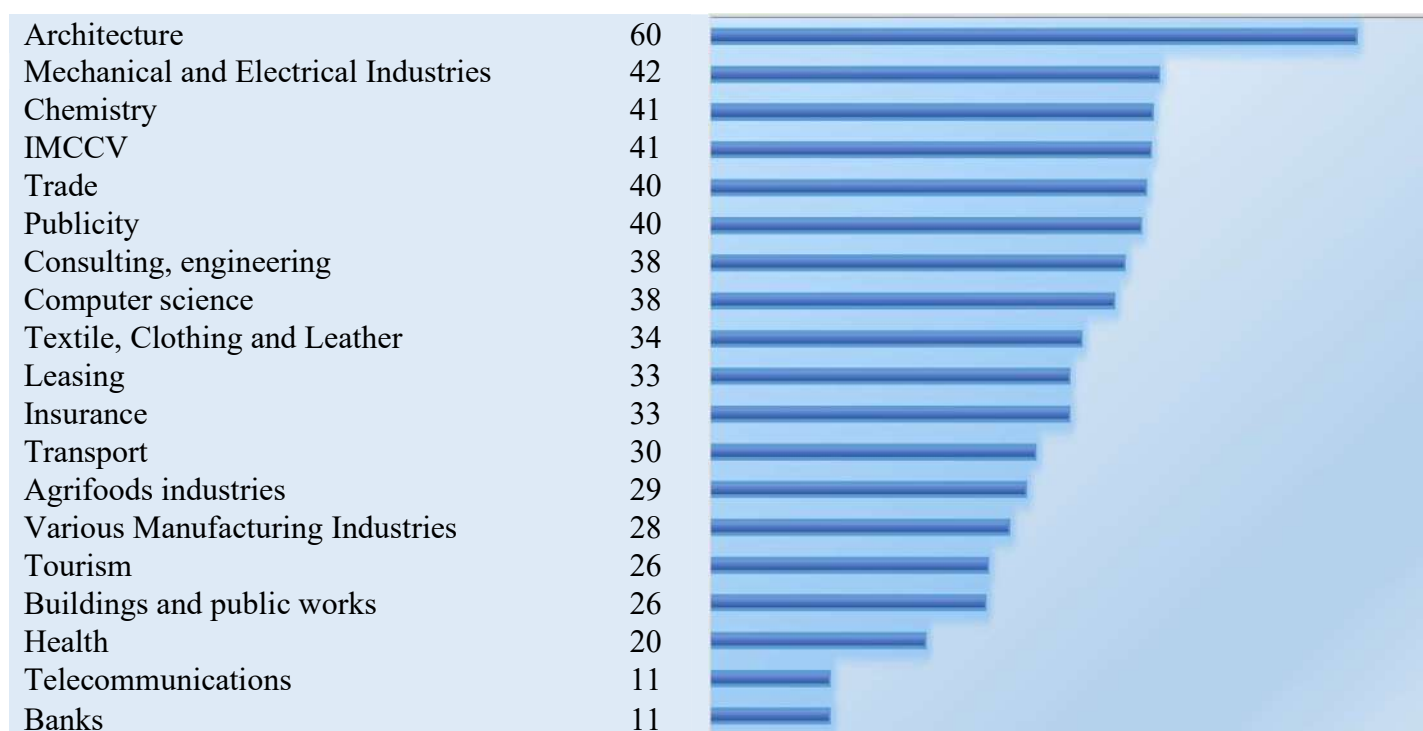


Macroeconomic and regulatory framework : Regulatory framework (in%)

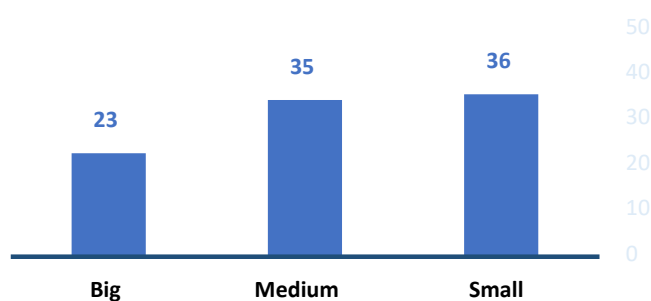
Companies considering the Regulatory framework as a constraint



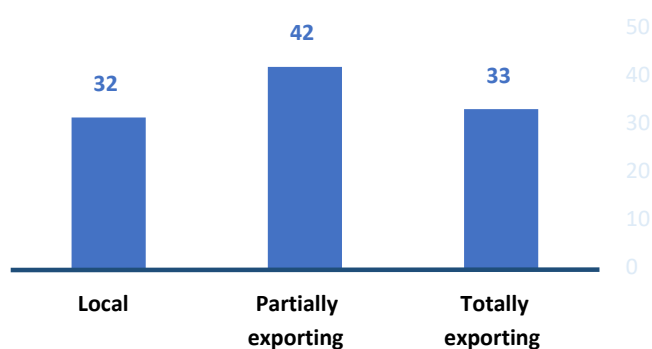
Major constraint by sector



By size

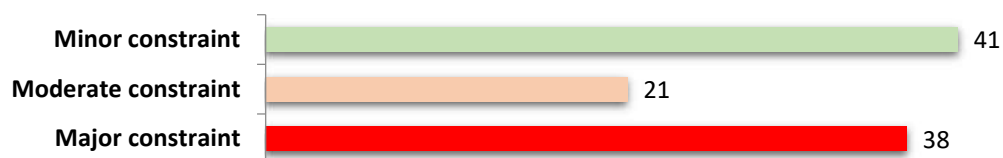


By export regime



Macroeconomic and regulatory framework : Macroeconomic framework (in%)

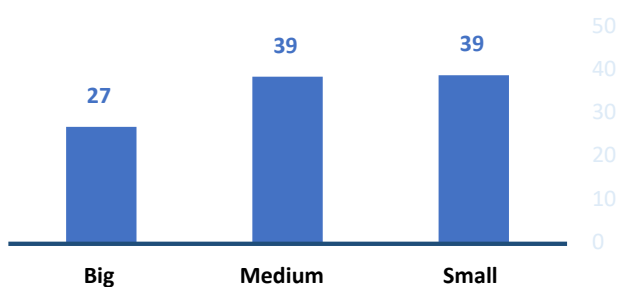
Companies considering the Macroeconomic framework as a constraint



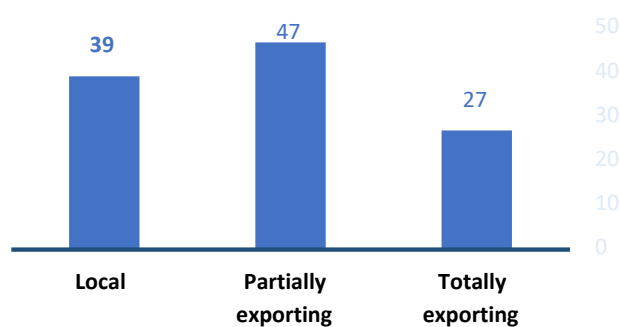
Major constraint by sector



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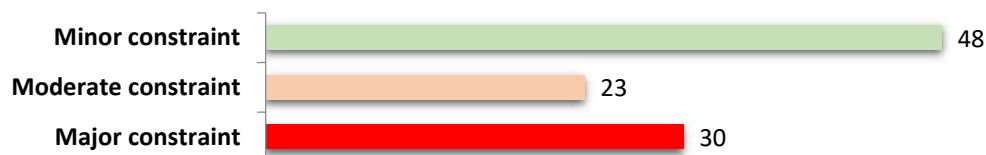


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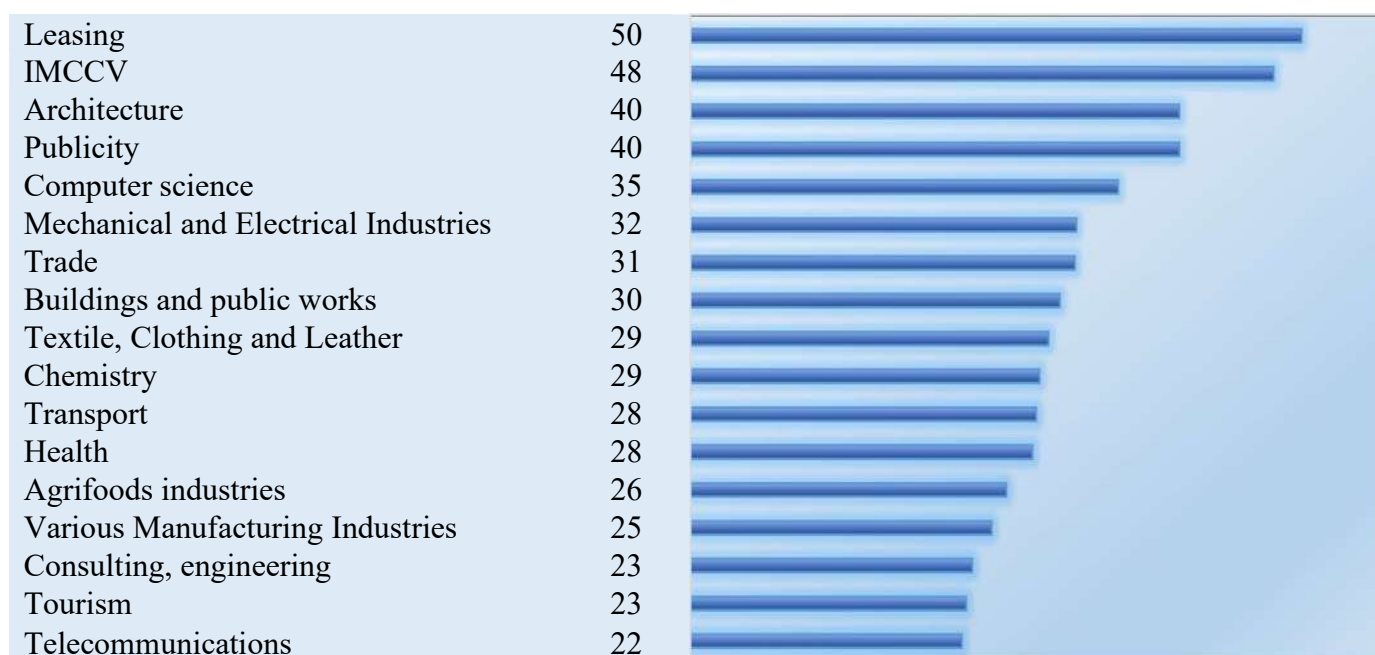


Taxation and social charges : Social charges level (in%)

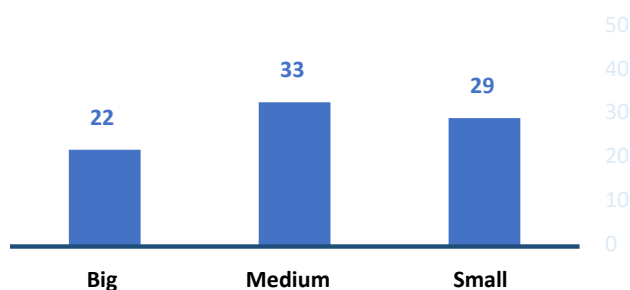
Companies considering the Level of social charges as a constraint



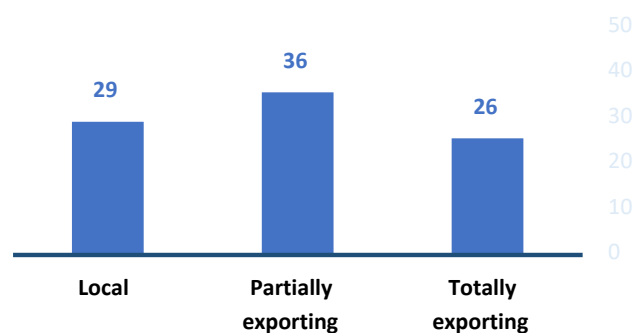
Major constraint by sector



By size

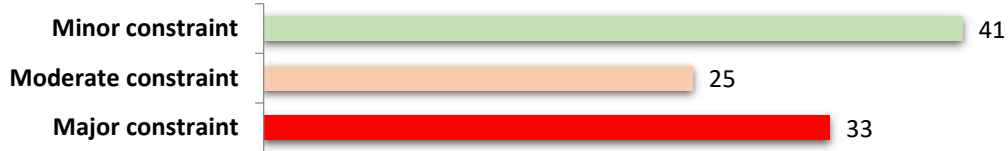


By export regime



Taxation and social charges : Tax system (in%)

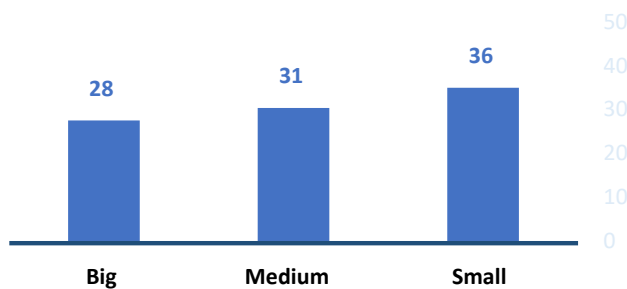
Companies considering the Tax system as a constraint



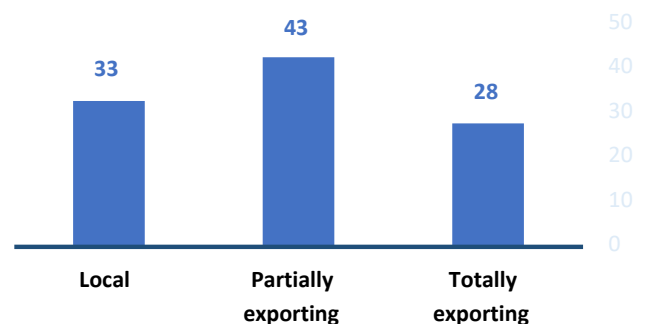
Major constraint by sector



By size

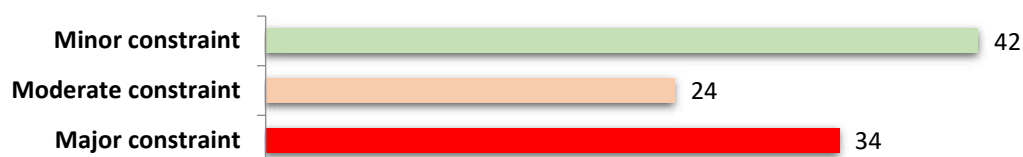


By export regime



Taxation and social charges : Tax level (in%)

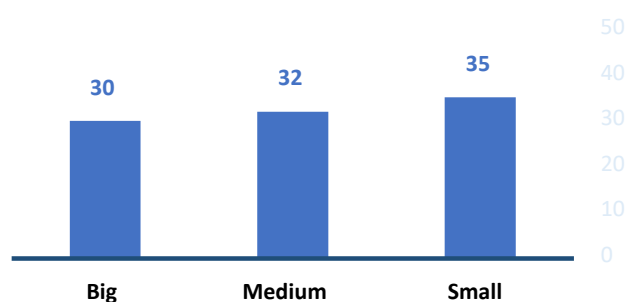
Companies considering the Taxation level as a constraint



