

# Crowdfunding Law Adopted in Tunisia

A New perspective or a challenge

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*It's really a great pleasure to contribute to the 100<sup>th</sup> edition of the Global Islamic Economic Magazine, GIEM. As a founding member, I feel always proud for having contributed in the launch of such a milestone. Special Thanks are due to Dr. Samer Kantakji for the initiative and his personal perseverance for the sustainability of such a masterpiece.*

*Special thanks as well are due to him for asking me to contribute to this special edition where I chose to talk about the crowdfunding law recently adopted in Tunisia.*

A Law on crowdfunding was recently adopted unanimously in Tunisia Parliament with 127 voting for during the Parliamentary Assembly meeting last July.

The law, which came complementing a series of laws previously adopted such as the Start-up Act and the Law on social Entrepreneurship, stipulates public contribution, in the form of participative investment, to the funding of new innovative projects via an online platform. All industry players were fully involved including supervisory entities such as the Central Bank of Tunisia and the Ministry of Industry and SMEs.

Such a law is likely to foster the investment climate in Tunisia, a climate suffering political unrest and adversity since the Arab Spring in 2011.

“Crowdfunding is not a new concept but is a new term used in the financing realm to define the type of financing activity which gathers a pool of money that ranges from small to medium-size contributions from a crowd of people from different background, age group, religion and races to participate in an economic exercise that aims to mutually finance each other based on certain

needs with reference to some specified criteria” (Beaulieu, Sarker, & Sarker, 2015)

Crowdfunding is an investment instrument used since 2005. The whole funds invested globally are estimated at 500 billion USD, with the USA and China in pioneering positions. In Tunisia, it is estimated to bring in funds reaching 50 million Tunisian dinars. Contributors are expected to be from inside as well as from outside the country.

Islamic finance has already found alternative solutions to different conventional and interest-based financing tools. Crowdfunding, using Fintech, known as Financial technology, through the use of online platforms as mediators between contributors and project initiators, was one of the major investment concerns for Islamic Finance. Two main models were suggested such as the Mudarabah (Equity-based model) and Murabahah (Sale-based model).

The whole business climate and mindset is changing in Tunisia witnessing the opening of a great number of business schools in addition to a series of forums, online platforms and events exploring the business and investment opportunities in the country.

The political unrest, which saw the advent of eight governments in nine years, did only make the economic situation worse. Local investors and HNW people are no longer willing to risk their investments in an adverse business climate within political unrest, according to them. Foreign Direct Investment saw a serious decline due the aforementioned reasons. The whole economic situation is going through chaos and uncertainty because of the general unstable ecosystem, namely the political and the economic environments.

We are looking forward to seeing Tunisian, as well as all Arab economies, prosper in a more stable general environment with more financial inclusion and more laws facilitating the Islamic financial system. The political, the economic, the social, the technological, the legal and the environmental climate in general is a pre-requisite for a sound business climate.

Tunisia is in dire need for every dinar invested and included in the economic cycle. Governments in Tunisia need to find creative ways to include the parallel economy, estimated at almost 60% of the total local economy, within the economic cycle. It also needs to grasp opportunities presented by Islamic

financial system, as an alternative financial system offering new opportunities to grasp.

Finally, let's recall Shakespeare's famous saying "All is well that ends well" and let's hope for a better future for all Arab and Muslim countries.