

MCC Tunisia

Tunisia Regulatory Reform and Digitalization Activity & Trade Facilitation and Customs Modernization Activity Design Study



MILLENNIUM
CHALLENGE CORPORATION

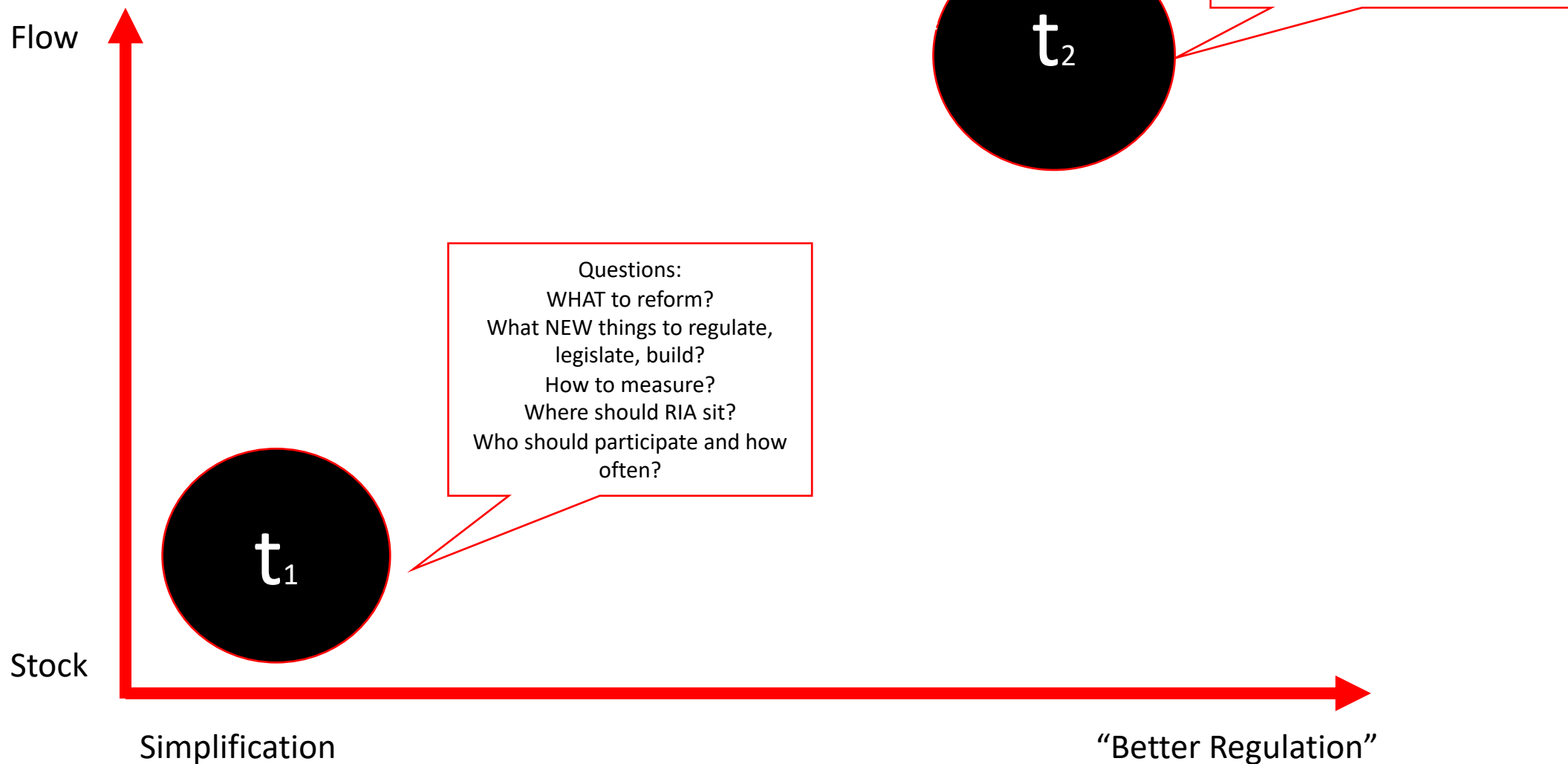
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Benchmarking RIA best practice