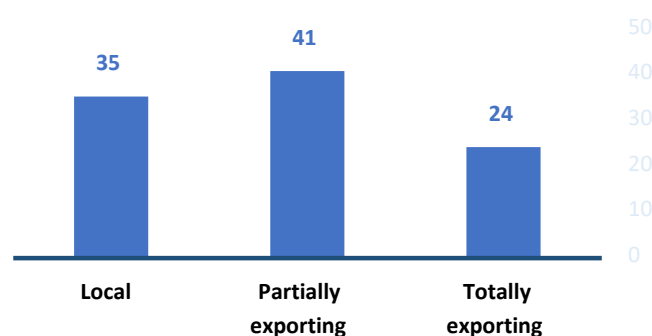
Major constraint by sector



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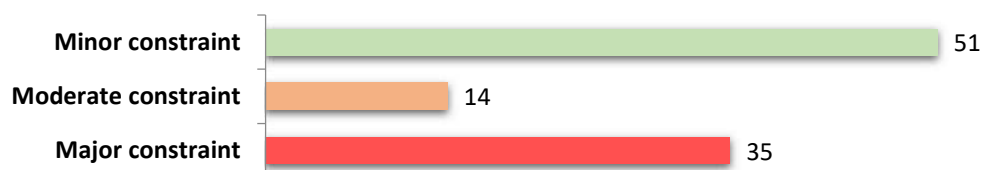


By export regime

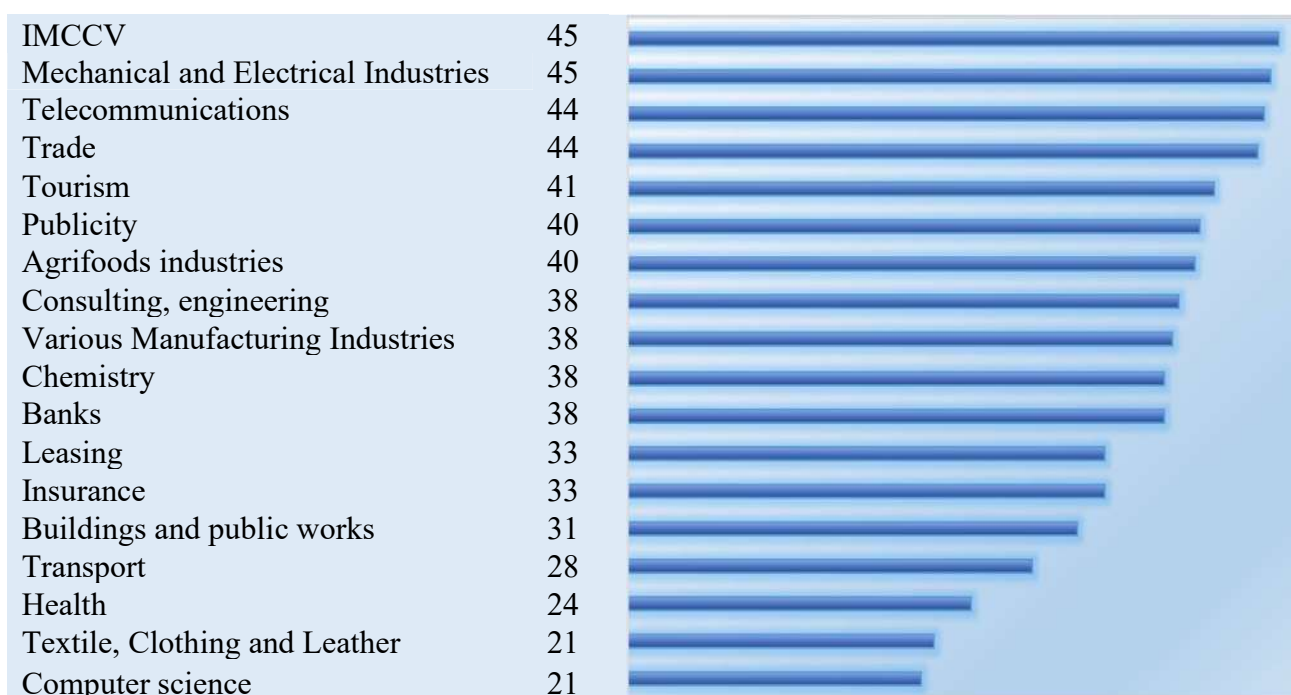


Judicial system : Enforcement of decisions (in%)

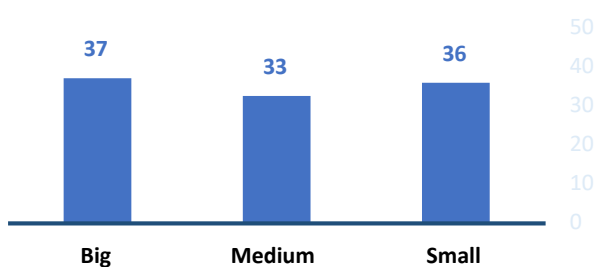
Companies considering the Decisions application as a constraint



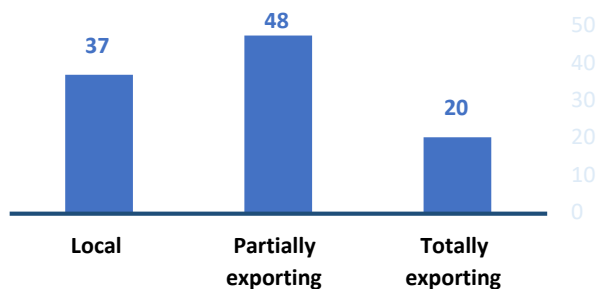
Major constraint by sector



By size

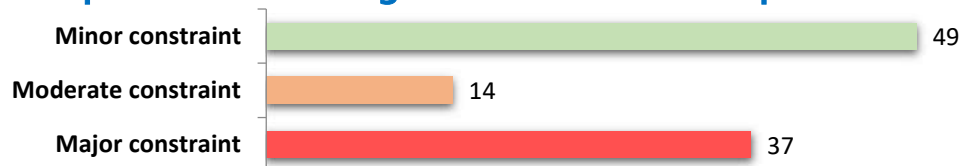


By export regime

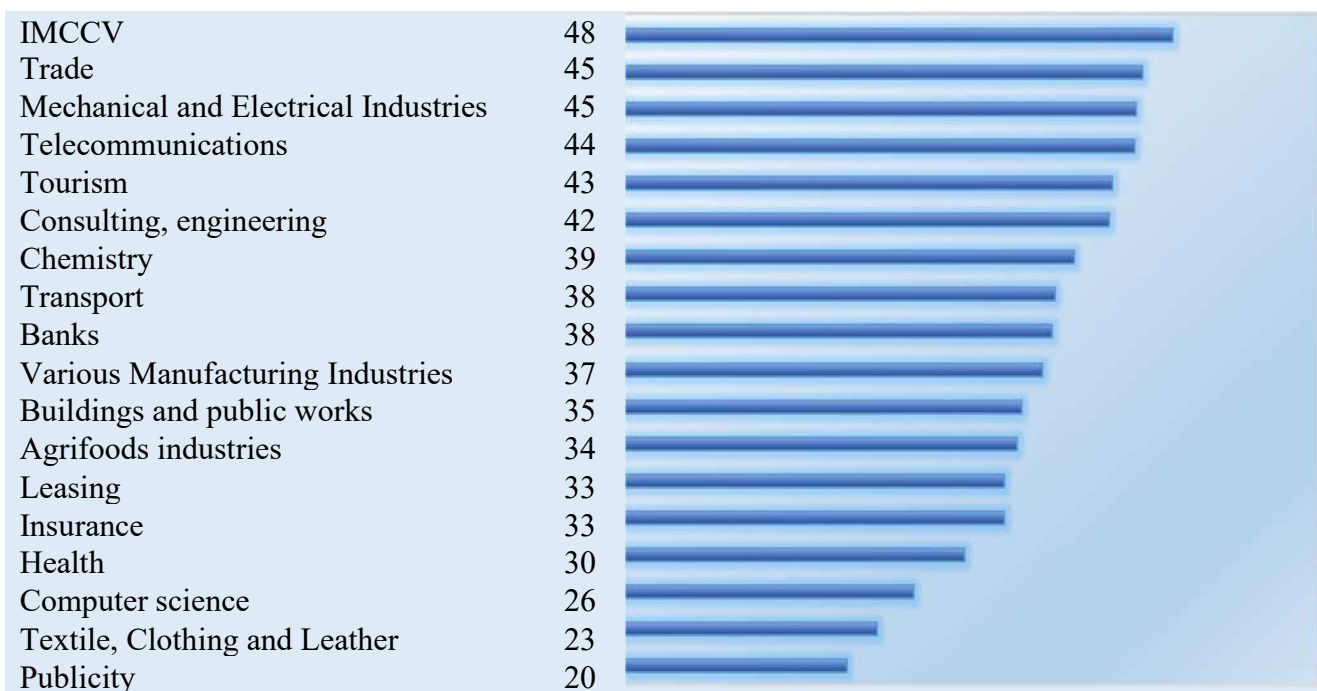


Judicial system : Deadlines for dispute resolution (in%)

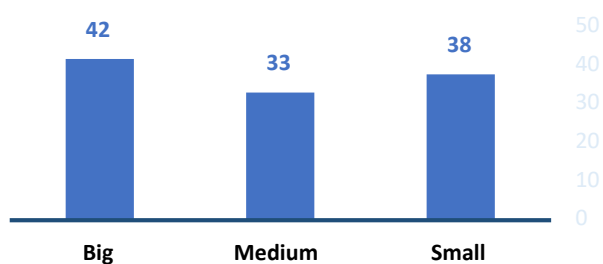
Companies considering the Deadlines for dispute resolution as a constraint



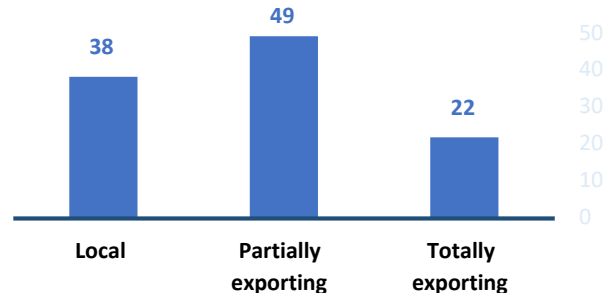
Major constraint by sector



By size

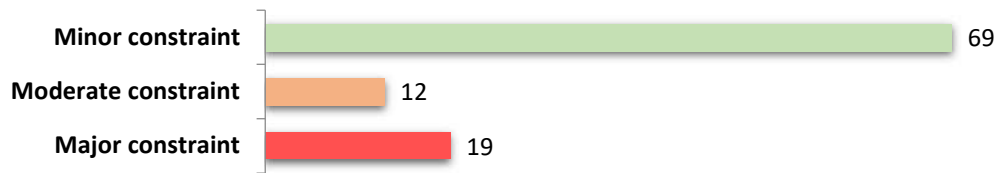


By export regime

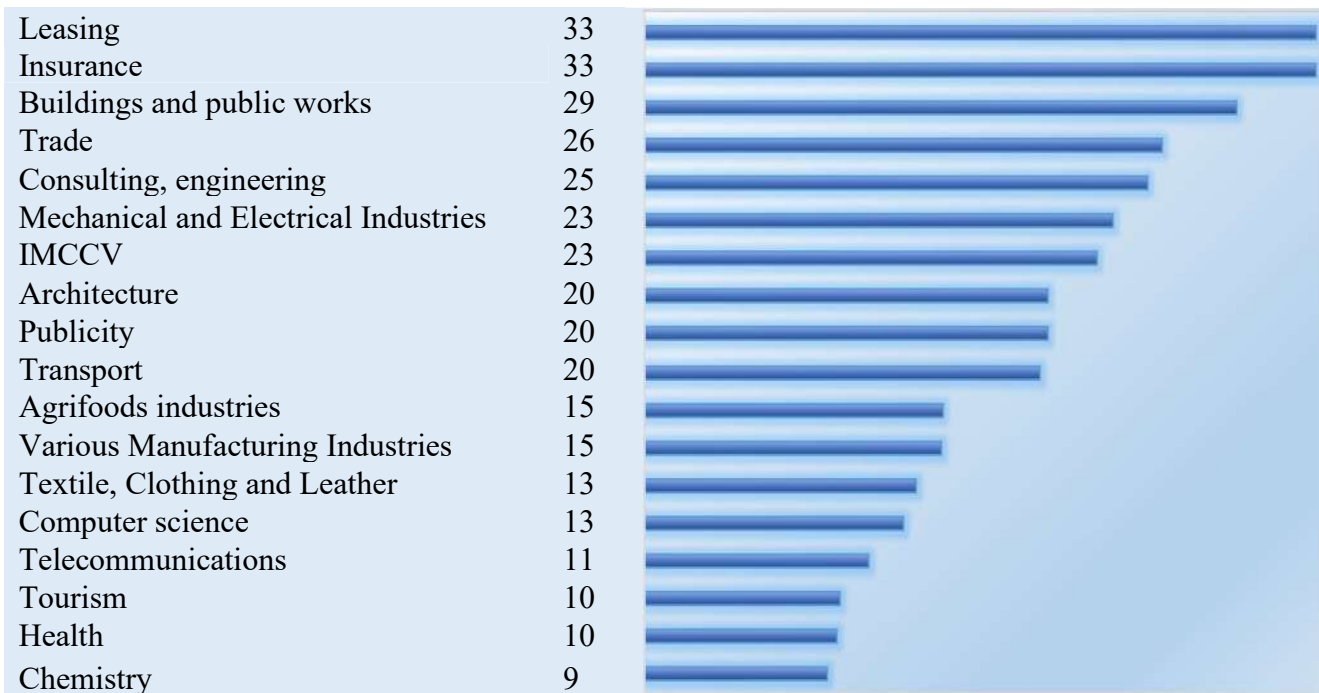


Practices in the market : Public procurement (in%)

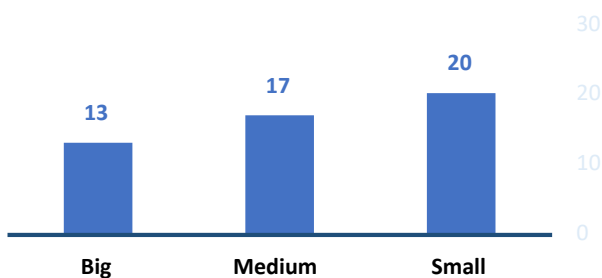
Companies considering Public procurement as a constraint



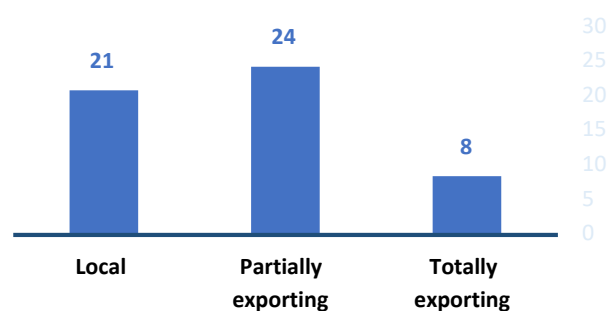
Major constraint by sector



By size

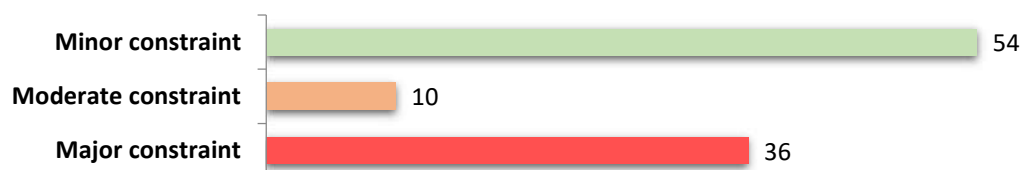


By export regime



Practices in the market : Parallel market (in%)

