

BUFF/15/86

September 29, 2015

**Statement by the Staff Representative on Tunisia  
Executive Board Meeting  
September 30, 2015**

*This statement reports on the recent agreement to increase wages during 2016–18 and the implementation of the prior actions since the Staff Report was issued on September 17, 2015. The information does not alter the thrust of the Staff Appraisal.*

1. **The Tunisian government and the main labor union signed an agreement for another round of public sector wage increases for 2016–18.** The authorities considered this agreement—which was signed on September 22, 2015—as essential to reduce social tensions during the next two years. Based on preliminary data, staff estimates that the annual 4–5 percent generalized salary increase in 2016 will add 0.4 percent of GDP to the wage bill in the absence of compensating measures. Staff regrets this latest increase—which will add to an already unsustainable wage bill and hurt competitiveness of the Tunisian economy. Staff urges the authorities to introduce compensating measures in the 2016 budget to contain wage increases within the existing wage bill. Moving quickly ahead with a comprehensive civil service reform is also essential to contain and eventually reduce the wage bill.
2. **The recapitalization of Banque de l’Habitat (BH) has been completed.** BH was recapitalized on September 12, with a capital injection of 110 million dinars. Existing shareholders—the state (with 57 percent) and private shareholders—both contributed in line with their initial shares. The capital injection, together with explicit state guarantees for BH related to claims outstanding on public enterprises (prior action) issued in September 2015, increased BH’s end-March Tier 1 capital ratio to 7.2 percent and the capital adequacy ratio to about 10 percent. This meets the prior action on BH recapitalization, as verified by the bank’s auditors.
3. **The Société Tunisienne des Banques (STB) has been recapitalized.** The first phase of the subscription process ended on September 14 (prior action), and all phases of the capital subscription—bringing total capital to 776.8 million dinars—were completed on September 18, about one month ahead of schedule. Interest in STB by existing private shareholders was modest, resulting in the government share increasing from 51 percent to close to 80 percent. Explicit guarantees for STB (prior action) were issued in a lesser amount than expected (about half), on grounds of smaller outstanding claims on public enterprises. The authorities expect this to be sufficient to bring Tier 1 capital above 7 percent as of end-June; this and the resulting level of total capital will be verified following the certification of the end-June accounts in October.
4. **Staff welcomes the actions taken to ensure banks meet prudential norms.** It stresses the importance of quickly completing the update of existing business plans, which will help ensure regulatory compliance throughout the restructuring period. Staff also urges the authorities to introduce strategic partners in STB and BH, including to help with the restructuring process.