Mandate and tools will change over time



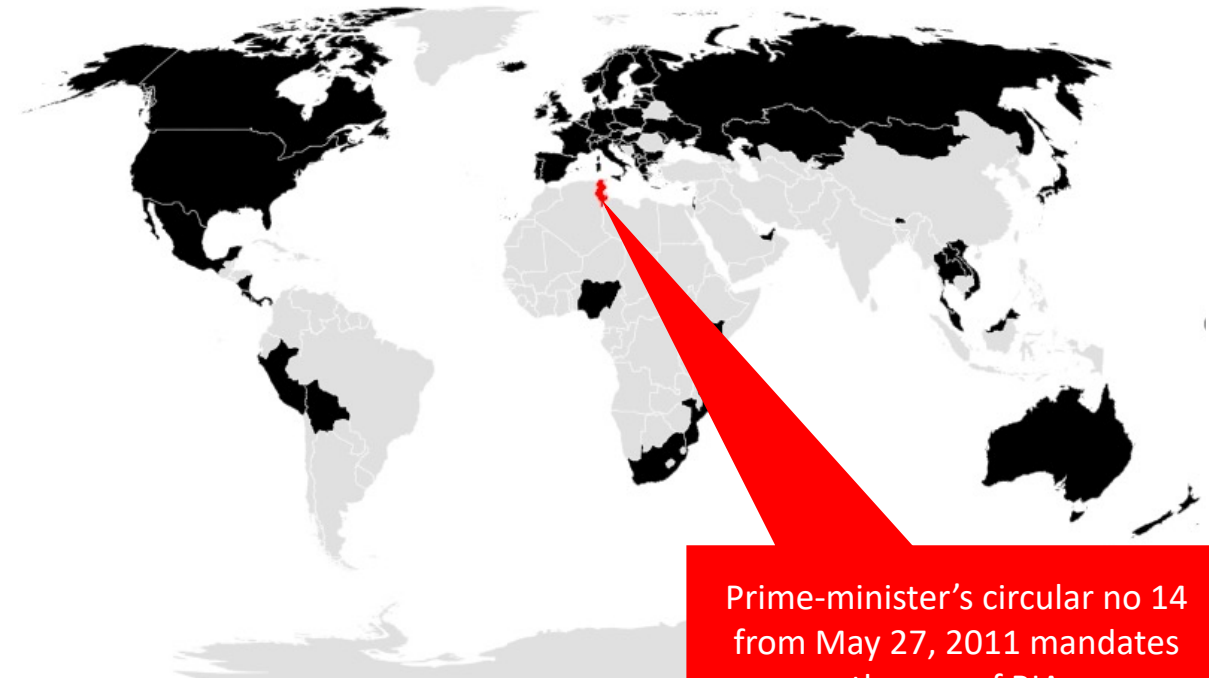
Regulatory Impact Assessment (RIA)

A process to systematically identify the effects of regulatory proposals

The 6 key elements of a typical RIA:

- 1 Define the regulatory problem** (e.g. market failure, regulatory inefficiencies and new policy targets or objectives)
- 2 Identify the regulatory options** (often proposed regulation put forward in parliament)
- 3 Collect Data** (e.g. public consultations, interviews, surveys, focus groups)
- 4 Assess alternative options** (must include the “no policy change” scenario)
- 5 Identify preferred regulatory option** (quantitative analysis conducted on the regulation and identified alternatives)
- 6 Communicating RIA results** (targeted communication to agencies and lawmakers as well as publication for a general audience)

Countries that use RIA to evaluate proposed regulations



Source: World Bank Global Indicators of Regulatory Governance

Monetizing Benefits

Taking SCM one step further

- Monetizing benefits provides a simple methodology to calculate useful order of magnitude estimates of impacts.
- Very conservative methodology yet shows the enormous economic impact of regulatory burden and inefficiency.
- Goes beyond the scope of standard cost model (SCM) calculations by monetizing the economic savings from reform and allowing for annualized estimates, rather than just “lump sum” (e.g. year after reform) calculations of benefits.