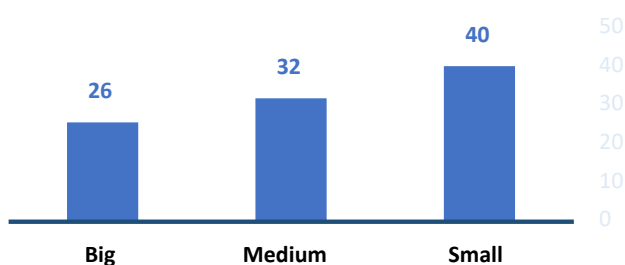
Companies considering the Parallel market as a constraint



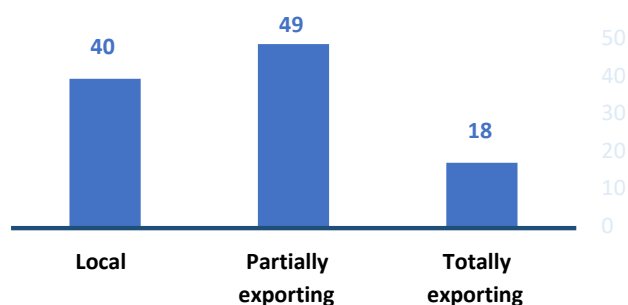
Major constraint by sector



By size

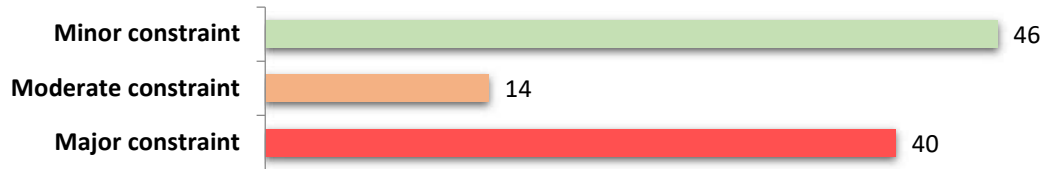


By export regime



Practices in the market : Unfair competition and anti-competitive practices (in%)

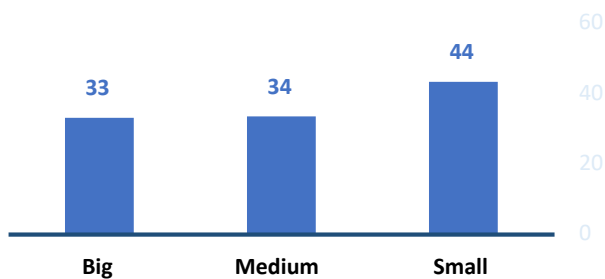
Companies considering unfair competition and anti-competitive practices as a constraint



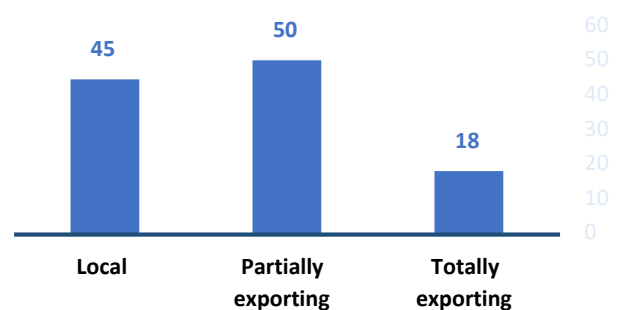
Major constraint by sector



By size

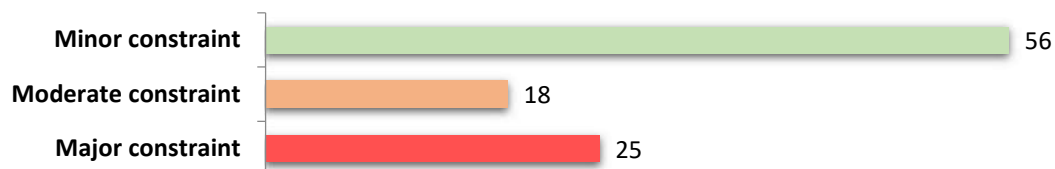


By export regime



Security (in%)

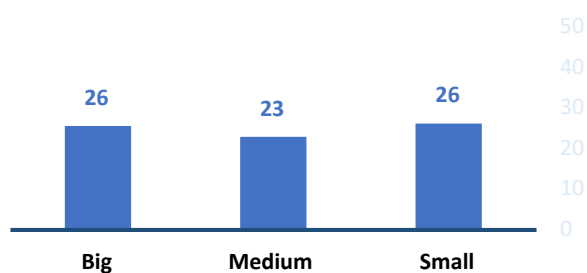
Companies considering Security as a constraint



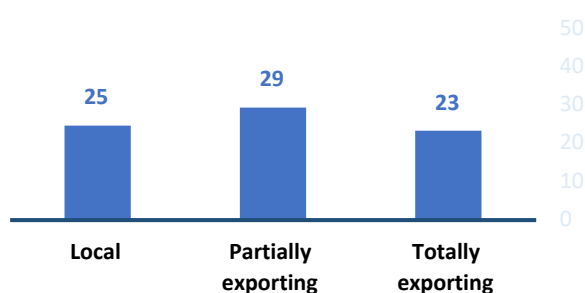
Major constraint by sector



By size

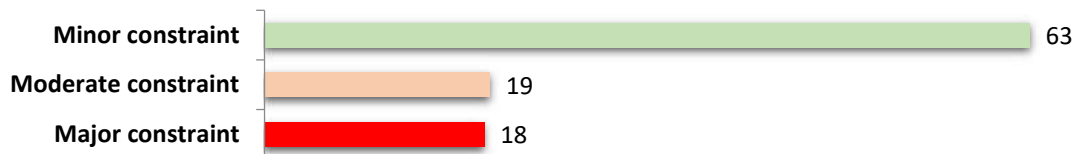


By export regime

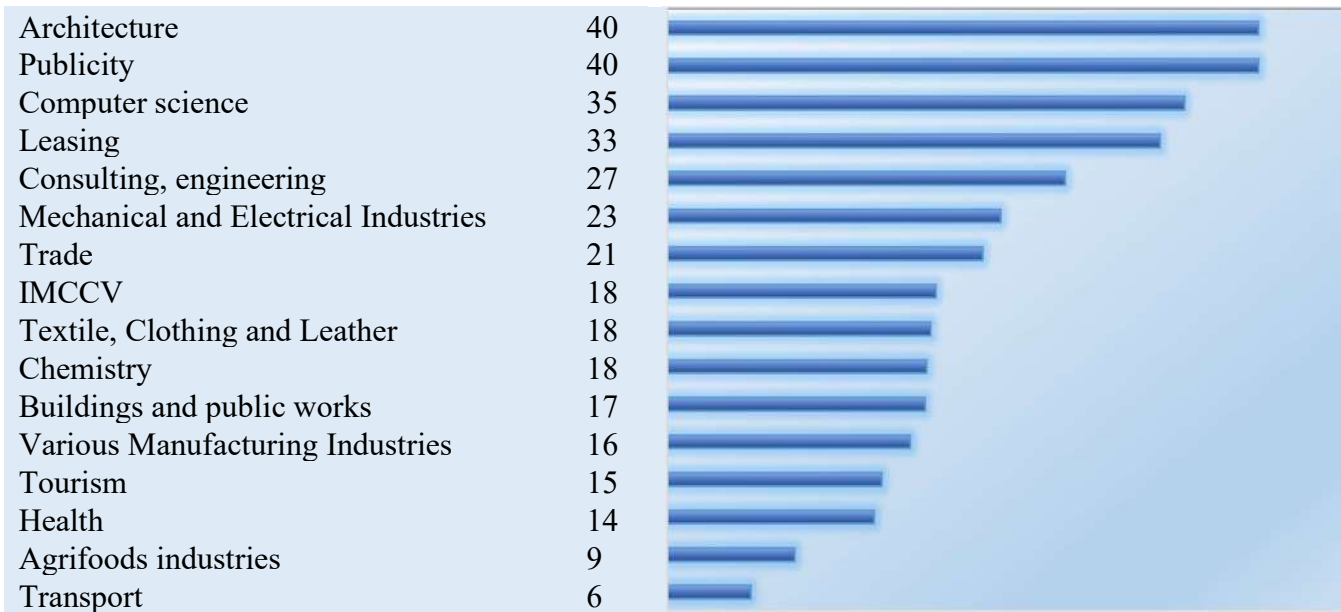


Administrative procedures : Social administration (in%)

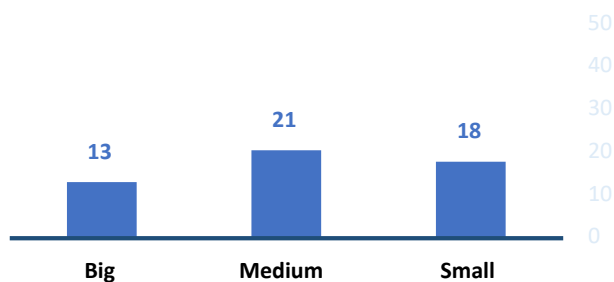
Companies considering the Social administration as a constraint



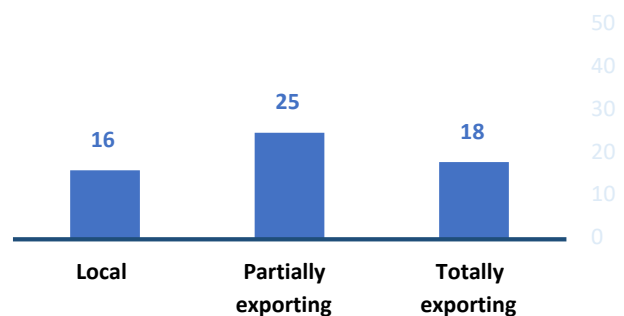
Major constraint by sector



By size

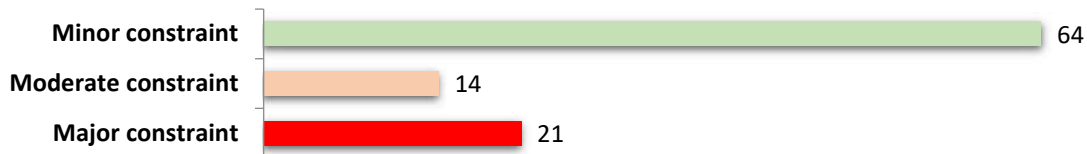


By export regime

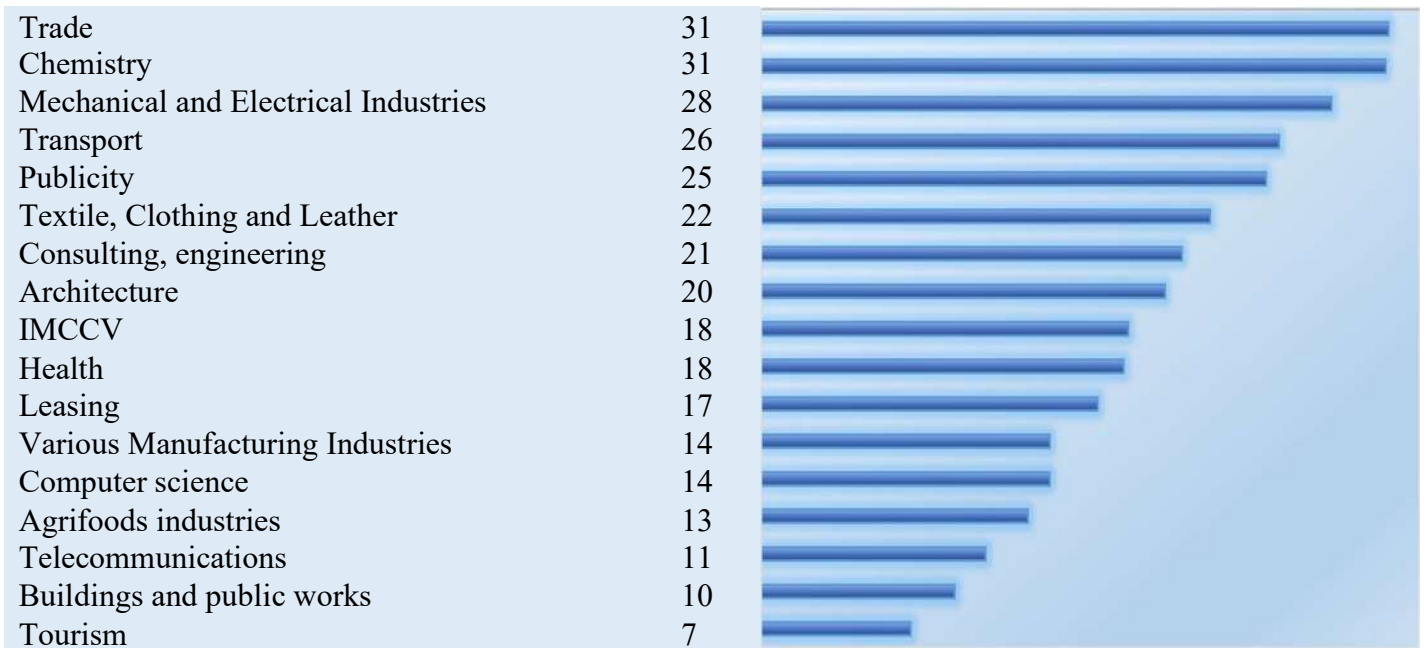


Administrative procedures : Customs deadlines (in%)

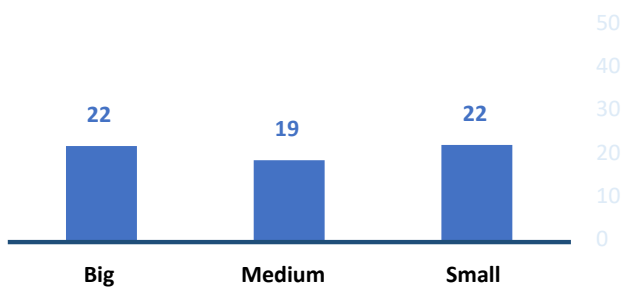
Companies considering the Customs delays as a constraint



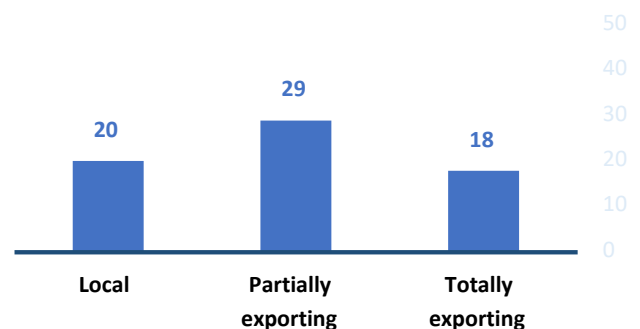
Major constraint by sector



By size

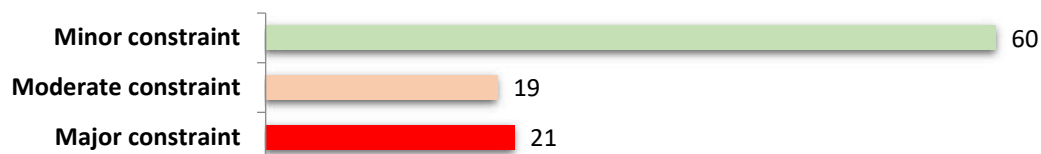


By export regime



Administrative procedures : Fiscal administration (in%)

