**EXECUTIVE BOARD MEETING**

EBS/20/34

April 6, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Tunisia—Request for Purchase Under the Rapid Financing Instrument**

| | |
|---|---|
| Board Action: | Executive Directors' **consideration** (Formal) |
| Tentative Board Date: | **Friday, April 10, 2020** |
| Proposed Decision: | Page 12 |
| Publication: | Yes* |
| Questions: | Mr. Rother, MCD (ext. 34256)<br>Mr. Kireyev, MCD (ext. 38499)<br>Ms. Gerling, MCD (ext. 39733)<br>Mr. End, MCD (ext. 35864) |
| Document Transmittal in the Absence of an Objection and in accordance with Board policy: | After Board Consideration—African Development Bank, Arab Monetary Fund, Islamic Development Bank, World Trade Organization |

***The authorities have indicated that they consent to the Fund's publication of this paper.**

INTERNATIONAL MONETARY FUND

# TUNISIA

April 6, 2020

## REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT

## EXECUTIVE SUMMARY


**Context.** The Covid-19 outbreak aggravates Tunisia's already elevated macroeconomic imbalances. The crisis is expected to reduce growth to an unprecedented -4.3 percent. It will also give rise to urgent fiscal and BOP financing needs of 2.6 and 4.7 percent of GDP in 2020, respectively, with large downside risks due to exceptional uncertainty. If not addressed, these gaps cause immediate and severe economic disruption.

**Request for financial assistance under the Rapid Financing Instrument (RFI).** The Tunisian authorities requested financial assistance under the RFI in the amount of SDR 545.2 million (US$753 million or 100 percent of quota) to help address urgent fiscal and balance of payments (BoP) needs. The Fund financing under the RFI will be used for budget support. In the attached Letter of Intent, the authorities present their crisis response measures and other policies to maintain macroeconomic stability. Staff assesses that Tunisia meets the eligibility requirements for the RFI. The RFI is the most appropriate instrument to help address the urgent BoP need considering that too little time would have been left before the EFF expiration on May 19 to agree on the significant revisions to program objectives required in response to the Covid-19 shock.

**The RFI will provide fiscal space for crisis-response measures and protect international reserves.** The authorities have lost no time in taking measures to contain the spread of the virus and mitigate its human, social, and economic toll. The RFI purchase will facilitate increased health spending, a stronger social safety net, and assistance to small- and medium-sized firms to avoid the fallout from the crisis. International reserve cover will be kept above the threshold of 3 months of imports.

**Commitment to a successor EFF arrangement.** The authorities reiterated their strong intention to request a successor EFF arrangement as soon as possible. In its support, they are committed to reforms to achieve higher and more inclusive growth, reduce energy subsidies, and contain the civil service wage bill. The Central Bank of Tunisia will tighten monetary policy in case of a buildup of depreciation expectations or a surge in inflation; and will not ease banking sector regulations as part of the crisis response.

**Sustainability.** Strong policy implementation will be critical for debt sustainability. Tunisia's capacity to repay the Fund remains adequate but downside risks are high.

Approved By
**Taline Koranchelian and Craig Beaumont**

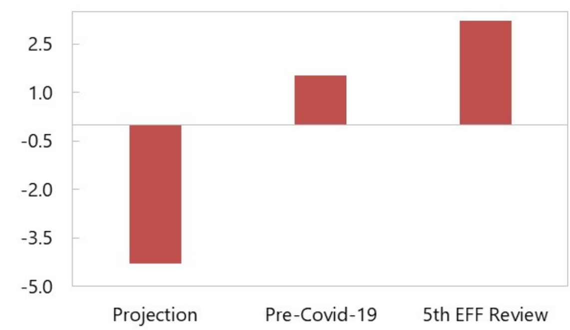
Discussions took place during March 25-27, 2020 via video conference. The mission team comprised Björn Rother (head), Kerstin Gerling, Nicolas End, Alexei Kireyev (all MCD), Mariam El Hamiani Khatat (MCM), Rima Turk (SPR), Jérôme Vacher (Resident Representative), and Aymen Belgacem (local economist). Samir Belhaj (OED) participated in discussions. Staff held discussions with Minister of Finance Yaiche, Minister of Development Azzabi, Central Bank Governor El-Abassi, and other senior officials and representatives from the diplomatic and donor community. Jose Antonio Ferrer Catalan, Malika El Kawkabi, and Geraldine Cruz provided research and production assistance.

## CONTENTS

# RECENT DEVELOPMENTS AND IMPACT OF COVID-19

1. **Tunisia is being strongly affected by the global spread of the Covid-19 virus.** Pro-active policies to close borders, isolate affected individuals, and impose confinement and have so far limited infected cases to below 300 as of March 29, but the impact of the virus on the Tunisian economy will be severe. The large tourism sector (7 percent of GDP with ample spillovers into the 60 percent of GDP services sector) and exporters (notably suppliers to Europe's car and textile industry) are already suffering. More stress will occur as the crisis spreads through the domestic economy (that would be compounded if health or security spillovers occurred from neighboring Libya): households will draw down savings and adjust consumption as incomes fall, import prices increase, and unemployment rises; and businesses will face cash flow shortages due to temporary closures and lower revenues from consumption and exports even after slashing investment. 2020 growth is now expected to fall to -4.3 percent; a dramatic change from the 1.5 percent of GDP assumed by the authorities just in mid-February (Text Figure 1, LOI ¶¶s 1–2).[1]

**Text Figure 1. Tunisia: Growth Projection, 2020** (Percent)




Sources: Tunisian authorities and IMF staff projections.

**Text Table 1. Key Indicators, 2019–20**
(Percent of GDP)

| | 2019 Prel. | 2020 Proj. | *Change (Percent)* |
|---|---|---|---|
| **External sector** | | | |
| Export of goods | 38.5 | 32.5 | *-16* |
| Export of tourism | 4.9 | 1.5 | *-70* |
| Remittances | 5.0 | 4.4 | *-12* |
| **Domestic economy** | | | |
| Investment | 18.9 | 10.6 | *-44* |
| Private consumption | 72.7 | 77.5 | *7* |
| Savings | 10.1 | 3.1 | *-70* |

Sources: Tunisian authorities and IMF staff projections.

2. **The Covid-19 shock came at a time when Tunisia was already facing persistent macroeconomic imbalances, despite recent progress with policy and reform implementation under the EFF arrangement** (LOI ¶3). The fiscal deficit fell from 6 percent of GDP in 2016–17 to less than 4 percent of GDP in 2019 on the back of tax measures, pension reform, and energy price hikes coupled with an improved social safety net. Inflation decreased to 5.8 percent in February 2020 from 7.7 in June 2018, supported by a gradual 275 basis points hike in the policy rate, reduced central bank refinancing (now at TD 9.8 billion or its lowest level since 2017), and tighter enforcement of loan-to-deposit ratios. The introduction of more competitive foreign exchange (FX) auctions in August 2018 and net FX purchases by the Central Bank of Tunisia (CBT) since May 2019 have facilitated exchange rate flexibility. At the same time, dismal growth failed to reduce the unemployment rate from its high 15 percent; public and external debt remain elevated at 72.3 percent and 90.3 percent of GDP, respectively (at end-2019); wage increases and unanticipated recent recruitment weigh on the budget; inflation stays well above the CBT's internal target; and real

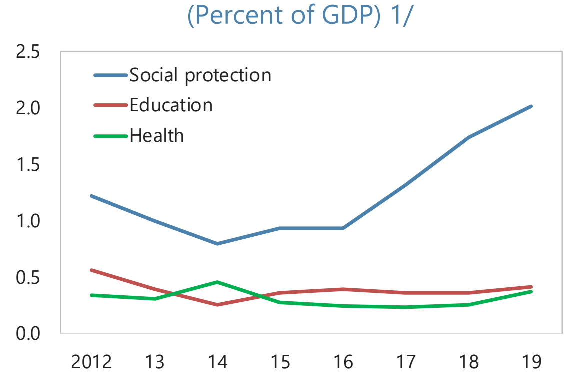
[1] The only year with negative growth in Tunisia's recent history was 2011, when output contracted by 1.9 percent as the Arab Spring Revolution led to widespread dislocation. Tunisia maintained growth of an average 3.6 percent during the 2008-09 global economic and financial crisis.

effective exchange rate overvaluation persists at 10-15 percent. Banks' compliance with liquidity ratios improved recently with only one institution not being in full compliance as of December 2019, but the financial sector still copes with impaired assets (notably in the tourism sector).

## POLICY RESPONSE

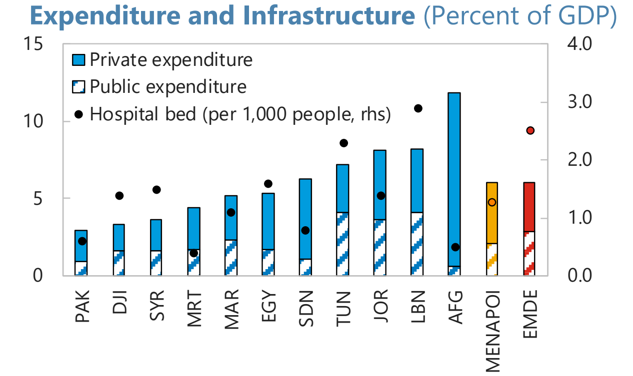
**3. The authorities are rolling out emergency measures to respond to the Covid-19 shock.** These measures will temporarily increase central government outlays in 2020 by some TD 2.1 billion or 1.8 percent of GDP (LOI ¶5, LOI Table 1). The public health system can respond to the crisis from a comparatively strong basis: public health care covers the entire population, including through the provision of free or subsidized care for low-income households; and spending on health initiatives increased in recent years as part of higher social spending supported under Tunisia's 2016-20 EFF arrangement (Text Tables 2–3). Additional spending of 0.3 percent of GDP to respond to the Covid-19 virus will be used for the acquisition of emergency medical supplies and hospital equipment, including test kits, laboratory equipment, ICU beds, and ventilators. Increasing the strategic food reserve will consume 0.2 percent of GDP, while income support of 0.8 percent of GDP will assist Tunisians that are the most affected by the confinement enforced since March 22 and other social-distancing measures (low-income households, the unemployed and the self-employed). Finally, tax relief and credit lines as well as interest subsidies will benefit firms that will come under stress in the crisis, especially small-and medium-sized enterprises (0.5 percent of GDP). Moreover, the CBT lowered the policy rate by 100 basis points on March 17 to 6.75 percent (about 1 percent in real terms) and has encouraged banks to renegotiate loan terms for distressed borrowers.