1

$$\text{Cost per procedure} = \text{Direct costs (e.g. fees, compliance costs, long term structural costs)} + \text{Administrative costs (e.g. time to prepare documents x wage, travel costs)}$$

2

$$\text{Annualized total cost} = \text{Cost per procedure} \times \text{Total number of procedures completed (annually)}$$

3

$$\text{Reform savings} = \text{Cost per procedure (before reform)} - \text{Costs eliminated by reform (direct costs and administrative costs)}$$

4

$$\text{Monetized benefits} = \text{Reform savings} \times \text{Total number of procedures completed (annually)}$$

Standard Cost Model (SCM)

Example of a company Gabes conducting international trade

Cost of administrative burden of regulations:

$$\text{Administrative burden} = C \times P$$

Cost parameters

$$(H \times S) + (A + E)$$

H = working time to comply

S = Salary and overhead cost

A = Acquisitions

E = Additional costs

Population

$$N \times F$$

N = number of businesses

F = Frequency of information obligation

During business creation there is need for a declaration of investment to be delivered by the APII.

For exporting companies, it is required to obtain approval from CEPEX (the export promotion agency) which is in Sfax 161 km of Gabes (2 hours drive)

Obtaining an Investment Declaration Agreement from CEPEX

1 Identify Information Obligations (IOs) pertaining to obtaining Investment Declaration Agreement derived from regulations and administrative procedures (in practice)

2 Standardized assessment of administrative activities

Cost parameters:

H: Time = 24 hours

S: Hourly wage = 9 TND

A: No acquisitions required

E: Cost of transport + Stamp = 80 +5 TND

Population

N: Number of business = 3,748

F: Each business only needs to get the license once

3 $(H \times S) + (A + E)$

$$(24 \times 9 \text{ TND}) + (0 + 80 + 5 \text{ TND}) = 301 \text{ TND}$$

$N \times F$

$$3,748 \times 1 = 3,748$$

4 Calculate the administrative burden of obtaining the license:

$$\text{Administrative burden} = C \times P$$

$$301 \text{ TND} \times 3,748 = 1,128,148 \text{ TND}$$

Monetizing Benefits

Example of recent business registration reforms

Step	Procedure	Status	2019 Total Cost (TND)	Efficiency Savings after BEE Law reform
1	Deposit the capital in a bank account opened in the name of the company to be incorporated	Eliminated	\$26.34	\$26.34
2	Apply for company registration at the One-Stop Shop (APII) to obtain a tax ID and registration with the Commercial Registry, Tax Authority, Court and publication of a notice of incorporation	Required	\$240.69	
3	Pay the registration fees	Eliminated	\$4.52	\$4.52
4	Register for Social Security	Eliminated	\$28.10	\$28.10
5	File a declaration with the Labor Inspectorate	Eliminated	\$26.34	\$26.34
6	Make a company seal	Required	\$4.93	
	Total Costs		\$330.91	\$85.29
			Source	Comments
	New Businesses registered	6791	New businesses in 2018	
	Total cost to register each new business	\$330.91		
	Total cost to register for all new businesses	\$2,247,236.23	New businesses X Total Costs	
	Total savings per new firm	\$85.29		
	Total annual savings	\$579,235.02	Total savings per new firm X New businesses	
	Total Efficiency Savings Available (TDN)	TND 1,645,027.46		
	Total Efficiency Savings Available (USD)	\$579,235.02		