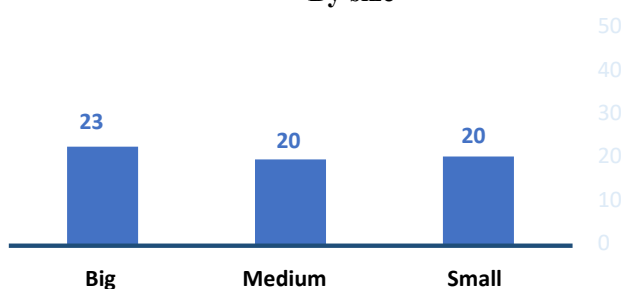
Companies considering the fiscal administration as a constraint



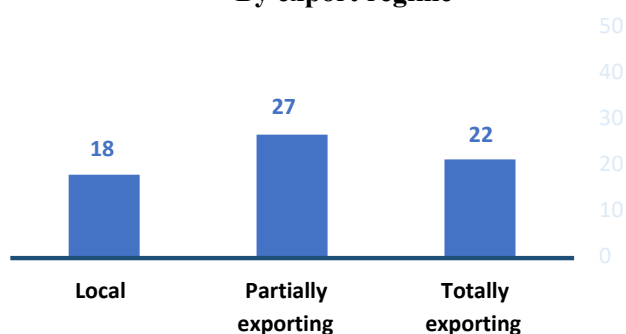
Major constraint by sector



By size

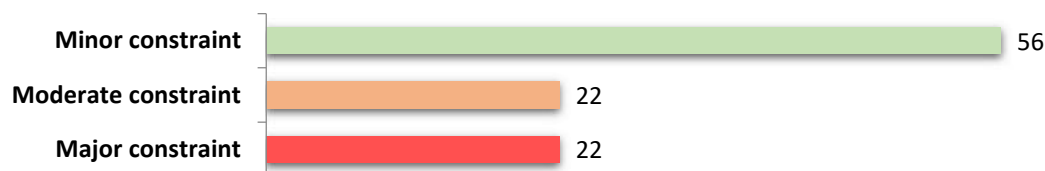


By export regime



Administrative procedures : Paperwork (business creation, authorization, inspection) in%

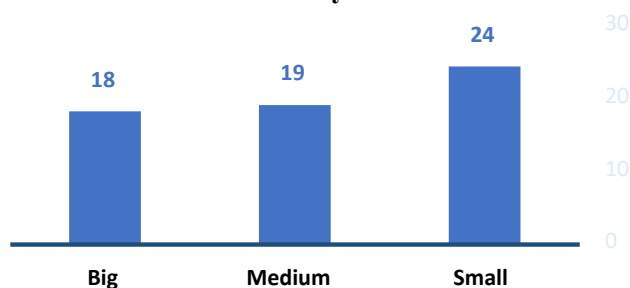
Companies considering the Administrative formalities as a constraint



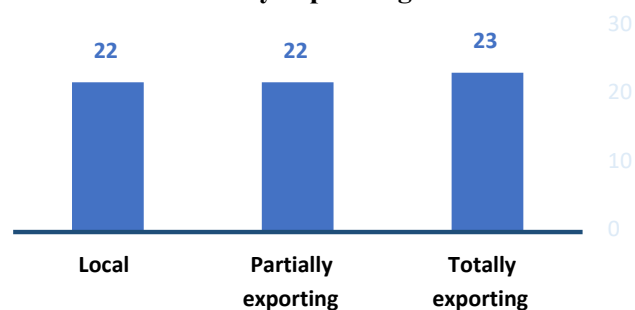
Major constraint by sector



By size

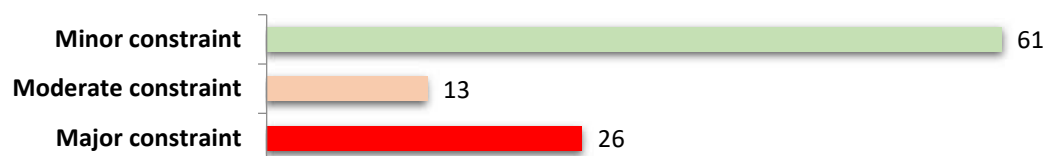


By export regime

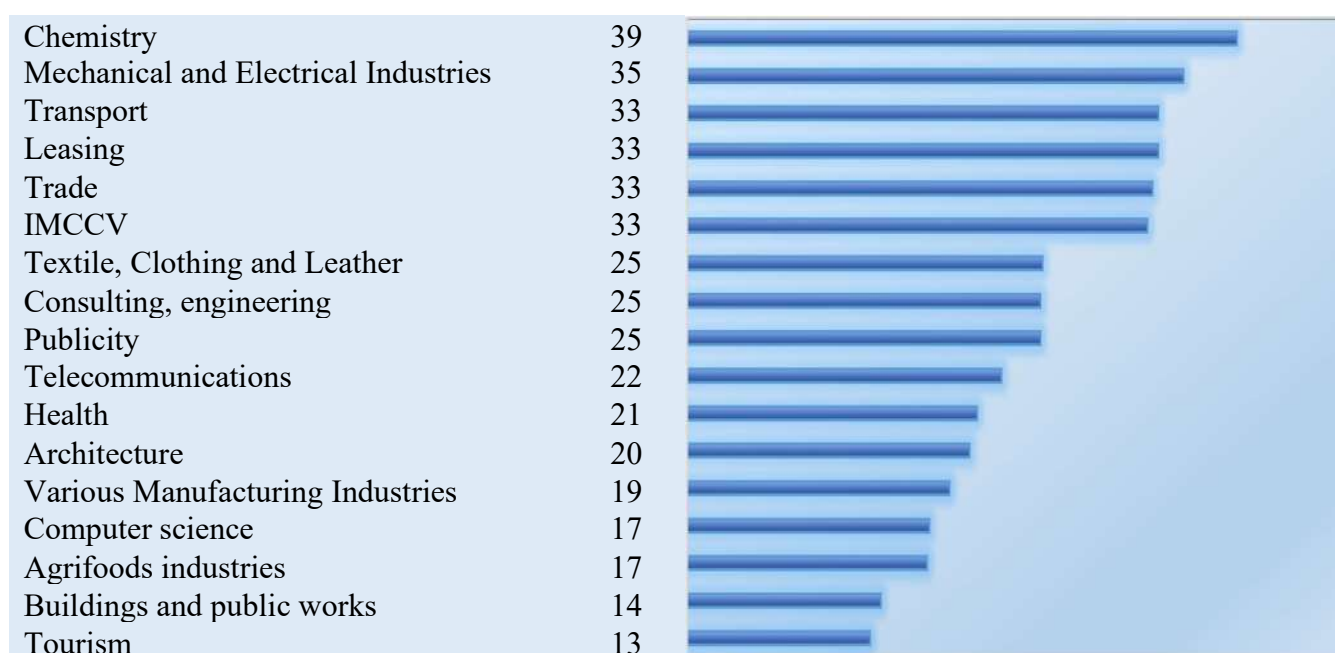


Administrative procedures : Customs procedures (in%)

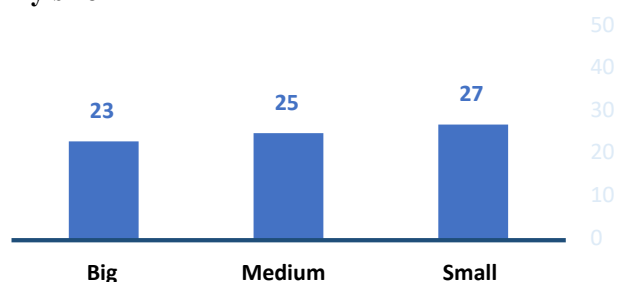
Companies considering the Customs procedures as a constraint



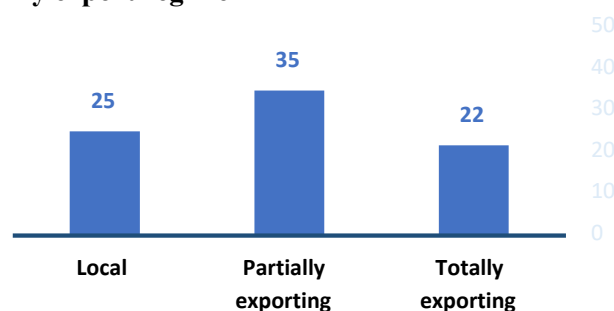
Major constraint by sector



By size

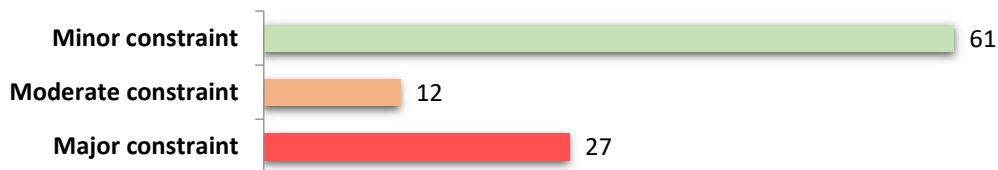


By export regime



Administrative procedures : Customs costs (in%)

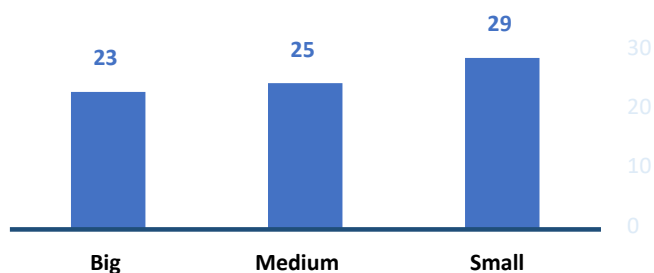
Companies considering the Customs costs as a constraint



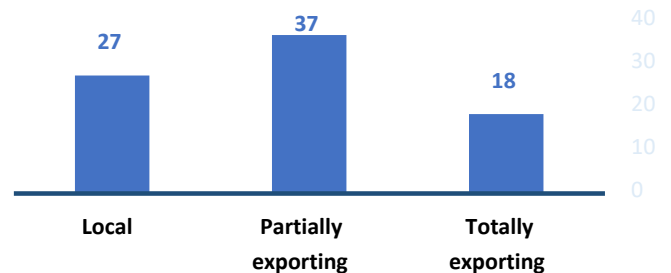
Major constraint by sector



By size

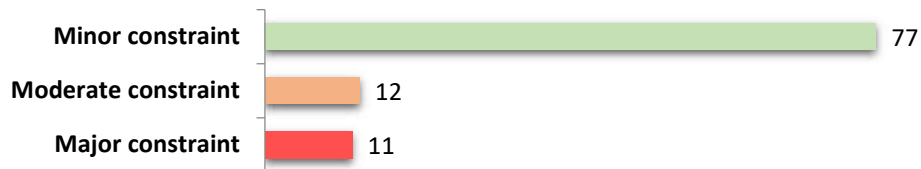


By export regime



Human Resources : Flexible hours (in%)

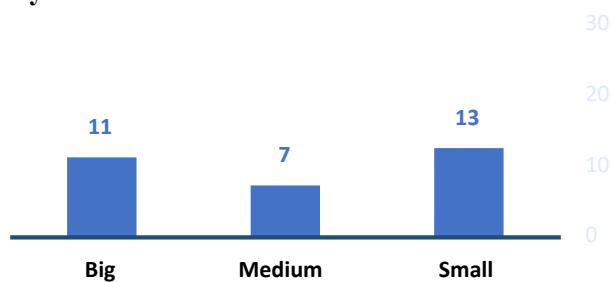
Companies considering Flexible hours as a constraint



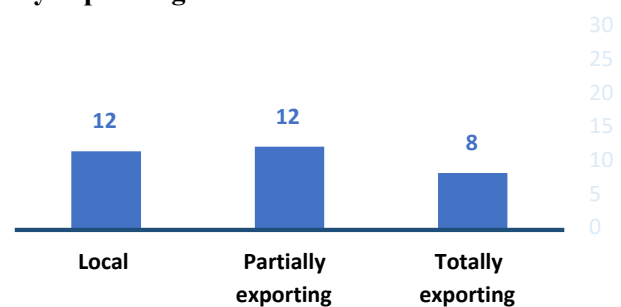
Major constraint by sector



By size

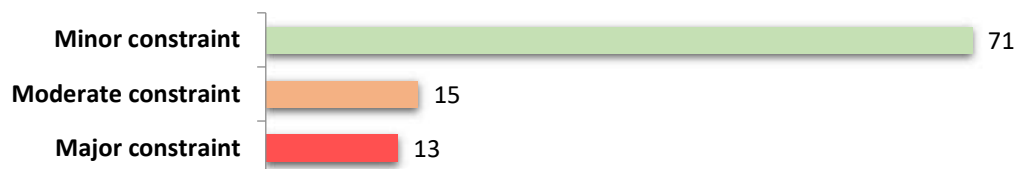


By export regime

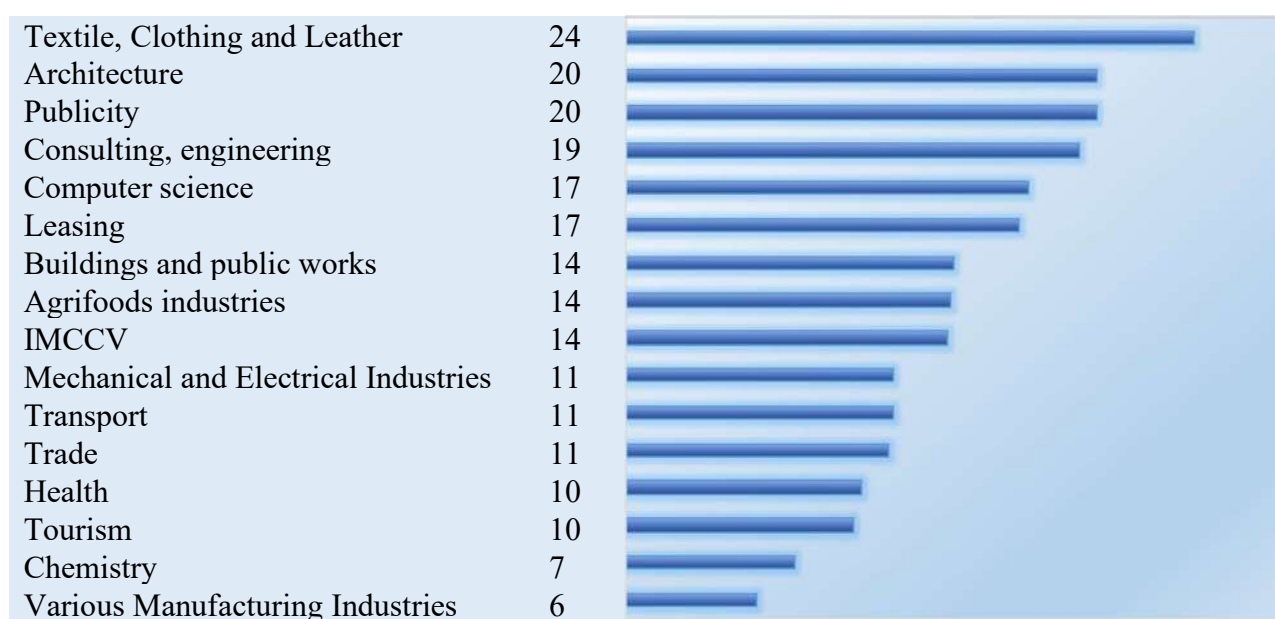


Human Resources : Hiring (in%)