**Text Figure 2. Tunisia: Social Spending**
(Percent of GDP) 1/




Sources: Tunisian authorities and IMF staff calculations.
Note: 1/ Only includes social transfers and programs as well as key ministries' capital expenditures. Its coverage was expanded in 2017.

**Text Figure 3. Tunisia and Peers: Health Expenditure and Infrastructure** (Percent of GDP)




Sources: World Health Organization, and IMF staff calculations.
Note: MENAPOI refers to oil importers in the Middle East and North Africa region and EMDE to Emerging and Developing Economies.

**4. The government also took steps to limit fiscal pressures and reduce urgent BoP needs** (LOI ¶6). This has become especially urgent as non-allocated spending was reduced to only TD 111 million (0.1 percent of GDP).

- ***Automatic price adjustment formula for the three main fuels***. Seizing the opportunity of low international oil prices, the authorities adopted legislation to move to an automatic monthly price adjustment mechanism that will gradually eliminate subsidies on the three main fuels and thus remove a major structural risk to the budget going forward. The mechanism will be applied for the first time by April 8, resulting in a 1.5 percent decline in pump prices across all covered fuel categories.

- ***Emergency measures on the civil service wage bill.*** The authorities have trimmed about TD 150 million (or 0.1 percent of GDP) from the budgeted civil service wage bill. These savings will be achieved notably through limits on hiring and promotions. Overtime hours will be reduced in areas that are not involved in the crisis response.

- ***Increase in tobacco prices.*** The authorities resumed the stepwise increase in administered tobacco prices in March (originally started in 2017 in line with WHO recommendations), which may generate additional revenue of at least TD 200 million (or 0.2 percent of GDP).

- ***Temporary and targeted rescheduling of lower-priority public investment.*** The authorities will re-program low priority non-health/non-education infrastructure development projects worth about TD 3.4 billion (or 3 percent of GDP) to open space for more urgent spending. If crisis-response measures exceed the currently programmed levels, further cuts in non-priority investment would be required unless additional donor support could be mobilized.

**5. Despite the authorities' pro-active measures, both a larger budget deficit and fiscal financing need cannot be avoided** (Text Table 2). Tax revenue would undershoot the budget target by some TD 5.2 billion due to the impact of the emergency measures as well as lower growth, lower import values, and lower dividends from oil-sector firms. Expenditure will adjust downwards as the fall in international oil prices reduces energy subsidies, but by less than the revenue shortfall due to the Covid-19-related spending and the rigidity of the civil service wage bill. As a result, the fiscal deficit for 2020 is expected to increase to 4.3 percent of GDP, rather than fall to 2.8 percent of GDP as originally envisaged in the budget law. Currently identified external loans and grants amount to US$2.5 billion out of a total external financing program of US$3.5 billion needed to cover the deficit (Text Table 3).[2] This leaves an additional external financing need of some US$950 million or 2.6 percent of GDP. The identified resources already include higher support from some donors relative to what was envisaged at the time of the budget law but also lower-than-initially assumed sovereign bond issuances.

[2] The difference is explained by the unidentified budget loan of US$198 million and the US$753 million that the RFI would provide.

**Text Table 2. Fiscal Program Versus Budget Law, 2020**

| | Millions of Tunisian Dinar | | | Percent of proj. GDP |
|---|---|---|---|---|
| | Projection | Budget law | *Difference* | *Difference* |
| **Total revenue and grants** | **30,197** | **35,650** | ***-5,453*** | ***-4.8*** |
| Tax revenue | 26,565 | 31,759 | *-5,194* | *-4.5* |
| Direct taxes | 12,063 | 13,662 | *-1,599* | *-1.4* |
| PIT | 8,762 | 9,651 | *-890* | *-0.8* |
| CIT | 3,302 | 4,011 | *-709* | *-0.6* |
| Indirect taxes | 14,502 | 18,097 | *-3,595* | *-3.1* |
| o/w trade-related | 6,026 | 8,328 | *-2,302* | *-2.0* |
| Nontax revenue | 2,488 | 3,591 | *-1,103* | *-1.0* |
| o/w energy-related | 776 | 1,772 | *-996* | *-0.9* |
| Grants | 1,144 | 300 | *844* | *0.7* |
| **Total expenditure and net lending** | **35,117** | **39,132** | ***-4,015*** | ***-3.5*** |
| Current expenditure | 31,438 | 32,025 | *-587* | *-0.5* |
| Wage bill | 18,880 | 19,030 | *-150* | *-0.1* |
| Goods and services | 1,454 | 1,672 | *-218* | *-0.2* |
| Interest | 3,585 | 3,762 | *-177* | *-0.2* |
| Transfers and subsidies | 6,908 | 7,050 | *-142* | *-0.1* |
| Food | 1,800 | 1,800 | *0* | *0.0* |
| Energy | 788 | 1,880 | *-1,092* | *-1.0* |
| Fuel | 482 | 1,128 | *-646* | *-0.6* |
| Electricity and gas | 307 | 752 | *-445* | *-0.4* |
| Transport | 500 | 500 | *0* | *0.0* |
| Transfers (incl. social programs) | 3,820 | 2,870 | *950* | *0.8* |
| Non-allocated | 611 | 511 | *100* | *0.1* |
| o/w: Covid-19 response | 500 | | *500* | *0.0* |
| Capital expenditure | 3,738 | 7,166 | *-3,428* | *-3.0* |
| Net lending | -59 | -59 | *0* | *0.0* |
| **Overall balance** | **-4,920** | **-3,482** | ***-1,438*** | ***-1.3*** |
| **Financing (net)** | **4,920** | **3,482** | ***1,438*** | ***1.3*** |
| Foreign financing | 4,961 | 4,089 | *872* | *0.8* |
| Domestic financing | -41 | -607 | *566* | *0.5* |
| | | | | |
| ***Memo item:*** | | | | |
| Overall balance (pct. of GDP) | -4.3 | -2.8 | | |
| Nominal GDP (Mio TD) | 114,419 | 126,028 | | |

Sources: Tunisian authorities; and IMF staff projections.

6. **Combined with other factors, the fiscal gap will create an even larger BoP need of US$1.7 billion (or 4.7 percent of GDP).**[3] The current account deficit will likely shrink to 7.5 percent of GDP in 2020 from 8.8 percent of GDP in 2019 as import contraction (collapse of capital goods imports and consumer durables, lower energy import bill due to lower international oil prices) and substantially reduced remittances from Europe and the Gulf countries overcompensate a dramatic loss of revenue from exports and tourism. At the same time, however, a sharp decline in foreign direct investment (FDI) and trade credit as well as lower-than-expected sovereign issuances will

[3] Reflecting the overall BoP need plus the unidentified budget loan (Table 3).

weigh on the financial account. On balance, staff projects a significant increase in pressures on Tunisia's overall BoP position.

**Text Table 3. Cumulative External Financing of the Central Government Budget**
(Cumulative flow since the beginning of the year, in millions of U.S. dollars)

| | 2017 | 2018 | 2019 | 2020 | | | | | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| | Q4 | Q4 | Q4 | Q1 | Q2 | Q3 | Q4 | Q4 | Q4 |
| | | | | Proj. | Proj. | Proj. | Proj. | Budget law | Proj. |
| **Total budget grants and loans** | **3,748** | **2,669** | **2,732** | **167** | **1,343** | **2,729** | **3,457** | **2,930** | **2,717** |
| **Budget grants** | **89** | **81** | **66** | **0** | **156** | **156** | **313** | **96** | **100** |
| o/w EU | 89 | 63 | 66 | 0 | 123 | 123 | 280 | 96 | 79 |
| **Budget loans** | **3,659** | **2,588** | **2,667** | **167** | **1,188** | **2,573** | **3,145** | **2,833** | **2,618** |
| Multilateral | 1,260 | 1,525 | 808 | 31 | 797 | 1,136 | 1,415 | 938 | 1,259 |
| African Development Bank (AfDB) | 144 | 150 | 133 | 0 | 0 | 279 | 279 | 110 | 56 |
| Arab Monetary Fund (AMF) | 0 | 120 | 38 | 0 | 0 | 0 | 0 | 75 | 40 |
| European Union (EU) | 346 | 0 | 332 | 0 | 0 | 0 | 0 | 164 | 226 |
| IMF 1/ | 314 | 749 | 245 | 0 | 753 | 753 | 753 | 241 | 0 |
| World Bank | 456 | 506 | 61 | 31 | 44 | 44 | 184 | 348 | 500 |
| Unidentified | ... | ... | ... | 0 | 0 | 59 | 198 | 0 | 437 |
| Bilateral | 1,000 | 119 | 669 | 55 | 223 | 446 | 668 | 485 | 325 |
| G7 | 0 | 119 | 169 | 55 | 223 | 446 | 668 | 485 | 225 |
| France (AFD) | 0 | 0 | 57 | 0 | 56 | 168 | 168 | 55 | 0 |
| Germany (KFW) | 0 | 119 | 112 | 0 | 112 | 223 | 335 | 330 | 225 |
| Italy | 0 | 0 | 0 | 55 | 55 | 55 | 55 | 0 | 0 |
| Japan | 0 | 0 | 0 | 0 | 0 | 0 | 110 | 100 | 0 |
| Other | 1,000 | 0 | 500 | 0 | 0 | 0 | 0 | 0 | 100 |
| o/w Saudi Arabia | 0 | 0 | 500 | 0 | 0 | 0 | 0 | 0 | 0 |
| Market issuance and other | 1,399 | 943 | 1,189 | 80 | 168 | 991 | 1,062 | 1,411 | 1,033 |
| Market issuance | 905 | 571 | 773 | 0 | 0 | 750 | 750 | 1,100 | 750 |
| Project loans | 405 | 300 | 384 | 73 | 150 | 214 | 274 | 272 | 240 |
| Multilateral | 0 | 217 | 261 | 73 | 150 | 214 | 274 | 272 | 240 |
| Bilateral | 405 | 83 | 123 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loan transfers to SoEs | 89 | 73 | 32 | 7 | 18 | 27 | 38 | 38 | 43 |
| Multilateral | 89 | 55 | 0 | 7 | 18 | 27 | 38 | 38 | 43 |
| Bilateral | 0 | 17 | 32 | 0 | 0 | 0 | 0 | 0 | 0 |

Sources: Tunisian authorities and IMF staff projections.
Note: 1/ IMF financing used for budget support includes the 2013 SBA, 2016 EFF arrangement, and 2020 RFI.