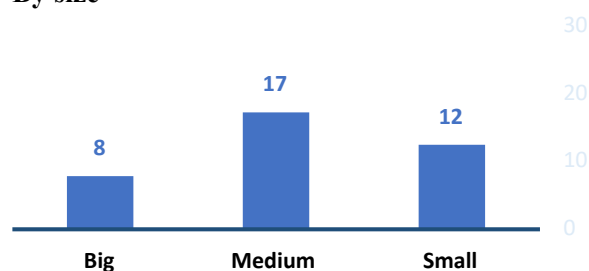
Companies considering Hiring as a constraint



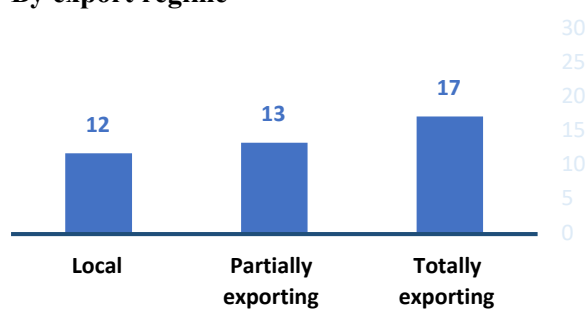
Major constraint by sector



By size

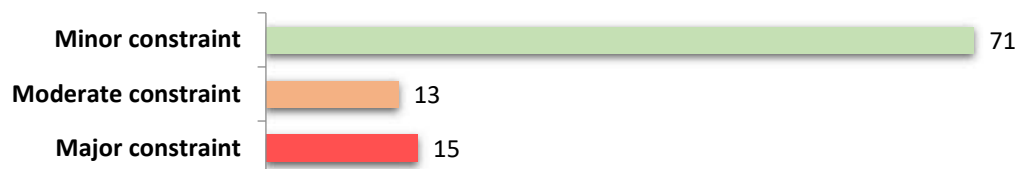


By export regime

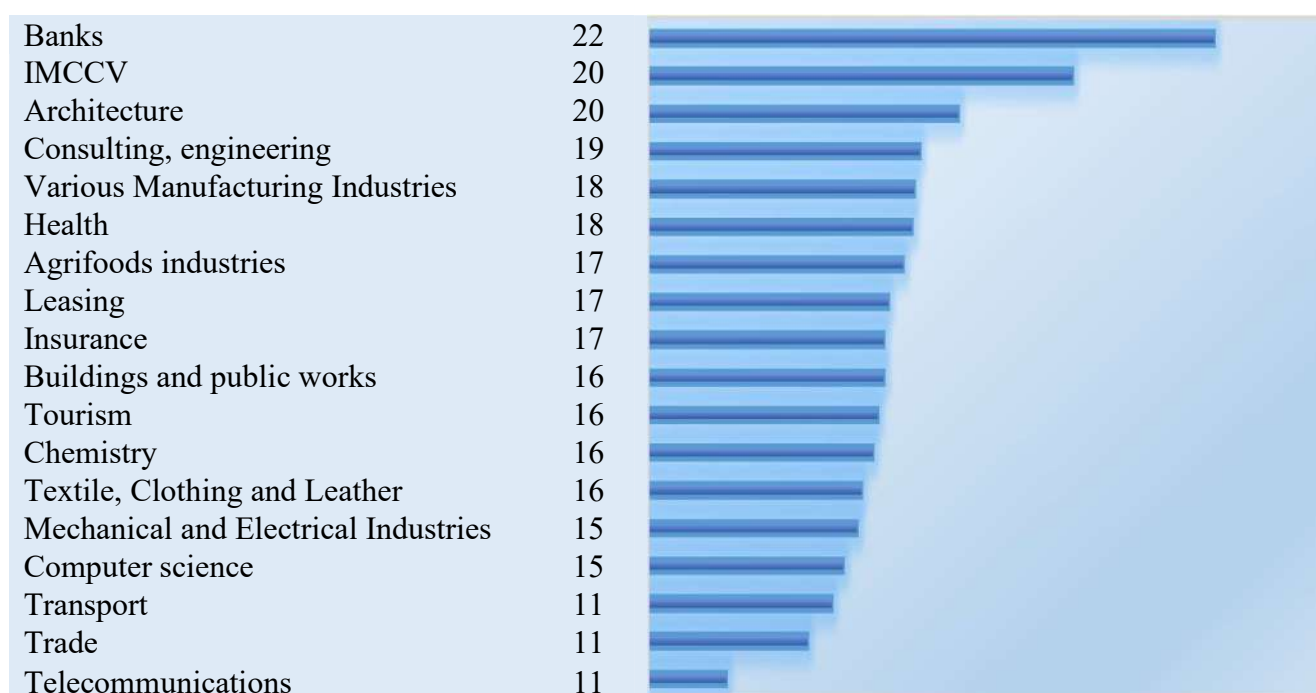


Human Resources : Dismissal (in%)

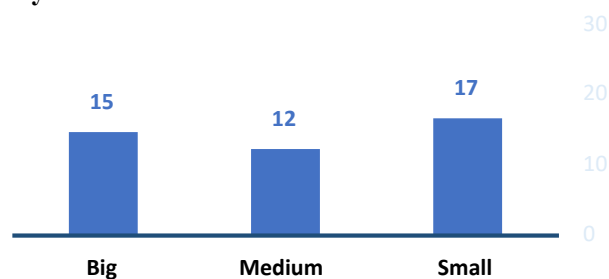
Companies considering Dismissal as a constraint



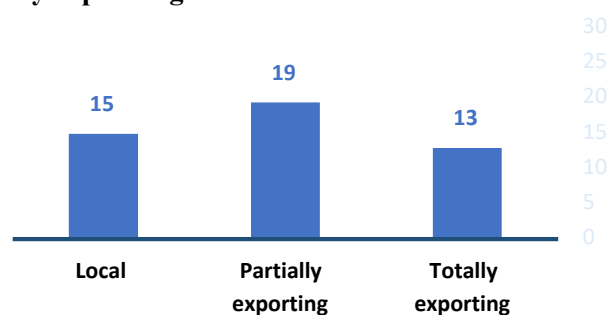
Major constraint by sector



By size

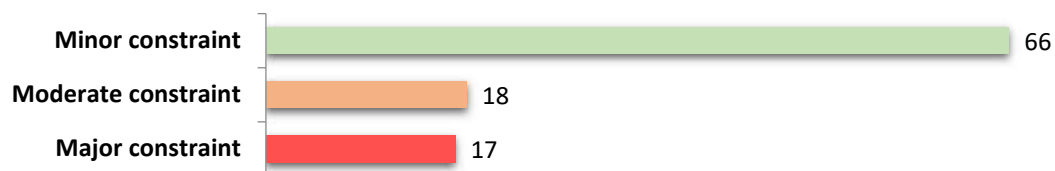


By export regime

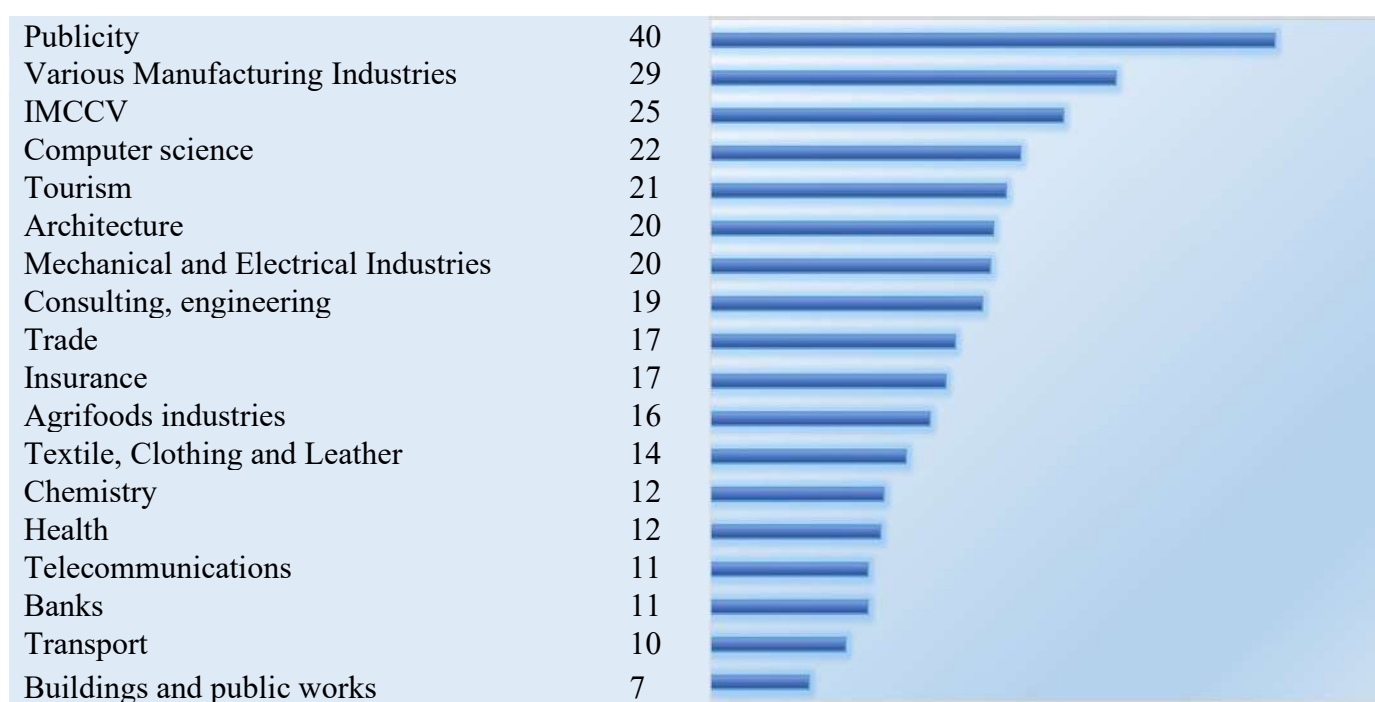


Human Resources : Higher education graduates (in%)

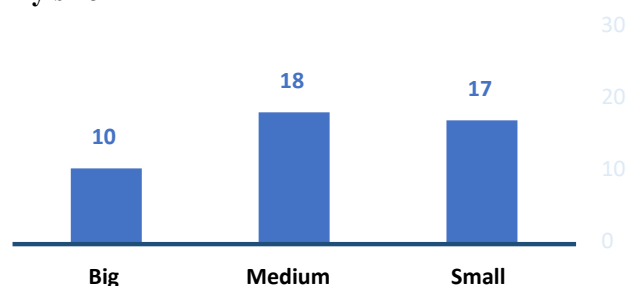
Companies considering Higher education graduates as a constraint



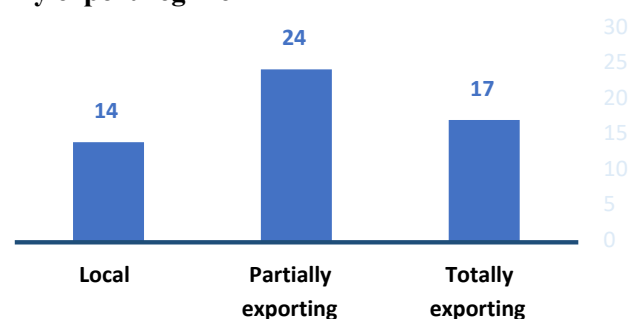
Major constraint by sector



By size

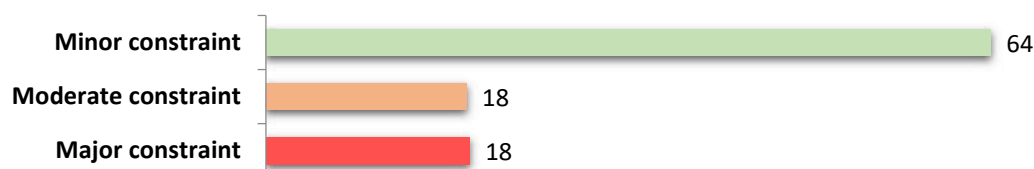


By export regime

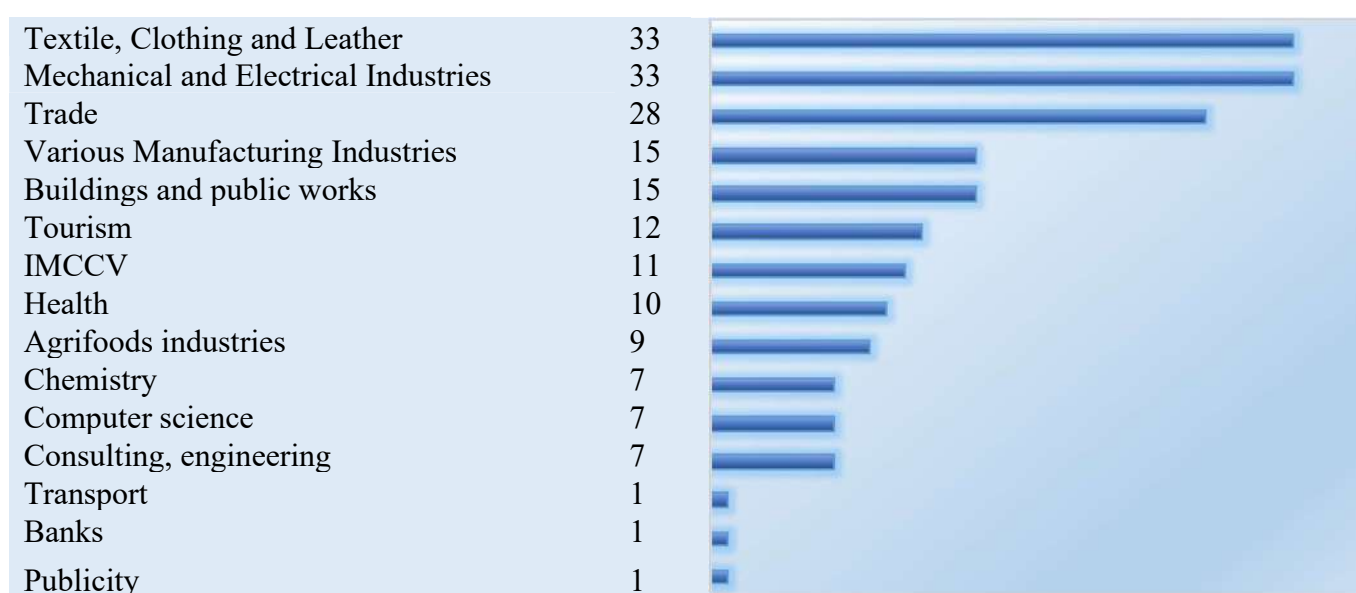


Human Resources : Professional graduates (in%)