# MODALITIES OF SUPPORT

**7. Staff supports the authorities' request for financial assistance under the RFI to help address Tunisia's urgent BoP need.** The Fund financing under the RFI will be used for budget support. Staff assesses that Tunisia meets the eligibility requirements for the RFI. The RFI provides a faster path to cover urgent needs than the current Extended Fund Facility (EFF) arrangement. Completion of a final review under the EFF arrangement before its expiration on May 19 would leave little time to agree on significant revisions to program objectives that would be necessary due to the magnitude of the Covid-19 shock. An RFI disbursement of SDR 545.2 million (US$753 million or 100 percent of quota) could fill most of the uncovered fiscal financing need and about 44 percent of the expected BoP gap that remains after taking into account identified financing from Tunisia's other external partners. The high access level thus mitigates the risk of disorderly fiscal or BoP adjustment. The current EFF arrangement for Tunisia was cancelled on March 18, 2020 upon the authorities' request.

**8. The RFI will facilitate crisis-response spending and protect reserves** (LOI ¶8). The RFI purchase will contribute to fund the government's emergency response that focuses on increased health spending, a stronger safety net for low-income families and the unemployed, and assistance to firms that will be affected by the Covid-19 shock amid a sharply deteriorated external environment and growth outlook. The purchase will also prevent reserve cover from falling to the critical threshold of 3 months of imports; with the RFI and the mobilization of the still unidentified budget need, reserve cover could be maintained at 3.6 months. The purchase would thus play a critical role in maintaining an adequate reserve buffer against shocks or in the event of a protracted recovery from the Covid-19 outbreak.

**9. To reduce risks to macroeconomic stability and notably debt sustainability, the authorities will take additional measures** (LOI ¶9). The authorities will review the need for the fiscal emergency measures on a monthly basis to prevent them from becoming permanent. They also committed to addressing two structural challenges once the crisis subsides that have been weighing heavily on Tunisia's public finances. First, they plan to durably reduce the subsidies for electricity and natural gas while preserving social tariffs for electricity and maintaining subsidies on GPL bottles. Second, the authorities plan to achieve additional savings on the civil service wage bill, supported by negotiations with the UGTT labor union, to keep wage increases for 2021 and the medium term to below inflation, and only if there is fiscal space. They also intend to conduct an audit of the civil service to detect and reduce absenteeism and ghost workers.

**10. The CBT stands ready to tighten monetary policy in case of a buildup of depreciation expectations, risks of disorderly exchange rate adjustment, or a surge in inflation** (LOI ¶10). This commitment is important to defend the disinflation path currently pursued by the CBT. Moreover, to preserve its international reserves, the CBT will refrain from large-scale FX interventions and will consult with IMF staff in the event of it facing strong pressures on the FX market. In support of timely decision making under significant uncertainty, the CBT committed to pursuing a regular policy dialogue with IMF staff based on high-frequency data. The CBT will also monitor very closely developments in the banking sector, particularly with respect to credit and deposit growth, and asset quality. Loan classification and provisioning rules will not be eased, and any loan guarantees and subsidies will be provided by the government rather than the CBT.

**11. The authorities intend to back up the RFI request with efforts to mobilize further external donor support and make progress with safeguards**. The authorities are reaching out to other IFIs and bilateral partners for additional concessional financing and grants to minimize pressures on the budget and international reserves as much as possible and ensure that the RFI can play a catalytic role (LOI ¶11). Staff noted that the programmed bond issuance of US$750 million in 2020 could be difficult to carry out in the current environment. The authorities remained hopeful that a loan guarantee from a G7 country would become available to support the bond. If such a guarantee were not forthcoming as expected, the authorities would need to seek alternative financing that could involve a syndicated loan from international banks. As a last resort, non-priority public investment might have to be cut further. The authorities will avoid measures or policies that would compound Tunisia's BOP difficulties (LOI ¶13); and agreed to a safeguards assessment to be completed before any subsequent Fund program (LOI ¶14). Since the RFI disbursement will be channeled directly to the budget, they updated the Memorandum of Understanding (MoU) signed in May 2016 between the CBT and the Ministry of Finance that established the framework agreement on responsibilities for servicing financial obligations to the IMF (LOI ¶14).

# RISKS AND MITIGATION

**12. Tunisia's debt sustainability risks have increased substantially** (see Appendices I and II). Debt stocks declined in 2019 on the back of an appreciating dinar and lower fiscal and external deficits. The Covid-19 shock will reverse this trend and increase Tunisia's debt burden significantly through the steep fall in growth and the deterioration of the primary fiscal balance in response to lower revenues and the crisis-response measures. Furthermore, stress tests indicate that debt levels and the capacity to repay the Fund would deteriorate significantly if risks materialized from rapid real exchange rate depreciation, fiscal and monetary policy slippages, and contingent liabilities. Outcomes are also highly sensitive to changes in underlying assumptions. On the upside, three factors reduce sustainability risks: first, most of the external and public debt is owed to official creditors, which reduces debt service obligations through a low average interest rate and relatively long maturities. Second, the risk of large exchange rate swings is mitigated through a relatively closed financial account except for FDI and long-term flows. Third, banks' exposure to sovereign debt remains low at 15 percent of GDP and the sector maintains long in net open FX positions, which shields the banking sector's balance sheet from potential spillovers. Going forward, debt sustainability will depend crucially on maximizing financing on concessional terms and in the form of grants.

**13. Tunisia's capacity to repay the Fund remains adequate with an RFI purchase, but there are large downside risks** (Table 11)**.** Credit outstanding to the Fund would peak at 310 percent of quota (36 percent of gross reserves in 2020) before falling to 79 percent of quota by 2025. The high exposure in the near term underlines the need for strong progress with macroeconomic adjustment.

**14. To reduce risks to debt sustainability and support inclusive growth, the authorities are strongly committed to request a successor EFF arrangement as soon as possible** (LOI ¶12). The RFI would help mitigate immediate risks and cover urgent needs. A new EFF arrangement could then build on this short-term response and support the authorities' medium-term policy agenda to resume the macroeconomic adjustment started over 2018-19 and support growth recovery. Strong progress on both fronts will be critical to maintain debt sustainability, which worsened significantly under the weight of the Covid-19 shock. A successor arrangement could start in the second semester of 2020.

**15. More progress is needed in implementing recommendations from previous safeguards assessments.** While the CBT has implemented several measures, priority recommendations to strengthen the internal audit and risk management functions remain outstanding. The central bank has committed to transitioning to International Financial Reporting Standards. This work should be accelerated. External audits continue to be completed on a timely basis.

# STAFF APPRAISAL

**16. Staff has the highest respect for the authorities' pro-active efforts to mitigate the impact from the Covid-19 outbreak amid unprecedented uncertainty.** The authorities have lost no time in taking measures to contain the spread of the virus and mitigate the human, social, and economic toll. The authorities and staff agree that the high uncertainty, including with regard to the depth and length of the current crisis (currently the biggest impact is expected in the second quarter followed by a swift recovery from the fourth quarter), requires vigilance and flexibility in reassessing the adequacy of the crisis response on a continuous basis.

**17. Staff supports the authorities' request for a purchase under the RFI in the amount of SDR 545.2 million (US$753 million or 100 percent of quota)**. The Covid-19 outbreak aggravated Tunisia's already elevated macroeconomic imbalances and created urgent fiscal and BOP financing needs of 2.6 percent and 4.7 percent of GDP in 2020, respectively. The RFI purchase could fill about 44 percent of the expected BoP gap that remains after accounting for identified financing from Tunisia's other external partners and create space for urgent fiscal response measures. Lower access would increase the risk that the fiscal and external financing gaps give rise to immediate and severe economic disruption, including through even steeper cuts in growth-supporting public investment. The suggested RFI purchase would thus provide a bridge towards a more sustainable solution to Tunisia's macroeconomic imbalances through strong adjustment over the medium term. Tunisia meets the eligibility requirements for the RFI, its debt is sustainable with continued strong policy implementation, and its capacity to repay the Fund remains adequate.

**18. Staff agrees with the authorities' immediate crisis-response measures**. Staff supports the focus on the health sector, the social safety net, and firms in distress due to the Covid-19 outbreak. It encourages the authorities to carefully cost the measures to ensure their effectiveness; and welcomes their intention to review the continued need for the measures on a monthly basis. Staff also supports the authorities' pro-active steps taken to increase budget space and reduce BoP pressures through the implementation of an automatic price adjustment mechanism for fuels, savings in the civil service wage bill, tobacco price hikes, and a temporary and targeted rescheduling of lower-priority public investment. Efficient communication by the authorities on these measures will be critical to ensure popular support in the context of the overall response to the virus outbreak.

**19. Staff supports the authorities' commitment to macroeconomic stability and sustainable debt, which will be supported by a successor EFF arrangement.** Strong fiscal consolidation over the medium term—challenging in Tunisia's fragile socio-political context—will be unavoidable, once the Covid-19 crisis abates. Staff welcomes the authorities' commitment to take measures to durably reduce energy subsidies for electricity and natural gas in a socially conscious way. Achieving additional savings on the civil service wage bill will also be critical, including through keeping wage increases for 2021 and the medium term to below inflation, and consider those only if there is fiscal space. Staff welcomes the CBT's commitment to tighten monetary policy in case of strong exchange rate or inflation pressures as well as its commitment to refrain from large-scale FX interventions consistent with protecting international reserves. Staff also supports the CBT's commitment to preserve existing loan classification and provisioning rules, refrain from providing loan guarantees and subsidies, and monitor closely potential vulnerabilities in the banking sector.

**20. Staff calls on Tunisia's external partners to mobilize urgent additional financing.** Tunisia's economy, already vulnerable before the Covid-19 shock, will be hit hard by the virus outbreak with an unprecedented drop in growth. At the same time, its financial means to organize an effective crisis response are limited. Additional and timely financing from external partners will be critical to help address urgent fiscal and BoP needs and mitigate large downside risks in a highly uncertain environment, even in the presence of strong adjustment policies.

# Proposed Decision

The following draft decision, which may be adopted by a majority of votes cast, is proposed for adoption by the Executive Board:

**Tunisia - Request for Purchase Under the Rapid Financing Instrument**

1. Tunisia has requested a purchase in an amount equivalent to SDR 545.2 million (100 percent of quota) under the Rapid Financing Instrument.

2. The Fund notes the intentions of Tunisia as set forth in the letter from the Minister of Finance and Governor of the Central Bank of Tunisia, dated April 2, 2020, and approves the purchase in accordance with the request.

## Table 1. Tunisia: Selected Economic and Financial Indicators, 2017–25

| | 2017 | 2018 | 2019 | 2020 | 2020 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Prel. | Proj. | pre-Covid-19 | 5th Rev | | | Proj. | | |
| **Production and prices** | | | | | (Annual percentage change) | | | | | | |
| Real GDP (at 2010 prices) | 1.9 | 2.7 | 1.0 | -4.3 | 1.5 | 3.2 | 4.1 | 2.7 | 2.7 | 3.0 | 3.3 |
| GDP deflator | 5.2 | 6.5 | 7.0 | 5.0 | 5.3 | 5.8 | 5.6 | 4.4 | 4.2 | 4.0 | 4.0 |
| CPI inflation (average) | 5.3 | 7.3 | 6.7 | 6.2 | 5.3 | 5.9 | 4.9 | 4.3 | 4.1 | 4.0 | 4.0 |
| CPI inflation (eop) | 6.2 | 7.5 | 6.1 | 6.0 | 5.4 | 5.9 | 4.8 | 4.1 | 3.9 | 4.0 | 4.0 |
| **Saving investment balance** | | | | | (Percent of GDP, unless otherwise indicated) | | | | | | |
| Gross national savings | 9.1 | 10.1 | 10.1 | 3.1 | 11.0 | 11.5 | 6.6 | 8.7 | 10.3 | 11.9 | 13.6 |
| *of which:* central government | -0.4 | 1.1 | 1.4 | -1.1 | 3.0 | 3.1 | 2.1 | 3.6 | 4.6 | 5.7 | 6.1 |
| Gross investment | 19.3 | 21.3 | 18.9 | 10.6 | 18.9 | 20.5 | 14.8 | 16.6 | 17.4 | 18.1 | 18.8 |
| *of which:* central government | 5.6 | 5.6 | 5.4 | 3.3 | 5.9 | 5.9 | 4.6 | 5.3 | 5.4 | 5.7 | 6.1 |
| **Central government operations** 1/ | | | | | | | | | | | |
| Total revenue and grants | 24.5 | 26.2 | 28.0 | 26.4 | 28.6 | 28.9 | 27.8 | 28.5 | 28.7 | 28.7 | 28.7 |
| Total expenditure and net lending | 30.4 | 30.8 | 31.9 | 30.7 | 31.5 | 31.7 | 30.3 | 30.2 | 29.6 | 28.8 | 28.8 |
| *of which:* wage bill | 14.9 | 14.1 | 14.7 | 16.5 | 15.3 | 14.4 | 15.4 | 14.7 | 14.0 | 13.3 | 13.3 |
| *of which:* energy subsidies | 1.6 | 2.6 | 2.8 | 0.7 | 1.4 | 1.7 | 0.5 | 0.3 | 0.0 | 0.0 | 0.0 |
| *of which:* transfers (incl. social programs and CNRPS) | 2.2 | 2.6 | 2.9 | 3.3 | 2.6 | 2.7 | 3.2 | 3.4 | 3.6 | 3.8 | 4.0 |
| *of which:* capital expenditure | 5.6 | 5.6 | 5.4 | 3.3 | 5.9 | 5.9 | 4.6 | 5.3 | 5.4 | 5.7 | 6.1 |
| Overall balance (incl. grants) | -5.9 | -4.6 | -3.9 | -4.3 | -2.9 | -2.8 | -2.5 | -1.7 | -0.9 | -0.1 | -0.1 |
| Overall balance (excl. grants) | -6.1 | -4.8 | -4.1 | -5.3 | -3.1 | -3.1 | -2.8 | -2.0 | -1.2 | -0.3 | -0.3 |
| Primary balance (cash basis, incl. grants) | -4.0 | -1.8 | -0.7 | -1.2 | -0.3 | 0.4 | 0.8 | 1.8 | 2.7 | 3.4 | 3.2 |
| Change in primary balance ("+": improvement) | 0.3 | 2.2 | 1.1 | -0.5 | 0.2 | 1.0 | 2.0 | 0.9 | 0.9 | 0.7 | -0.2 |
| Social spending 2/ | 1.9 | 2.4 | 2.8 | 3.2 | 3.0 | 2.8 | 3.1 | 3.3 | 3.5 | 3.7 | 3.9 |
| Gross central government debt | 70.6 | 78.2 | 72.3 | 88.5 | 76.1 | 84.7 | 86.7 | 83.4 | 79.6 | 75.1 | 69.9 |
| *of which:* share in foreign currency | 48.6 | 57.3 | 51.3 | 67.1 | 55.3 | 66.5 | 66.0 | 64.1 | 60.9 | 56.6 | 51.4 |
| **Money and credit** | | | | | (Annual percentage change, unless otherwise indicated) | | | | | | |
| Broad money | 11.4 | 6.6 | 8.4 | 4.0 | 7.2 | 6.0 | 6.5 | 7.5 | 9.4 | 10.6 | 11.1 |
| Credit to the economy | 12.7 | 9.3 | 3.5 | 5.3 | 6.1 | 6.2 | 5.4 | 5.9 | 6.4 | 6.9 | 7.4 |
| Velocity of circulation (GDP/M3) | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.4 | 1.3 | 1.3 | 1.3 | 1.2 | 1.2 |
| **External sector** | | | | | (Percent of GDP, unless otherwise indicated) | | | | | | |
| Current account balance | -10.2 | -11.2 | -8.8 | -7.5 | -8.0 | -9.1 | -8.1 | -7.9 | -7.1 | -6.2 | -5.2 |
| Trade balance | -13.3 | -15.0 | -14.0 | -9.4 | -12.6 | -15.4 | -13.3 | -14.8 | -14.4 | -13.5 | -13.4 |
| Value of exports of goods (pct. change) | 4.9 | 8.8 | -3.5 | -20.1 | 8.1 | 4.1 | 13.8 | 7.7 | 9.1 | 8.6 | 8.0 |
| Value of imports of goods (pct. change) | 6.3 | 9.7 | -5.0 | -24.5 | 4.7 | 2.9 | 19.3 | 9.6 | 7.4 | 6.2 | 7.4 |
| Volume of exports of goods (pct. change) | 3.2 | 3.5 | -5.1 | -14.2 | 1.0 | 3.7 | 15.8 | 4.6 | 3.6 | 3.6 | 3.6 |
| Volume of import of goods (pct. change) | 3.4 | 1.0 | -8.6 | -21.6 | -1.1 | 0.2 | 26.1 | 7.5 | 2.0 | 2.0 | 2.0 |
| Terms of trade (pct. change, "-": deterioration) | -1.2 | -3.2 | -2.2 | -3.2 | 1.2 | -2.3 | 3.9 | 1.0 | 0.0 | 0.8 | -1.0 |
| Foreign direct investment (net) | 2.0 | 2.5 | 2.1 | 0.4 | 2.1 | 2.7 | 1.8 | 2.2 | 2.3 | 2.4 | 2.5 |
| Gross official reserves (eop, billions of US$) | 5.6 | 5.2 | 7.4 | 6.5 | 7.4 | 6.4 | 6.5 | 7.1 | 7.6 | 8.1 | 8.7 |
| Reserve coverage (months of next year's imports of goods) | 3.0 | 2.9 | 5.7 | 4.0 | 4.0 | 3.3 | 3.7 | 3.8 | 3.8 | 3.7 | 3.7 |
| Reserve coverage (months of next year's imports of GNFS) | 2.6 | 2.5 | 5.2 | 3.6 | 3.8 | 3.1 | 3.3 | 3.4 | 3.4 | 3.3 | 3.4 |
| External debt | 84.3 | 97.3 | 90.3 | 109.9 | 90.1 | 107.8 | 108.2 | 107.2 | 104.3 | 100.2 | 95.2 |
| *of which:* medium- and long-term external debt | 65.3 | 74.3 | 67.6 | 87.0 | 70.9 | 85.7 | 85.8 | 83.5 | 80.3 | 76.1 | 71.0 |
| *of which:* public external debt | 61.1 | 71.5 | 65.0 | 83.8 | 68.4 | 82.2 | 82.7 | 80.4 | 77.2 | 72.9 | 67.8 |
| External debt service (pct. of exports of GNFS) | 16.5 | 14.0 | 17.2 | 23.9 | 15.5 | 15.8 | 22.2 | 15.9 | 17.2 | 19.2 | 14.4 |
| ***Memorandum items:*** | | | | | | | | | | | |
| Population (millions) | 11.5 | 11.7 | 11.8 | 11.9 | 11.9 | 11.9 | 12.0 | 12.1 | 12.2 | 12.3 | 12.4 |
| Nominal GDP (millions of TD) | 96,298 | 105,268 | 113,848 | 114,419 | 121,815 | 126,502 | 125,711 | 134,713 | 144,134 | 154,358 | 165,839 |
| Nominal GDP (billions of US$) | 39.8 | 39.8 | 38.8 | ... | ... | ... | ... | ... | ... | ... | ... |
| GDP per capita (US$) | 3,452 | 3,411 | 3,293 | 3,084 | 3,440 | 2,957 | 2,980 | 3,059 | 3,206 | 3,364 | 3,565 |
| Unemployment rate (eop, pct.) | 15.5 | 15.5 | 14.9 | ... | ... | ... | ... | ... | ... | ... | ... |
| Exchange rate (TD/US$, avg.) | 2.42 | 2.65 | 2.93 | ... | ... | ... | ... | ... | ... | ... | ... |
| Real effective exchange rate (avg., pct. change, "-": depreciation) | -8.8 | -6.2 | -1.1 | ... | ... | ... | ... | ... | ... | ... | ... |
| Real effective exchange rate (eop., pct. change, "-": depreciation) | -10.9 | -7.7 | 10.7 | ... | ... | ... | ... | ... | ... | ... | ... |
| Interest rate (money market rate, eop, pct.) | 4.9 | 6.7 | 7.7 | ... | ... | ... | ... | ... | ... | ... | ... |
| Stock market (TUNINDEX, 12/31/1997=1000) | 6,282 | 7,275 | 7,867 | ... | ... | ... | ... | ... | ... | ... | ... |
| Oil price (Brent, US$ per barrel) | 54.4 | 71.1 | 64.0 | 36.9 | 57.3 | 61.5 | 39.5 | 42.7 | 45.1 | 47.1 | 48.6 |

Sources: Tunisian authorities; and IMF staff estimates and projections.