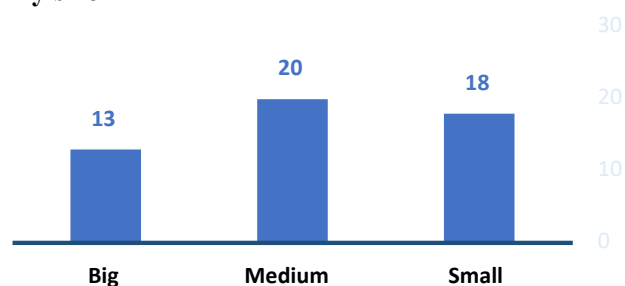
Companies considering Professional graduates as a constraint



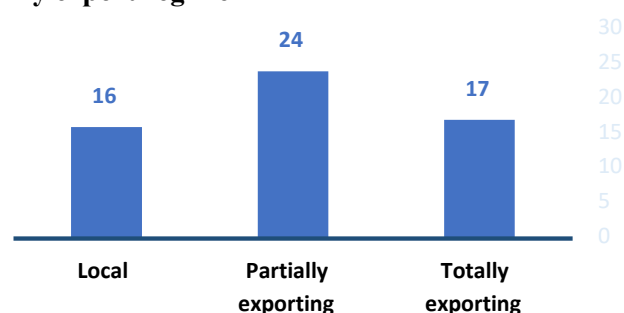
Major constraint by sector



By size

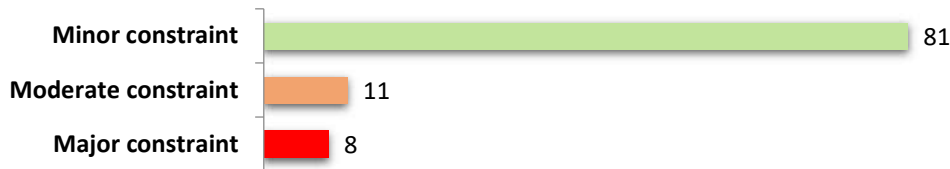


By export regime

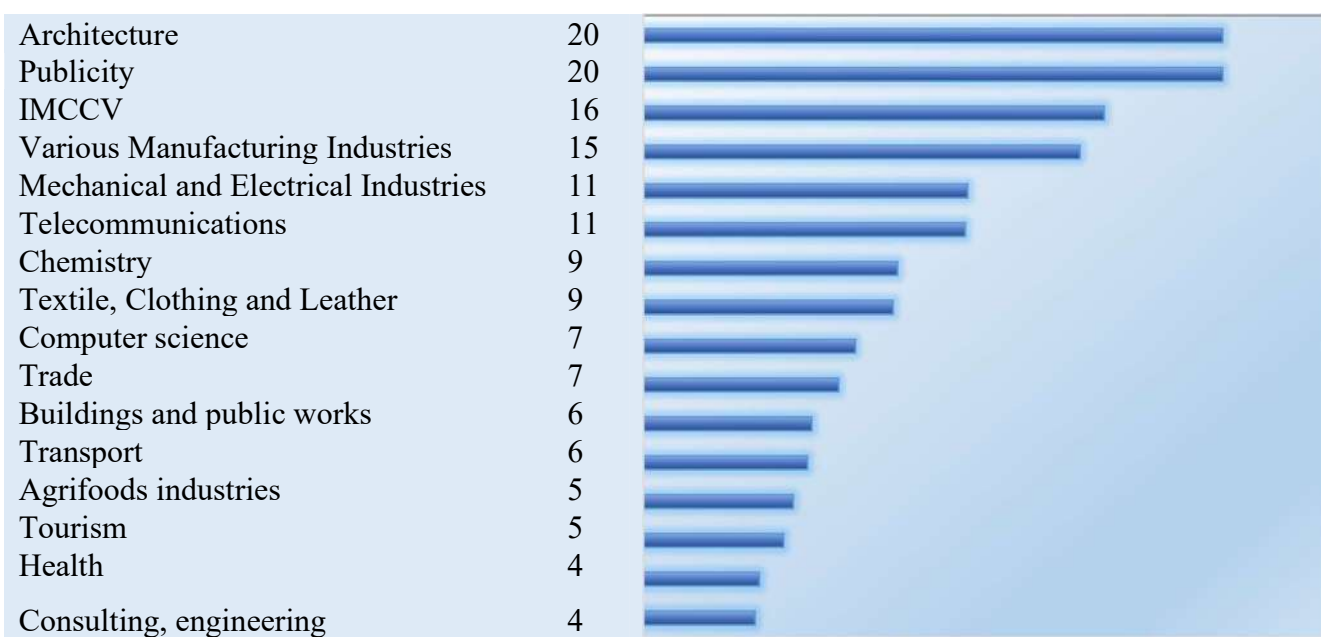


Basic infrastructure : Postal services (in%)

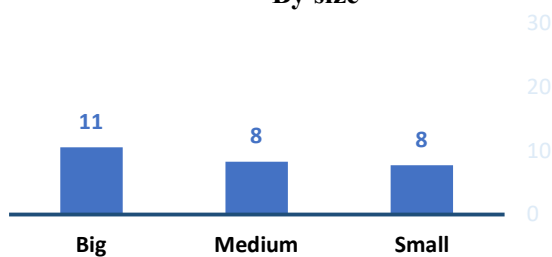
Companies considering the Post services as a constraint



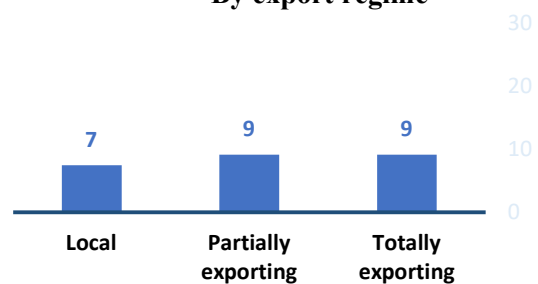
Major constraint by sector



By size

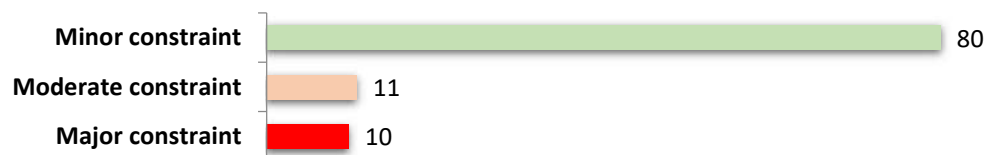


By export regime

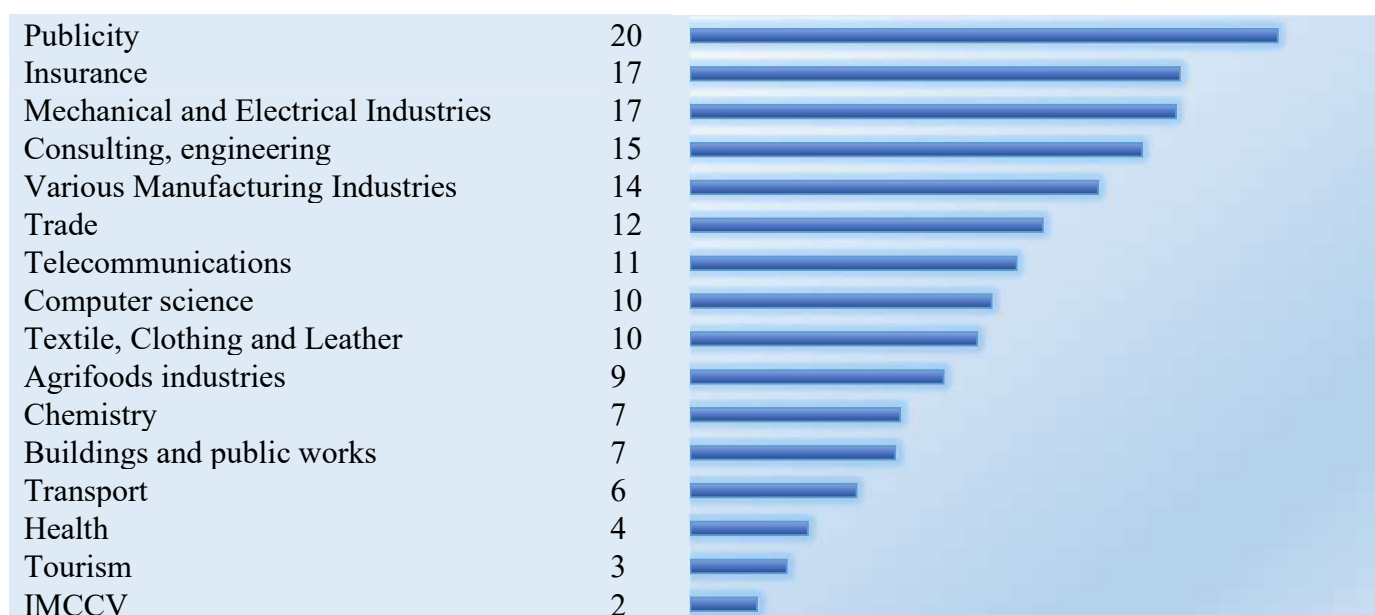


Basic infrastructure : Premises and buildings (in%)

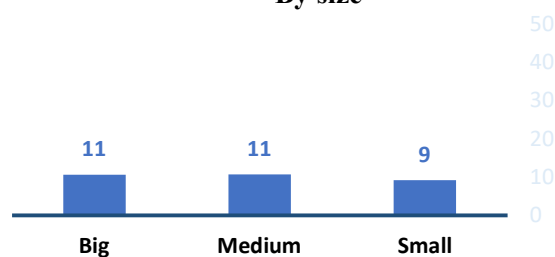
Companies considering the Premises and buildings as a constraint



Major constraint by sector



By size



By export regime

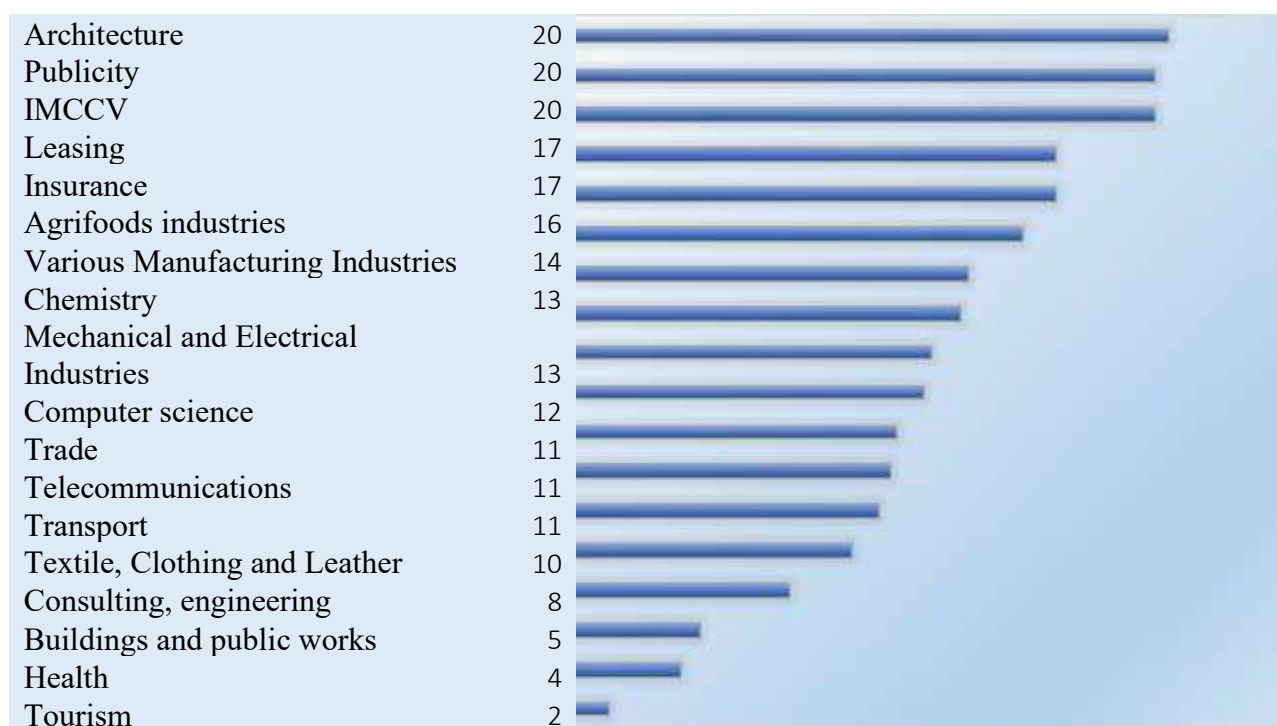


Basic infrastructure : Phone (in%)

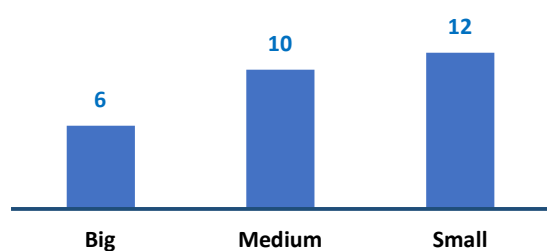
Companies considering the Telephone as a constraint