1/ Excludes social security accounts, public enterprises, and local governments.

2/ Social spending includes social transfers and programs as well as key ministries' capital expenditures. Its coverage was expanded in 2017.

## Table 2. Tunisia: Real Sector, 2017–25

(In percent)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Est. | Proj. | | | Proj. | | |
| **Real GDP growth** | | | | | | | | | |
| Previous year prices 1/ | 2.0 | 2.7 | 1.0 | -4.7 | 4.3 | 2.7 | 2.7 | 3.0 | 3.2 |
| Constant 2010 prices | 1.9 | 2.7 | 1.0 | -4.3 | 4.1 | 2.7 | 2.7 | 3.0 | 3.3 |
| Per capita | 0.8 | 1.5 | 0.0 | -5.2 | 3.1 | 1.7 | 1.8 | 2.2 | 2.5 |
| **Inflation** | | | | | | | | | |
| CPI (average) | 5.3 | 7.3 | 6.7 | 6.2 | 4.9 | 4.3 | 4.1 | 4.0 | 4.0 |
| Core (average) 2/ | 5.4 | 7.5 | 6.9 | 5.9 | 3.9 | 4.9 | 4.7 | 4.6 | 4.7 |
| Underlying (average) 3/ | 6.2 | 8.2 | 7.2 | ... | ... | ... | ... | ... | ... |
| CPI (eop) | 6.2 | 7.5 | 6.1 | 6.0 | 4.8 | 4.1 | 3.9 | 4.0 | 4.0 |
| GDP deflator | 5.2 | 6.5 | 7.0 | 5.0 | 5.6 | 4.4 | 4.2 | 4.0 | 4.0 |
| **Contributions to growth (supply; constant 2010 prices)** | | | | | | | | | |
| **Total added value** | **1.7** | **2.3** | **0.9** | **-4.1** | **4.0** | **2.5** | **2.4** | **2.7** | **2.9** |
| **Commercial activities** | **1.5** | **2.2** | **0.7** | **-4.3** | **3.8** | **2.3** | **2.2** | **2.6** | **2.8** |
| Agriculture | 0.2 | 0.9 | 0.1 | 0.3 | 0.2 | 0.5 | 0.2 | 0.5 | 0.2 |
| Manufacturing | 0.2 | 0.2 | -0.2 | -0.9 | 0.4 | 0.3 | 0.4 | 0.5 | 0.6 |
| *of which*: mechanical and electrical industries | 0.2 | 0.1 | -0.1 | -0.7 | 0.3 | 0.1 | 0.1 | 0.1 | 0.2 |
| Non-manufacturing | -0.4 | -0.1 | -0.1 | 0.0 | 0.3 | 0.2 | 0.2 | 0.2 | 0.3 |
| Services | 1.9 | 1.4 | 0.9 | -3.6 | 2.9 | 1.3 | 1.5 | 1.4 | 1.8 |
| *of which*: hotels and restaurants | 0.3 | 0.3 | 0.3 | -1.7 | 1.3 | 0.3 | 0.3 | 0.1 | 0.2 |
| *of which*: transport | 0.6 | 0.2 | -0.2 | -1.5 | 1.2 | 0.3 | 0.2 | 0.2 | 0.3 |
| *of which*: commerce | 0.1 | 0.1 | 0.1 | -0.8 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 |
| Intermediary consumption (in - terms) | -0.4 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | -0.1 |
| **Public administration** | **0.1** | **0.1** | **0.2** | **0.2** | **0.2** | **0.2** | **0.1** | **0.1** | **0.1** |
| **Indirect taxes net of subsidies** | **0.3** | **0.3** | **0.2** | **-0.2** | **0.1** | **0.2** | **0.3** | **0.3** | **0.4** |
| **Contributions to growth (demand; constant 2010 prices)** | | | | | | | | | |
| **Consumption** | **1.7** | **1.7** | **0.5** | **1.5** | **...** | **...** | **...** | **...** | **...** |
| Private | 1.7 | 1.6 | 1.0 | 0.7 | ... | ... | ... | ... | ... |
| Public | 0.0 | 0.0 | -0.5 | 0.8 | ... | ... | ... | ... | ... |
| **Investment** | **0.0** | **0.5** | **-2.8** | **-10.8** | **...** | **...** | **...** | **...** | **...** |
| Private | 0.0 | 0.2 | -2.5 | -7.8 | ... | ... | ... | ... | ... |
| Public | 0.0 | 0.1 | -1.1 | -3.5 | ... | ... | ... | ... | ... |
| Change in stocks | -0.1 | 0.1 | 0.9 | 0.5 | ... | ... | ... | ... | ... |
| **Net exports** | **0.2** | **0.5** | **3.3** | **5.1** | **...** | **...** | **...** | **...** | **...** |
| Exports | 2.0 | 1.3 | -2.2 | -5.8 | ... | ... | ... | ... | ... |
| Imports | -1.7 | -0.8 | 5.5 | 10.9 | ... | ... | ... | ... | ... |

Sources: Tunisia authorities, and IMF staff projections.

1/ Output measured using current and previous year prices.

2/ Excludes food and energy items.

3/ Excludes fresh food and administered prices (Central Bank of Tunisia's definition).

## Table 3. Tunisia: Balance of Payments, 2017–25 1/

(In millions of U.S. dollars, unless otherwise indicated)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Annual | Annual | Annual | Annual | | | |
| | | | Prel. | Proj. | Proj. | Proj. | | | |
| **Current account balance** | **-4,080** | **-4,443** | **-3,413** | **-2,751** | **-2,910** | **-2,949** | **-2,792** | **-2,558** | **-2,292** |
| **Trade balance** | **-5,308** | **-5,949** | **-5,427** | **-3,439** | **-4,760** | **-5,483** | **-5,637** | **-5,601** | **-5,920** |
| Exports | 14,231 | 15,485 | 14,945 | 11,939 | 13,586 | 14,632 | 15,963 | 17,340 | 18,723 |
| Energy | 846 | 880 | 824 | 547 | 533 | 629 | 732 | 848 | 940 |
| Non-energy | 13,384 | 14,606 | 14,121 | 11,392 | 13,053 | 14,003 | 15,231 | 16,493 | 17,783 |
| *of which:* non-food | 11,844 | 12,562 | 12,516 | 9,949 | 11,526 | 12,408 | 13,564 | 14,744 | 15,942 |
| Imports | -19,538 | -21,435 | -20,372 | -15,378 | -18,346 | -20,115 | -21,600 | -22,942 | -24,643 |
| Energy | -2,513 | -3,214 | -3,467 | -2,457 | -2,165 | -2,308 | -2,410 | -2,480 | -2,553 |
| Non-energy | -17,025 | -18,220 | -16,905 | -12,922 | -16,182 | -17,807 | -19,190 | -20,462 | -22,089 |
| *of which:* non-food | -15,100 | -16,195 | -14,979 | -10,989 | -14,188 | -15,801 | -17,151 | -18,381 | -19,960 |
| **Services and transfers (net)** | **1,228** | **1,506** | **2,015** | **688** | **1,850** | **2,534** | **2,845** | **3,044** | **3,628** |
| Services | 305 | 717 | 1,209 | -107 | 1,350 | 1,736 | 1,935 | 2,150 | 2,296 |
| *of which:* tourism exports | 1,170 | 1,565 | 1,915 | 535 | 1,687 | 2,004 | 2,126 | 2,251 | 2,330 |
| Transfers (net) | 923 | 789 | 805 | 795 | 500 | 797 | 910 | 894 | 1,332 |
| *of which:* workers' remittances | 1,861 | 1,875 | 1,948 | 1,613 | 1,774 | 1,928 | 2,038 | 2,149 | 2,279 |
| *of which:* interest payments on external debt | -607 | -725 | -787 | -829 | -1,003 | -1,061 | -1,167 | -1,185 | -954 |
| **Capital and financial account** | **4,079** | **5,068** | **5,193** | **1,230** | **3,057** | **3,640** | **3,730** | **3,652** | **3,429** |
| Capital account balance | 184 | 128 | 137 | 306 | 88 | 87 | 86 | 86 | 85 |
| Financial account balance | 3,895 | 4,939 | 5,057 | 924 | 2,968 | 3,554 | 3,644 | 3,566 | 3,343 |
| Direct investment and portfolio (net) | 747 | 948 | 811 | 172 | 692 | 837 | 937 | 1,027 | 1,144 |
| Medium- and long-term loans (net) | 2,281 | 1,143 | 1,241 | 688 | 567 | 926 | 802 | 657 | 462 |
| Disbursements | 4,266 | 2,631 | 3,390 | 2,873 | 3,372 | 2,771 | 2,755 | 3,126 | 2,524 |
| *of which:* unidentified budget loan disbursements | 0 | 0 | 0 | 198 | 437 | 439 | 440 | 0 | 0 |
| Amortization | -1,986 | -1,487 | -2,149 | -2,185 | -2,805 | -1,845 | -1,953 | -2,469 | -2,062 |
| Short-term debt and other capital flows (net) | 868 | 2,848 | 3,005 | 64 | 1,710 | 1,790 | 1,905 | 1,882 | 1,737 |
| **Overall balance** | **-1** | **624** | **1,781** | **-1,522** | **146** | **691** | **938** | **1,094** | **1,137** |
| Errors and omissions | -342 | -1,253 | 585 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Financing** | **343** | **629** | **-2,366** | **1,522** | **-146** | **-691** | **-938** | **-1,094** | **-1,137** |
| Gross international reserves ("-": accumulation) | 348 | 402 | -2,231 | 943 | -67 | -565 | -498 | -441 | -674 |
| Use of IMF credit (net) | -5 | 227 | -135 | 579 | -79 | -126 | -440 | -653 | -463 |
| Purchases | 314 | 749 | 245 | 753 | 0 | 0 | 0 | 0 | 0 |
| Repurchases | 319 | 522 | 380 | 175 | 79 | 126 | 440 | 653 | 463 |
| Other financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Financing gap** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| ***Memorandum items:*** | | | | | | | | | |
| Current account balance (percent of GDP) | -10.2 | -11.2 | -8.8 | -7.5 | -8.1 | -7.9 | -7.1 | -6.2 | -5.2 |
| Non-energy current account balance (percent of GDP) | -6.1 | -5.3 | -2.0 | -2.3 | -3.6 | -3.4 | -2.8 | -2.2 | -1.5 |
| Exports (percent of GDP) | 35.8 | 38.9 | 38.5 | 32.5 | 37.9 | 39.4 | 40.7 | 41.8 | 42.2 |
| Goods export real growth (percent) | 3.2 | 3.5 | -5.1 | -14.2 | 15.8 | 4.6 | 3.6 | 3.6 | 3.6 |
| of which: non-energy (percent) | 3.1 | 5.0 | -5.1 | -14.7 | 16.1 | 4.3 | 3.2 | 3.1 | 3.1 |
| Imports (percent of GDP) | 49.1 | 53.9 | 52.5 | 41.9 | 51.2 | 54.2 | 55.1 | 55.3 | 55.6 |
| Goods import real growth (percent) | 3.4 | 1.0 | -8.6 | -21.6 | 26.1 | 7.5 | 2.0 | 2.0 | 2.0 |
| *of which:* non-energy (percent) | 1.9 | 0.9 | -10.4 | -29.1 | 37.2 | 9.2 | 2.6 | 2.6 | 1.8 |
| Gross reserves (billions of US$) | 5.6 | 5.2 | 7.4 | 6.5 | 6.5 | 7.1 | 7.6 | 8.1 | 8.7 |
| Reserve coverage (months of next year's imports of goods) | 3.0 | 2.9 | 5.7 | 4.0 | 3.7 | 3.8 | 3.8 | 3.7 | 3.7 |
| Reserve coverage (months of next year's imports of GNFS) | 2.6 | 2.5 | 5.2 | 3.6 | 3.3 | 3.4 | 3.4 | 3.3 | 3.4 |
| Reserve coverage (pct. of short-term external debt) 2/ | 75.8 | 64.2 | 80.5 | 84.4 | 83.9 | 81.5 | 81.3 | 81.1 | 81.4 |
| External debt (billions of US$) | 32.7 | 34.2 | 36.7 | 36.8 | 37.7 | 39.5 | 40.7 | 41.3 | 42.2 |
| Medium- and long-term external debt | 25.3 | 26.1 | 27.5 | 29.2 | 29.9 | 30.8 | 31.3 | 31.4 | 31.5 |
| *of which:* public external debt | 23.6 | 24.9 | 26.3 | 28.0 | 28.7 | 29.5 | 30.0 | 29.9 | 29.9 |
| Short-term external debt | 7.4 | 8.1 | 9.2 | 7.7 | 7.8 | 8.7 | 9.4 | 9.9 | 10.7 |
| *of which:* public external debt | 0.1 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| External debt service ratio (incl. IMF, pct. of exports of GNFS) | 16.5 | 14.0 | 17.2 | 23.9 | 22.2 | 15.9 | 17.2 | 19.2 | 14.4 |
| Nominal GDP (millions of US$) | 39,806 | 39,771 | 38,797 | … | … | … | … | … | … |

Sources: Tunisian authorities; and IMF staff estimates and projections.

1/ In accordance with the Fifth Edition of the Balance of Payments and Investment Position Manual (BPM5).

2/ Short-term defined as one year or less remaining maturity.

## Table 4. Tunisia: Central Government Fiscal Operations, 2017–21
(In millions of dinars, cumulative flow since the beginning of the year)

| | 2017 | 2018 | 2019 | 2020 | | | | 2021 |
|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Annual | Q1 | Q2 | Q3 | Annual | Annual |
| | | | Prel. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Total revenue and grants** | **23,582** | **27,590** | **31,885** | **7,368** | **15,002** | **22,079** | **30,197** | **34,953** |
| **Revenue** | **23,396** | **27,354** | **31,636** | **7,348** | **14,360** | **21,409** | **29,053** | **34,602** |
| **Tax revenue** | **21,187** | **24,503** | **28,901** | **6,743** | **13,231** | **19,628** | **26,565** | **31,787** |
| Direct taxes | 8,560 | 9,065 | 12,648 | 3,243 | 6,304 | 9,075 | 12,063 | 13,879 |
| PIT | 6,205 | 6,359 | 8,813 | 2,322 | 4,501 | 6,483 | 8,762 | 9,876 |
| CIT | 2,355 | 2,706 | 3,835 | 921 | 1,803 | 2,591 | 3,302 | 4,003 |
| Indirect taxes | 12,627 | 15,438 | 16,253 | 3,499 | 6,927 | 10,554 | 14,502 | 3,184 |
| Trade taxes | 742 | 1,208 | 1,284 | 242 | 525 | 776 | 1,043 | 1,470 |
| VAT | 6,092 | 7,425 | 7,797 | 1,594 | 3,184 | 4,899 | 6,659 | 8,434 |
| Domestic | 2,837 | 3,596 | 3,768 | 773 | 1,511 | 2,431 | 3,387 | 3,821 |
| Imports | 3,256 | 3,829 | 4,029 | 821 | 1,673 | 2,468 | 3,272 | 4,613 |
| Excise | 2,493 | 2,864 | 2,872 | 606 | 1,221 | 1,941 | 2,654 | 3,351 |
| Domestic | 1,046 | 1,200 | 1,149 | 278 | 553 | 934 | 1,255 | 1,379 |
| Imports | 1,447 | 1,664 | 1,723 | 326 | 662 | 1,011 | 1,399 | 1,973 |
| Other indirect taxes | 3,300 | 3,941 | 4,299 | 1,057 | 1,997 | 2,938 | 4,146 | 4,652 |
| Domestic | 3,051 | 3,622 | 3,914 | 991 | 1,853 | 2,718 | 3,834 | 4,212 |
| Imports | 249 | 320 | 384 | 66 | 144 | 220 | 312 | 440 |
| **Nontax revenue** | **2,209** | **2,851** | **2,735** | **606** | **1,129** | **1,780** | **2,488** | **2,815** |
| *of which:* energy sector | 1,183 | 1,356 | 1,150 | … | … | … | 776 | 934 |
| *of which:* capital income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Grants** | **187** | **236** | **249** | **20** | **642** | **671** | **1,144** | **351** |
| **Total expenditure and net lending** | **29,303** | **32,410** | **36,315** | **8,975** | **18,032** | **26,934** | **35,117** | **38,095** |
| **Total expenditure** | **29,342** | **32,427** | **36,397** | **8,722** | **17,736** | **26,423** | **35,176** | **38,122** |
| **Current expenditure** | **23,997** | **26,482** | **30,258** | **7,413** | **15,116** | **22,558** | **31,438** | **32,280** |
| Wages and salaries | 14,352 | 14,863 | 16,767 | 4,775 | 9,334 | 14,152 | 18,880 | 19,342 |
| Goods and services | 1,498 | 1,210 | 1,607 | 274 | 515 | 833 | 1,454 | 1,597 |
| Interest payments | 2,259 | 2,802 | 3,192 | 1,072 | 2,015 | 2,823 | 3,585 | 4,207 |
| Domestic | 1,255 | 1,519 | 1,609 | 558 | 1,243 | 1,502 | 1,877 | 1,616 |
| External | 1,004 | 1,283 | 1,583 | 514 | 772 | 1,322 | 1,708 | 2,591 |
| Transfers and subsidies | 5,888 | 7,607 | 8,692 | 1,139 | 2,946 | 4,292 | 6,908 | 7,134 |
| Subsidies | 3,492 | 4,900 | 5,428 | 475 | 1,504 | 2,183 | 3,088 | 3,131 |
| Food | 1,494 | 1,750 | 1,800 | 175 | 784 | 1,216 | 1,800 | 1,961 |
| Energy | 1,550 | 2,700 | 3,178 | 174 | 419 | 521 | 788 | 670 |
| Fuel (STIR) | … | 1,500 | 1,932 | … | … | … | 482 | 572 |
| Electricity and gas (STEG) | … | 1,200 | 1,246 | … | … | … | 307 | 98 |
| Transport | 448 | 450 | 450 | 126 | 301 | 446 | 500 | 500 |
| Transfers (incl. social programs and CNRPS) | 2,395 | 2,707 | 3,264 | 663 | 1,442 | 2,109 | 3,820 | 4,003 |
| Other current expenditure (non-allocated) | 0 | 0 | 0 | 153 | 306 | 458 | 611 | 0 |
| *of which:* Covid-19 response | 0 | 0 | 0 | 100 | 375 | 500 | 500 | 0 |
| **Capital expenditure** | **5,345** | **5,945** | **6,140** | **1,310** | **2,620** | **3,865** | **3,738** | **5,842** |
| **Net lending** | **-39** | **-17** | **-82** | **252** | **296** | **511** | **-59** | **-27** |
| **Overall balance** | **-5,720** | **-4,819** | **-4,431** | **-1,607** | **-3,030** | **-4,855** | **-4,920** | **-3,143** |
| Errors and omissions | -394 | 101 | 468 | 0 | 0 | 0 | 0 | 0 |
| **Financing (net)** | **6,114** | **4,718** | **3,963** | **1,607** | **3,030** | **4,855** | **4,920** | **3,143** |
| **Foreign financing 1/** | **5,070** | **3,827** | **2,526** | **-75** | **386** | **4,481** | **4,961** | **1,382** |
| Drawings | 8,685 | 7,073 | 7,759 | 477 | 3,598 | 8,272 | 9,804 | 9,187 |
| Amortization | 3,616 | 3,246 | 5,233 | 552 | 3,212 | 3,791 | 4,843 | 7,805 |
| **Domestic financing 2/** | **1,044** | **891** | **1,436** | **1,682** | **2,644** | **373** | **-41** | **1,761** |
| Debt | 1,552 | -162 | 1,449 | 886 | 1,857 | -413 | 591 | 1,522 |
| Drawings | 2,681 | 3,186 | 2,640 | 1,943 | 3,496 | 1,313 | 3,697 | 3,725 |
| Amortization | 1,129 | 3,348 | 1,191 | 1,057 | 1,639 | 1,727 | 3,106 | 2,203 |
| Non-debt | -508 | 1,053 | -12 | 796 | 787 | 787 | -632 | 238 |
| Privatization, confiscated assets sales, and other | 145 | 137 | 940 | 0 | 0 | 0 | 150 | 50 |
| *of which:* other (Aramco contract) | | | 640 | | | | | |
| Deposits ("+"= drawing / "-"= accumulation) | -653 | 916 | -952 | 796 | 787 | 787 | -782 | 188 |
| **Financing gap** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| ***Memorandum items:*** | | | | | | | | |
| Overall balance (excl. grants) | -5,907 | -5,056 | -4,680 | -1,627 | -3,672 | -5,525 | -6,064 | -3,493 |
| Primary balance (excl. grants, cash basis) | -4,041 | -2,152 | -1,020 | -554 | -1,657 | -2,702 | -2,479 | 713 |
| Total current primary expenditure | 21,738 | 23,680 | 27,066 | 6,340 | 13,101 | 19,734 | 27,853 | 28,073 |
| Social expenditures 3/ | 1,844 | 2,498 | 3,209 | 991 | 1,867 | 2,666 | 3,607 | 3,863 |
| Gross central government debt | 67,982 | 82,295 | 82,350 | … | … | … | 101,265 | 109,038 |
| Domestic | 21,155 | 22,027 | 23,945 | … | … | … | 24,536 | 26,058 |
| External | 46,828 | 60,268 | 58,405 | … | … | … | 76,730 | 82,980 |
| Stock of government deposits | 2,535 | 2,782 | 2,696 | 1,900 | 1,909 | 1,909 | 1,914 | 2,102 |
| Nominal GDP | 96,298 | 105,268 | 113,848 | 28,485 | 28,620 | 28,623 | 114,419 | 125,711 |