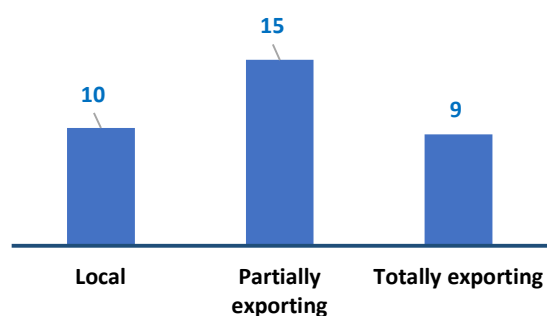
Major constraint by sector



By size

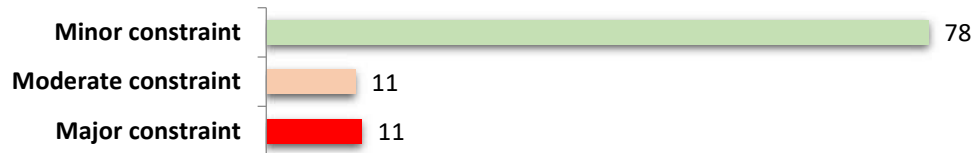


By export regime

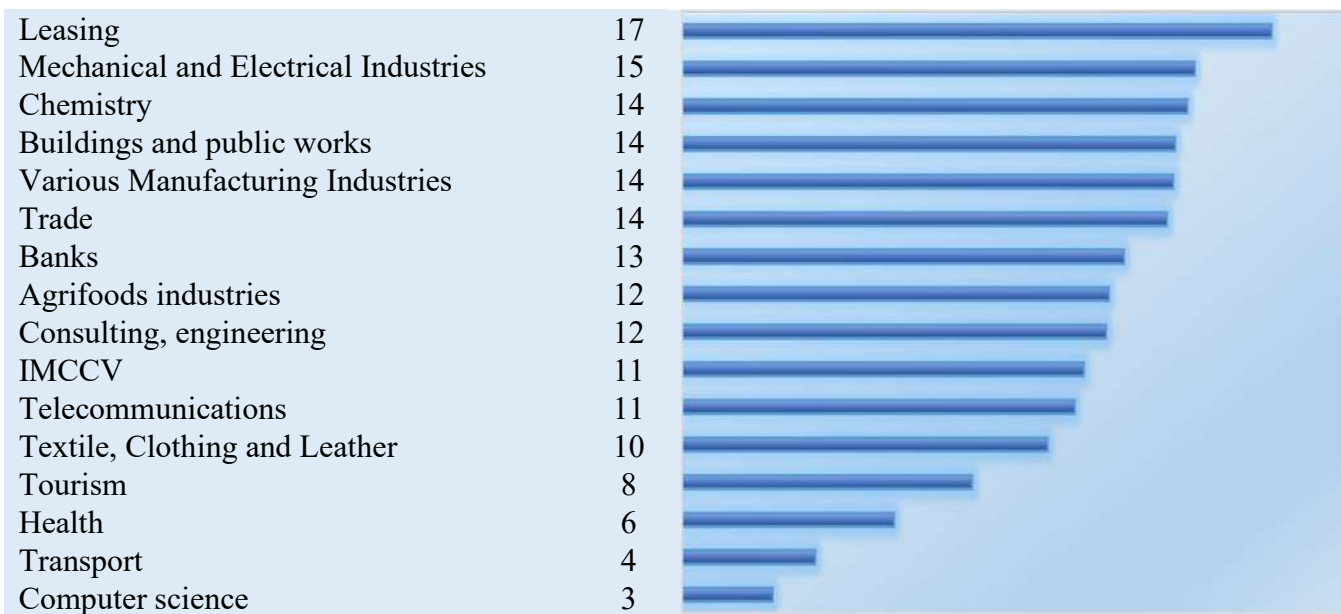


Basic infrastructure : Land issues (in%)

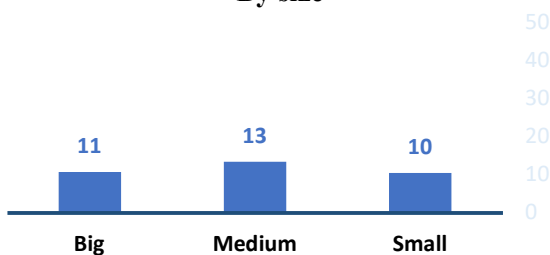
Companies considering the Land issues as a constraint



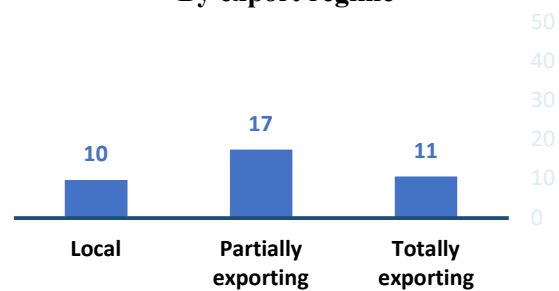
Major constraint by sector



By size

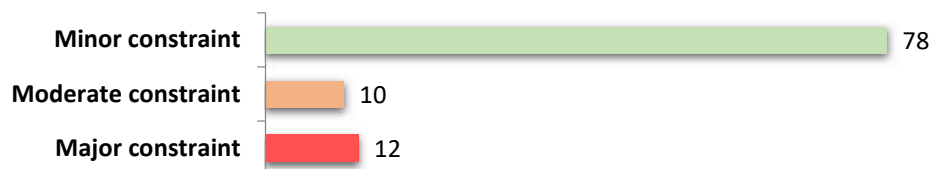


By export regime

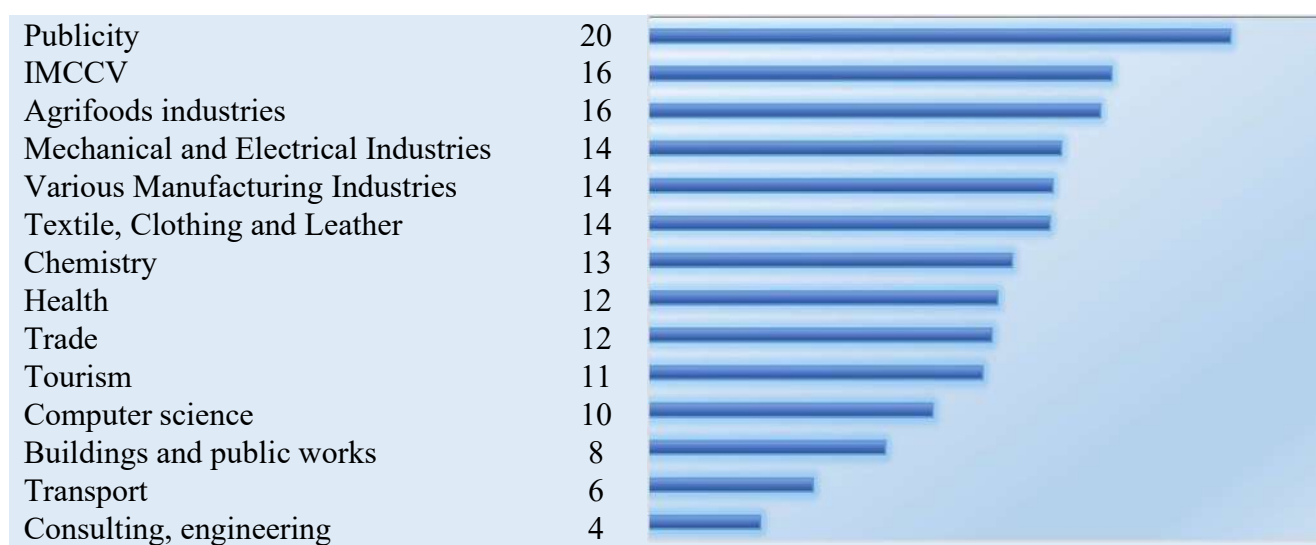


Basic infrastructure : Water (in%)

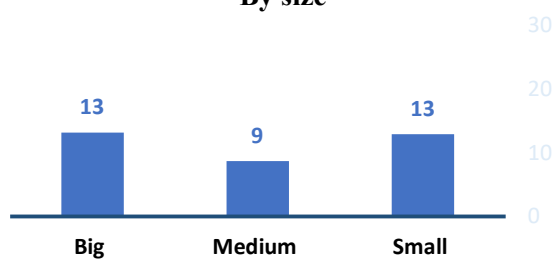
Companies considering Water as a constraint



Major constraint by sector



By size

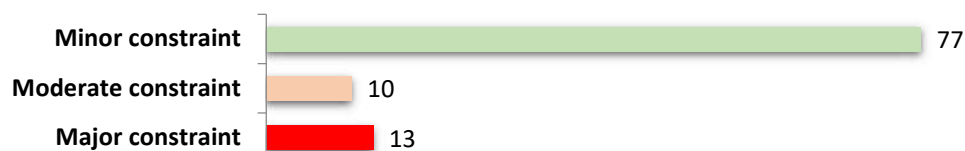


By export regime

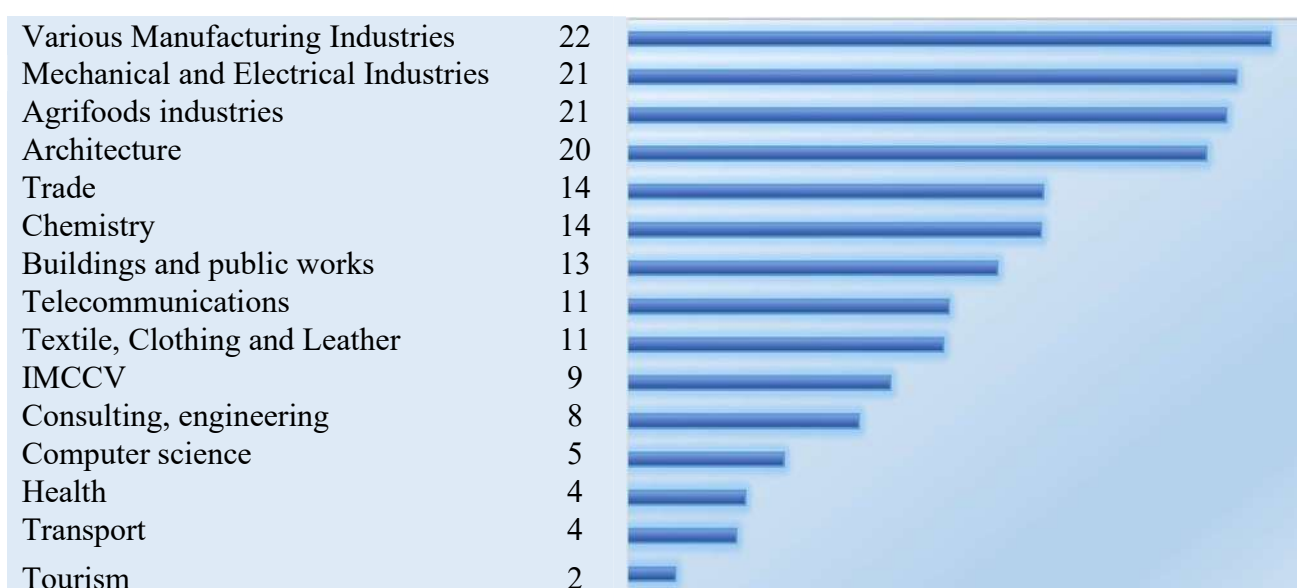


Basic infrastructure : Developed industrial land (in%)

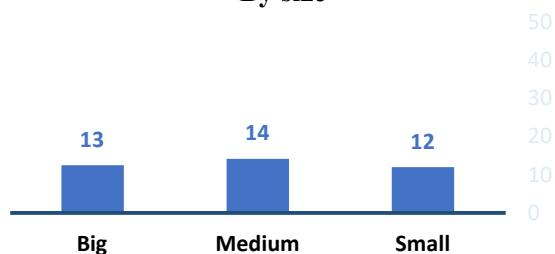
Companies considering the Developed industrial land as a constraint



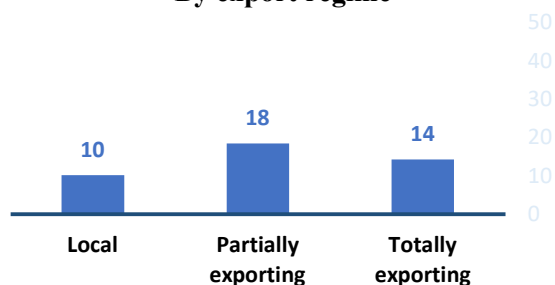
Major constraint by sector



By size

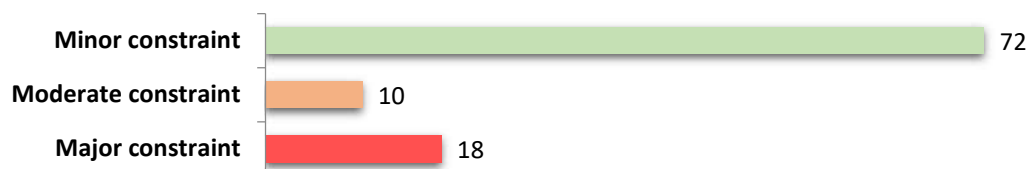


By export regime

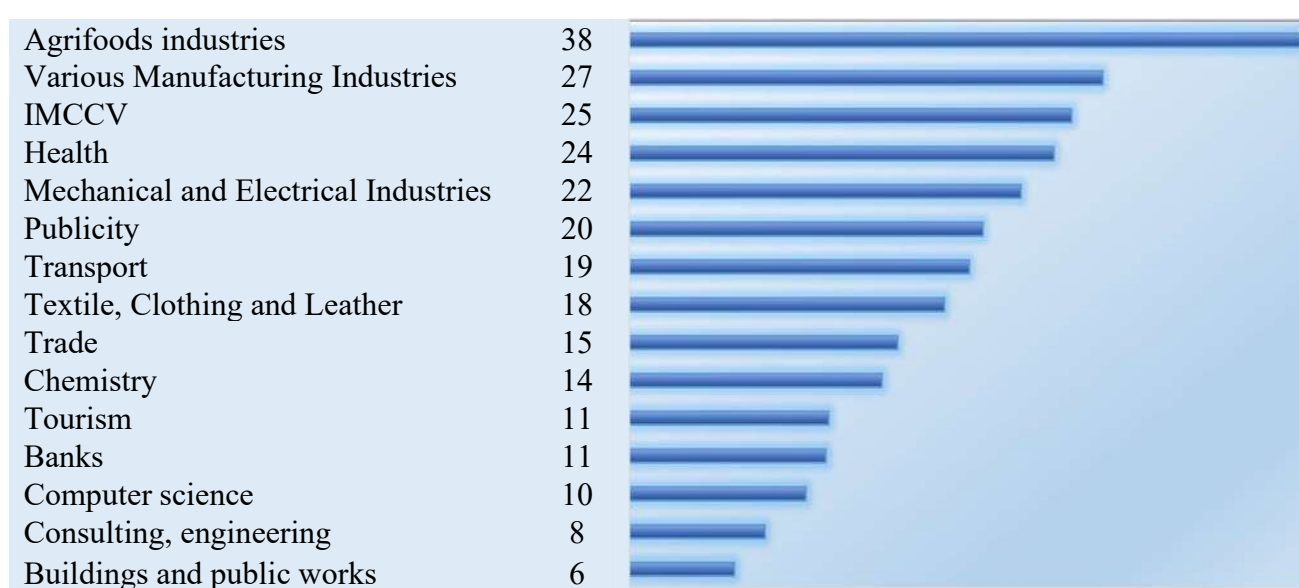


Basic infrastructure : Sanitation (in%)

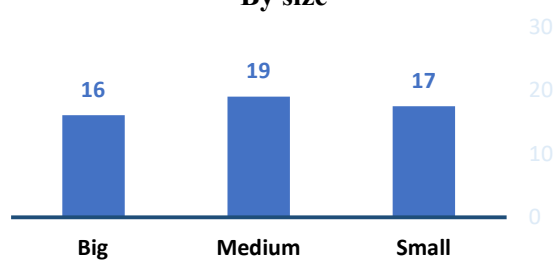
Companies considering the Sanitation as a constraint