Sources: Tunisian authorities; and IMF staff estimates.

1/ External financing includes the IMF's 2013 SBA, 2016 EFF, and 2020 RFI (in line with the Tunisian authorities' budget law classification).

2/ Domestic financing includes short-term financing. The coverage was expanded in July 2018.

3/ Social spending includes social transfers and programs as well as key ministries' capital expenditures. The definition was expanded in 2017

## Table 5. Tunisia: Central Government Fiscal Operations, 2017–25
(In percent of GDP)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Prel. | Proj. | | | Proj. | | |
| **Total revenue and grants** | **24.5** | **26.2** | **28.0** | **26.4** | **27.8** | **28.5** | **28.7** | **28.7** | **28.7** |
| **Revenue** | **24.3** | **26.0** | **27.8** | **25.4** | **27.5** | **28.3** | **28.4** | **28.4** | **28.5** |
| **Tax revenue** | **22.0** | **23.3** | **25.4** | **23.2** | **25.3** | **26.0** | **26.1** | **26.2** | **26.3** |
| Direct taxes | 8.9 | 8.6 | 11.1 | 10.5 | 11.0 | 11.3 | 11.3 | 11.3 | 11.3 |
| PIT | 6.4 | 6.0 | 7.7 | 7.7 | 7.9 | 8.0 | 8.0 | 8.0 | 8.0 |
| CIT | 2.4 | 2.6 | 3.4 | 2.9 | 3.2 | 3.3 | 3.3 | 3.3 | 3.3 |
| Indirect taxes | 13.1 | 14.7 | 14.3 | 12.7 | 14.2 | 14.7 | 14.8 | 14.9 | 14.9 |
| Trade taxes | 0.8 | 1.1 | 1.1 | 0.9 | 1.2 | 1.2 | 1.3 | 1.3 | 1.3 |
| VAT | 6.3 | 7.1 | 6.8 | 5.8 | 6.7 | 6.9 | 7.0 | 7.0 | 7.1 |
| Domestic | 2.9 | 3.4 | 3.3 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Imports | 3.4 | 3.6 | 3.5 | 2.9 | 3.7 | 3.9 | 4.0 | 4.0 | 4.0 |
| Excise | 2.6 | 2.7 | 2.5 | 2.3 | 2.7 | 2.8 | 2.8 | 2.8 | 2.8 |
| Domestic | 1.1 | 1.1 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Imports | 1.5 | 1.6 | 1.5 | 1.2 | 1.6 | 1.7 | 1.7 | 1.7 | 1.7 |
| Other indirect taxes | 3.4 | 3.7 | 3.8 | 3.6 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| Domestic | 3.2 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 |
| Imports | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| **Nontax revenue** | **2.3** | **2.7** | **2.4** | **2.2** | **2.2** | **2.3** | **2.3** | **2.3** | **2.2** |
| *of which:* energy sector | 1.2 | 1.3 | 1.0 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 | 0.7 |
| *of which:* capital income | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Grants** | **0.2** | **0.2** | **0.2** | **1.0** | **0.3** | **0.3** | **0.3** | **0.2** | **0.2** |
| **Total expenditure and net lending** | **30.4** | **30.8** | **31.9** | **30.7** | **30.3** | **30.2** | **29.6** | **28.8** | **28.8** |
| **Total expenditure** | **30.5** | **30.8** | **32.0** | **30.7** | **30.3** | **30.2** | **29.5** | **28.7** | **28.8** |
| **Current expenditure** | **24.9** | **25.2** | **26.6** | **27.5** | **25.7** | **24.9** | **24.1** | **23.0** | **22.6** |
| Wages and salaries | 14.9 | 14.1 | 14.7 | 16.5 | 15.4 | 14.7 | 14.0 | 13.3 | 13.3 |
| *of which:* one-off civil service reform costs | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Goods and services | 1.6 | 1.1 | 1.4 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| Interest payments | 2.3 | 2.7 | 2.8 | 3.1 | 3.3 | 3.5 | 3.6 | 3.5 | 3.3 |
| Domestic | 1.3 | 1.4 | 1.4 | 1.6 | 1.3 | 1.3 | 1.3 | 1.3 | 1.2 |
| External | 1.0 | 1.2 | 1.4 | 1.5 | 2.1 | 2.2 | 2.3 | 2.2 | 2.1 |
| Transfers and subsidies | 6.1 | 7.2 | 7.6 | 6.0 | 5.7 | 5.5 | 5.3 | 5.0 | 4.7 |
| Subsidies | 3.6 | 4.7 | 4.8 | 2.7 | 2.5 | 2.1 | 1.6 | 1.2 | 0.8 |
| Food | 1.6 | 1.7 | 1.6 | 1.6 | 1.6 | 1.4 | 1.3 | 0.8 | 0.5 |
| Energy | 1.6 | 2.6 | 2.8 | 0.7 | 0.5 | 0.3 | 0.0 | 0.0 | 0.0 |
| Fuel | … | 1.4 | 1.7 | 0.4 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Electricity and gas | … | 1.1 | 1.1 | 0.3 | 0.1 | 0.3 | 0.0 | 0.0 | 0.0 |
| Transport | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 |
| Transfers (incl. social programs and CNRPS) | 2.5 | 2.6 | 2.9 | 3.3 | 3.2 | 3.4 | 3.6 | 3.8 | 4.0 |
| Other current expenditure (non-allocated) | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *of which:* Covid-19 response | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Capital expenditure** | **5.6** | **5.6** | **5.4** | **3.3** | **4.6** | **5.3** | **5.4** | **5.7** | **6.1** |
| **Net lending** | **0.0** | **0.0** | **-0.1** | **-0.1** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Overall balance** | **-5.9** | **-4.6** | **-3.9** | **-4.3** | **-2.5** | **-1.7** | **-0.9** | **-0.1** | **-0.1** |
| Errors and omissions | -0.4 | 0.1 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Financing (net)** | **6.3** | **4.5** | **3.5** | **4.3** | **2.5** | **1.7** | **0.9** | **0.1** | **0.1** |
| **Foreign financing 1/** | **5.3** | **3.6** | **2.2** | **4.3** | **1.1** | **1.5** | **0.2** | **-1.1** | **-1.4** |
| **Domestic financing 2/** | **1.1** | **0.8** | **1.3** | **0.0** | **1.4** | **0.2** | **0.7** | **1.2** | **1.5** |
| *of which:* privatization, confiscated assets sales, and other | 0.2 | 0.1 | 0.8 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Financing gap** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| ***Memorandum items:*** | | | | | | | | | |
| Overall balance (excl. grants) | -6.1 | -4.8 | -4.1 | -5.3 | -2.8 | -2.0 | -1.2 | -0.3 | -0.3 |
| Primary balance (excl. grants, cash basis) | -4.2 | -2.0 | -0.9 | -2.2 | 0.6 | 1.5 | 2.4 | 3.2 | 3.0 |
| Total current primary expenditure | 22.6 | 22.5 | 23.8 | 24.3 | 22.3 | 21.4 | 20.5 | 19.6 | 19.3 |
| Social expenditures 3/ | 1.9 | 2.4 | 2.8 | 3.2 | 3.1 | 3.3 | 3.5 | 3.7 | 3.9 |
| Gross central government debt | 70.6 | 78.2 | 72.3 | 88.5 | 86.7 | 83.4 | 79.6 | 75.1 | 69.9 |
| Domestic | 22.0 | 20.9 | 21.0 | 21.4 | 20.7 | 19.4 | 18.7 | 18.5 | 18.6 |
| External | 48.6 | 57.3 | 51.3 | 67.1 | 66.0 | 64.1 | 60.9 | 56.6 | 51.4 |
| Nominal GDP (billions of TD) | 96.3 | 105.3 | 113.8 | 114.4 | 125.7 | 134.7 | 144.1 | 154.4 | 165.8 |

Sources: Tunisian authorities; and IMF staff estimates.

1/ External financing includes the IMF's 2013 SBA, 2016 EFF, and 2020 RFI (in line with the Tunisian authorities' budget law classification).

2/ Domestic financing includes short-term financing. The coverage was expanded in July 2018."

3/ Social spending includes social transfers and programs as well as key ministries' capital expenditures. The definition was expanded in 2017.