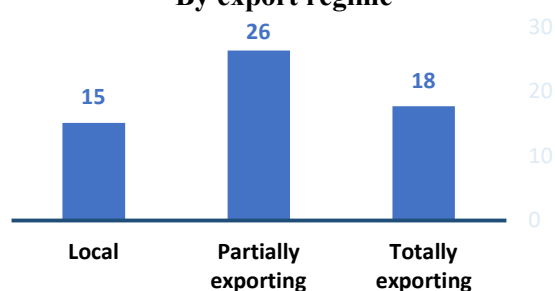
Major constraint by sector



By size

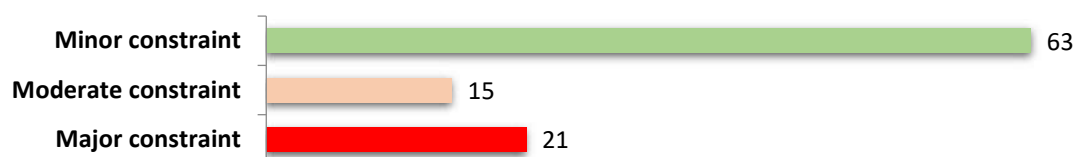


By export regime

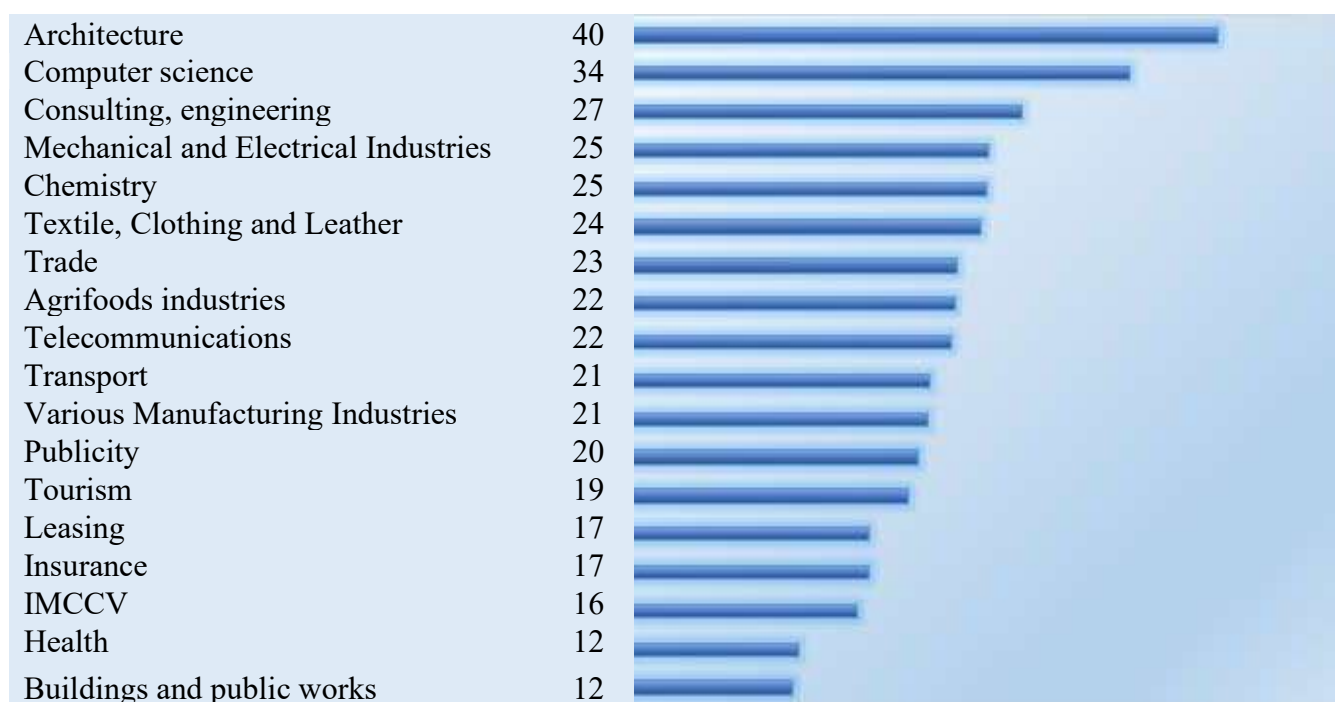


Basic infrastructure : Internet (en%)

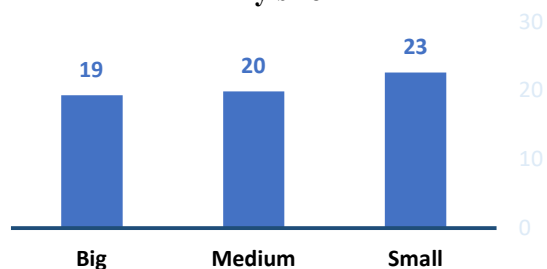
Companies considering the Internet as a constraint



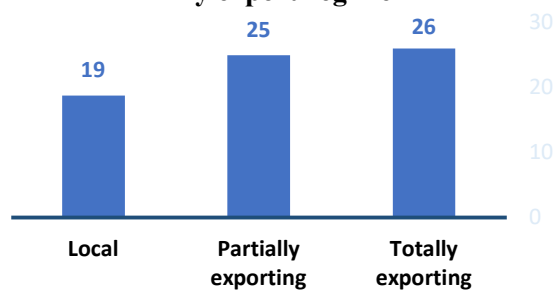
Major constraint by sector



By size

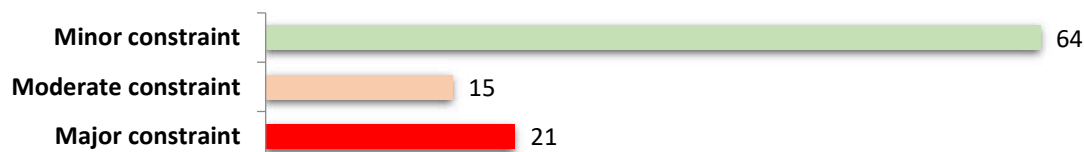


By export regime

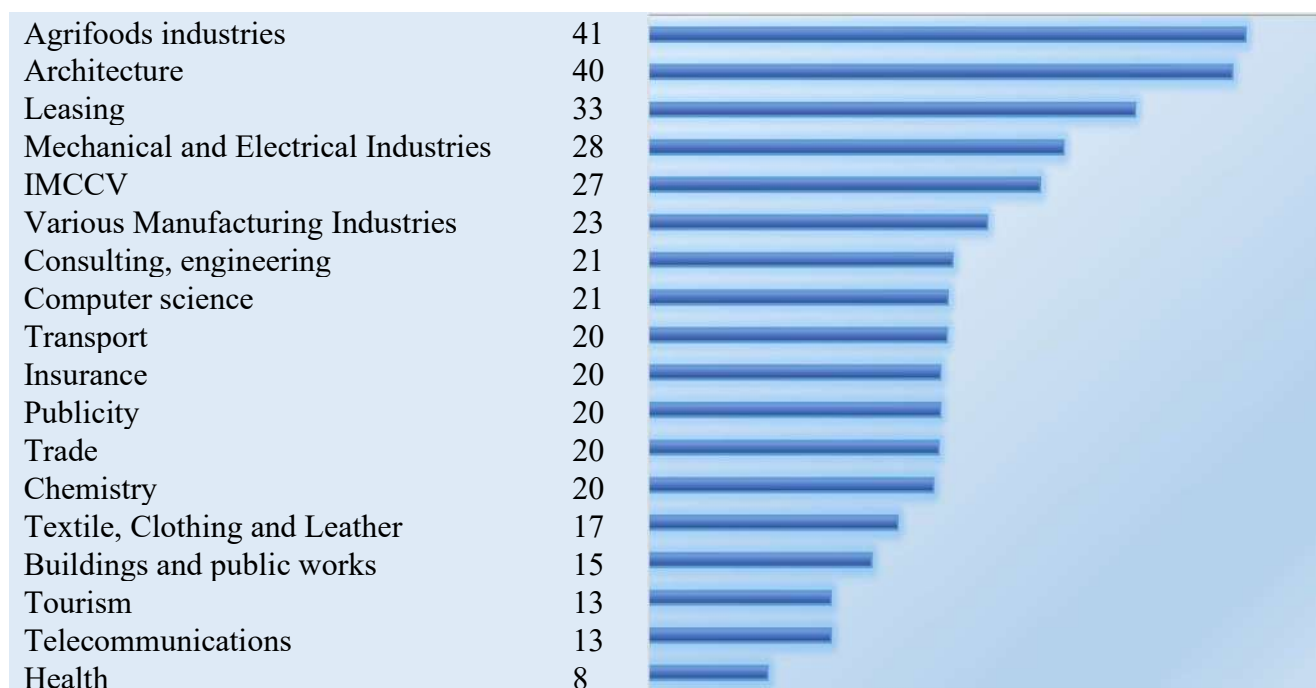


Basic infrastructure : Means of transport (in%)

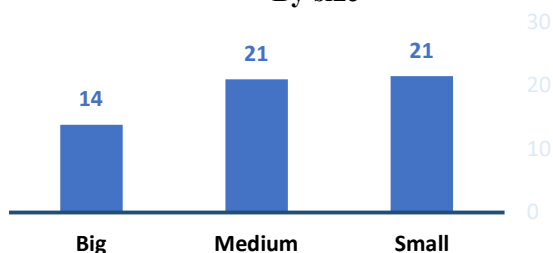
Companies considering the Means of transport as a constraint



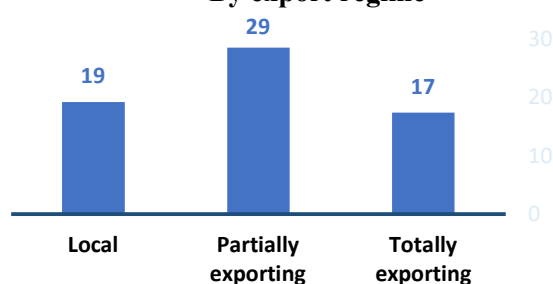
Major constraint by sector



By size

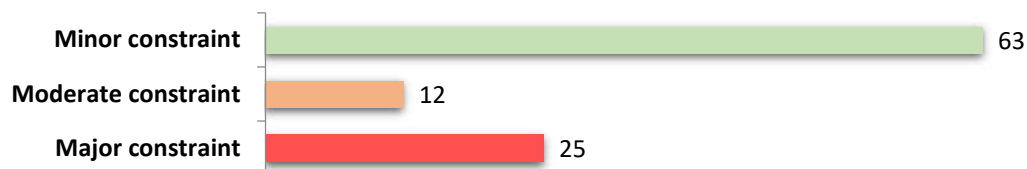


By export regime

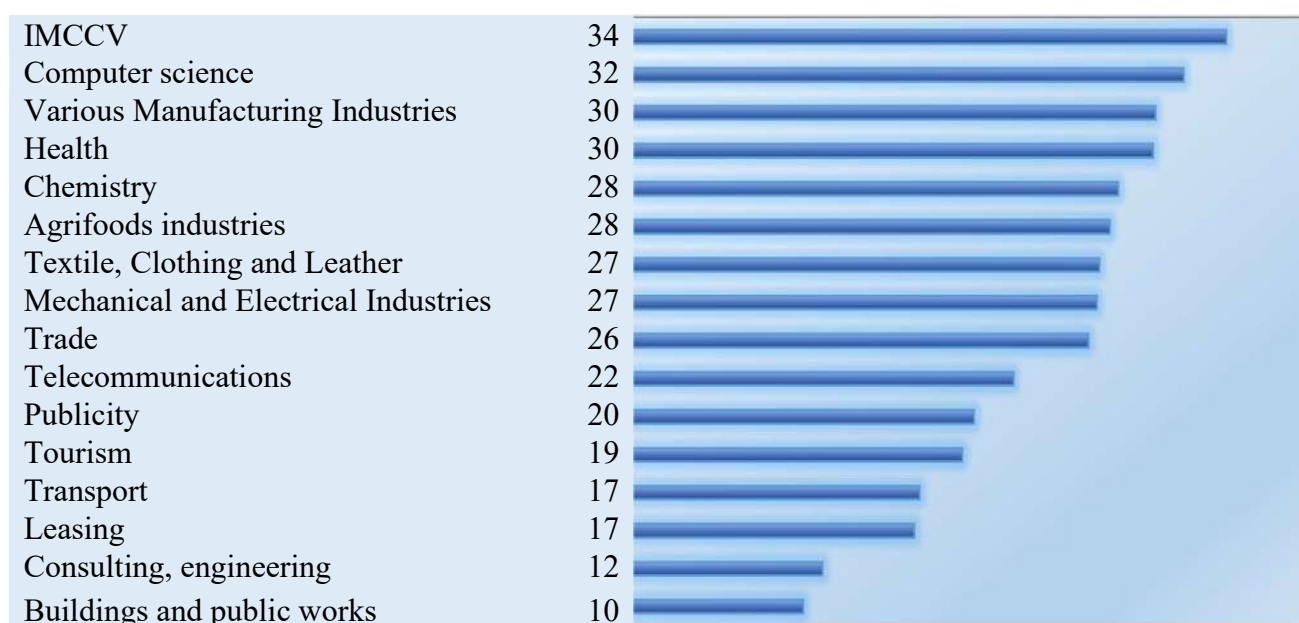


Basic infrastructure : Electricity (in%)

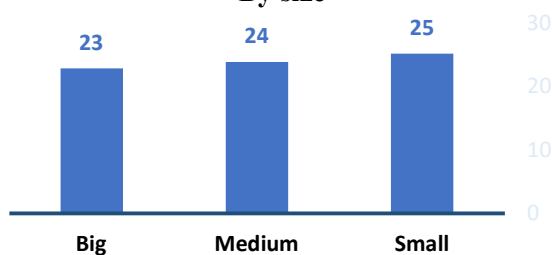
Companies considering Electricity as a constraint



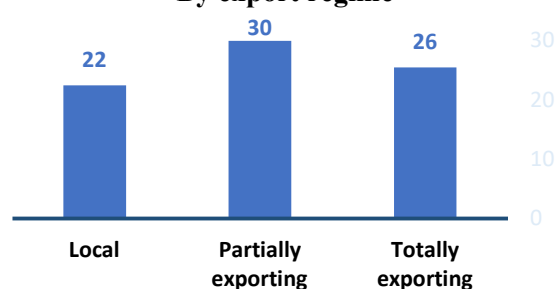
Major constraint by sector



By size

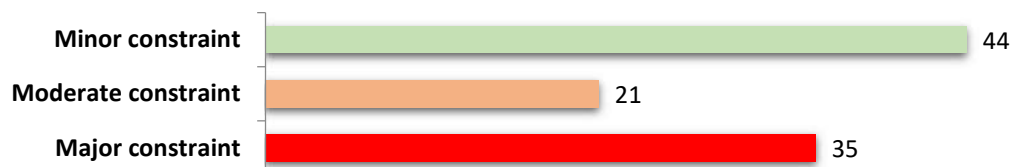


By export regime



Basic infrastructure : Transport infrastructure (in %)

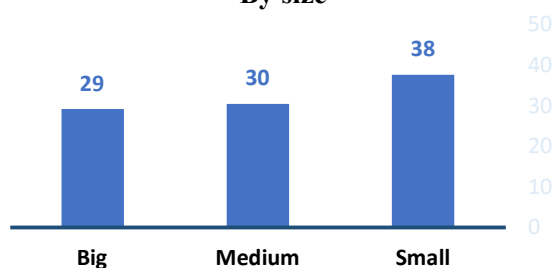
Companies considering the Transport infrastructure as a constraint



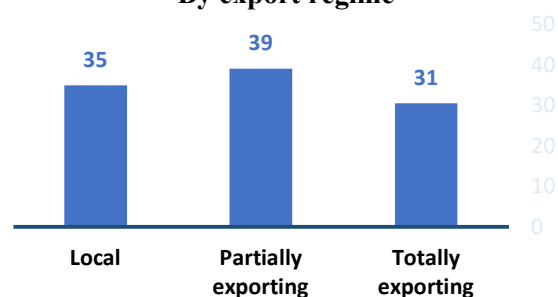
Major constraint by sector



By size



By export regime





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