**Table 6. Tunisia: Monetary Survey, 2017–21**
(In millions of dinars, end-of-period stocks)

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| | Annual | Annual | Annual | Annual | Annual |
| | | | Prel. | Proj. | Proj. |
| | (Millions of Tunisian dinars) | | | | |
| **Net foreign assets (NFA)** | **-2,385** | **-4,114** | **9** | **-5,180** | **-4,951** |
| Foreign assets | 16,420 | 18,695 | 24,427 | 26,564 | 28,345 |
| Central bank | 13,932 | 15,601 | 20,830 | 22,178 | 23,705 |
| Foreign liabilities | -18,805 | -22,809 | -24,418 | -31,744 | -33,296 |
| Central bank | -5,758 | -7,315 | -8,824 | -12,732 | -13,184 |
| | | | | | |
| **Net domestic assets (NDA)** | **76,869** | **83,523** | **86,084** | **94,717** | **100,308** |
| Domestic credit | 99,530 | 107,915 | 112,719 | 118,977 | 125,520 |
| Credit to the government (net) | 17,882 | 18,700 | 20,352 | 21,725 | 23,059 |
| Central bank net credit | 351 | 912 | 1,645 | 3,396 | 2,807 |
| Commercial banks | 10,096 | 9,652 | 10,815 | 10,437 | 12,359 |
| Other | 7,435 | 8,136 | 7,892 | 7,892 | 7,892 |
| Credit to the economy | 81,648 | 89,215 | 92,367 | 97,252 | 102,461 |
| Other items (net) | -22,660 | -24,392 | -26,635 | -24,260 | -25,212 |
| | | | | | |
| **Broad money (M3)** | **74,485** | **79,409** | **86,093** | **89,537** | **95,357** |
| Money plus quasi-money (M2) | 71,086 | 76,153 | 83,041 | 86,363 | **91,976** |
| Currency | 11,182 | 11,811 | 12,891 | 16,241 | 17,596 |
| Demand deposits | 19,682 | 20,159 | 21,006 | 20,998 | 22,273 |
| Quasi-money | 40,221 | 44,183 | 49,144 | 49,124 | 52,107 |
| Long-term deposits (M3-M2) | 3,399 | 3,255 | 3,052 | 3,174 | 3,381 |
| | (Annual percentage change) | | | | |
| **Net foreign assets** | **-151.4** | **-72.5** | **-100.2** | **-55,277** | **-4.4** |
| **Net domestic assets** | **13.3** | **8.7** | **3.1** | **10.0** | **5.9** |
| Domestic credit | 12.9 | 8.4 | 4.5 | 5.6 | 5.5 |
| Credit to the government (net) | 14.2 | 4.6 | 8.8 | 6.7 | 6.1 |
| Credit to the economy | 12.7 | 9.3 | 3.5 | 5.3 | 5.4 |
| **Broad money (M3)** | **11.4** | **6.6** | **8.4** | **4.0** | **6.5** |
| | (Growth in percent of broad money) | | | | |
| **Net foreign assets** | **-2.1** | **-2.3** | **5.2** | **-6.0** | **0.3** |
| **Net domestic assets** | **13.5** | **8.9** | **3.2** | **10.0** | **6.2** |
| Domestic credit | 17.0 | 11.3 | 6.0 | 7.3 | 7.3 |
| Credit to the government (net) | 3.3 | 1.1 | 2.1 | 1.6 | 1.5 |
| Credit to the economy | 13.7 | 10.2 | 4.0 | 5.7 | 5.8 |
| **Broad money (M3)** | **11.4** | **6.6** | **8.4** | **4.0** | **6.5** |
| | | | | | |
| ***Memorandum items:*** | | | | | |
| Nominal GDP | 96,298 | 105,268 | 113,848 | 114,419 | 125,711 |

Sources: Tunisian authorities; and IMF staff estimates and projections.

## Table 7. Tunisia: Central Bank Survey, 2017–21
(In millions of dinars, end-of-period stocks)

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| | Annual | Annual | Annual | Annual | Annual |
| | | | Prel. | Proj. | Proj. |
| | | | (Millions of Tunisian dinars) | | |
| **Net foreign assets** | **8,174** | **8,286** | **12,005** | **9,445** | **10,520** |
| Assets | 13,932 | 15,601 | 20,830 | 22,178 | 23,705 |
| Liabilities | 5,758 | 7,315 | 8,824 | 12,732 | 13,184 |
| **Net domestic assets** | **7,062** | **11,321** | **9,173** | **12,458** | **13,018** |
| Domestic credit (net) | 8,835 | 12,758 | 10,640 | 15,089 | 13,564 |
| Net credit to government 1/ | 351 | 912 | 1,645 | 3,396 | 2,807 |
| Credit to banks 2/ | 8,484 | 11,846 | 8,995 | 11,693 | 10,757 |
| Other items net | -1,773 | -1,437 | -1,467 | -2,631 | -547 |
| **Reserve money 3/** | **15,236** | **19,608** | **21,178** | **21,903** | **23,538** |
| | | | (Annual percentage change) | | |
| **Net foreign assets** | **8.6** | **1.4** | **44.9** | **-21.3** | **11.4** |
| Assets | 0.0 | 12.0 | 33.5 | 6.5 | 6.9 |
| Liabilities | -10.1 | 27.0 | 20.6 | 44.3 | 3.6 |
| **Net domestic assets** | **38.6** | **60.3** | **-19.0** | **35.8** | **4.5** |
| Domestic credit (net) | 41.3 | 44.4 | -16.6 | 41.8 | -10.1 |
| Net credit to government 1/ | -54.0 | 160.2 | 80.3 | 106.5 | -17.3 |
| Credit to banks 2/ | 54.5 | 39.6 | -24.1 | 30.0 | -8.0 |
| Other items net | 53.0 | -18.9 | 2.1 | 79.4 | -79.2 |
| **Reserve Money 3/** | **20.7** | **28.7** | **8.0** | **3.4** | **7.5** |
| ***Memorandum items:*** | | | | | |
| Open market purchases (OMPs) | 982 | 1,660 | 1,956 | 2,925 | 2,525 |
| Monetary base, excl. bank FX deposits | 12,142 | 12,782 | 13,936 | 16,903 | 18,538 |
| FX swap operations 4/ | | 2,280 | 601 | 0 | 0 |
| Total CBT refinancing of banks | 9,466 | 15,786 | 11,552 | 14,618 | 13,282 |

Sources: Central Bank of Tunisia; and IMF staff estimates.

1/ Includes subscription to the IMF and the AMF.

2/ Includes the main refinancing facility (appel d'offres) and the lending and deposit facilities.

3/ Excludes deposits of other financial institutions, individuals, and non-financial enterprises.

4/ Introduced at end-2014.

## Table 8. Tunisia: External Financing Needs, 2017–21
(In millions of U.S. dollars, unless otherwise indicated)

| | 2017 | 2018 | 2019 | 2020 | | | | | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| | Annual | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Annual | Annual |
| | | | Prel. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Total gross financing requirements** | **6,385** | **6,453** | **5,941** | **989** | **2,891** | **1,121** | **110** | **5,111** | **5,794** |
| **Current account deficit** | **4,080** | **4,443** | **3,413** | **598** | **1,793** | **754** | **-393** | **2,751** | **2,910** |
| **Amortizations** | **2,305** | **2,010** | **2,528** | **391** | **1,099** | **367** | **503** | **2,360** | **2,884** |
| Central government 1/ | 1,245 | 747 | 1,404 | 156 | 841 | 143 | 239 | 1,379 | 2,145 |
| Central Bank 2/ | 358 | 539 | 385 | 37 | 37 | 37 | 63 | 175 | 79 |
| Corporate 3/ | 702 | 724 | 740 | 198 | 221 | 187 | 201 | 806 | 660 |
| **Total gross financing sources** | **6,385** | **6,453** | **5,941** | **989** | **2,891** | **1,121** | **110** | **5,111** | **5,794** |
| **Foreign direct investment and portfolio (net)** | 747 | 948 | 811 | 35 | -55 | 90 | 102 | 172 | 692 |
| *of which:* FDI (net) | 811 | 989 | 798 | 30 | -63 | 75 | 98 | 141 | 661 |
| **Disbursements** | **4,426** | **2,652** | **3,478** | **298** | **547** | **1,502** | **839** | **3,185** | **3,472** |
| Central government 1/ | 3,433 | 1,920 | 2,487 | 167 | 423 | 1,385 | 729 | 2,704 | 2,717 |
| Multi- and bilateral budget support | 2,034 | 977 | 1,298 | 87 | 336 | 562 | 658 | 1,642 | 1,684 |
| *of which:* IMF budget support loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *of which:* grants | 89 | 81 | 66 | 0 | 156 | 0 | 157 | 313 | 100 |
| *of which:* unidentified loans | 0 | 0 | 0 | 0 | 0 | 59 | 139 | 198 | 437 |
| Financial market access | 905 | 571 | 773 | 0 | 0 | 750 | 0 | 750 | 750 |
| Other (incl. project loans) | 494 | 373 | 417 | 80 | 88 | 73 | 71 | 312 | 283 |
| *of which:* grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Central Bank 2/ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *of which:* IMF BOP support loans 4/ | 314 | 749 | 245 | 0 | 753 | 0 | 0 | 753 | 0 |
| Corporate 3/ | 993 | 732 | 990 | 131 | 124 | 117 | 110 | 481 | 754 |
| **Short-term debt and other capital flows (net)** | **868** | **2,848** | **3,005** | **274** | **-264** | **0** | **54** | **64** | **1,710** |
| **Other flows (net) 5/** | **-4** | **-397** | **879** | **-4** | **759** | **65** | **-73** | **747** | **-12** |
| **Drawdown of gross reserves ("-": buildup)** | **348** | **402** | **-2,231** | **386** | **1,905** | **-536** | **-812** | **943** | **-67** |
| **Financing gap** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| ***Memorandum items:*** | | | | | | | | | |
| Gross international reserves (eop) | 5,594 | 5,192 | 7,424 | 7,038 | 5,133 | 5,669 | 6,480 | 6,480 | 6,548 |
| Central government rollover rates (pct.) | | | 173 | 107 | 32 | 968 | 239 | 173 | 122 |
| Corporate rollover rates (pct.) | 142 | 101 | 134 | 66 | 56 | 63 | 55 | 60 | 114 |

Sources: Tunisian authorities; and IMF staff projections.

1/ Central government includes IMF purchases made available for budget support.

2/ Central Bank includes IMF purchases made available for BOP support.

3/ Includes public and private entreprises.

4/ IMF purchases available under the 2013 SBA, proposed schedule of purchases during the 2016 EFF, and 2020 RFI.

5/ Includes changes in banks', corporates', and households' net foreign assets; errors and omissions; and other liabilities.

## Table 9. Tunisia: Financial Soundness Indicators of the Banking Sector, 2010–19
(Percent, unless otherwise indicated)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 Sep |
|---|---|---|---|---|---|---|---|---|---|---|
| **Regulatory capital** | | | | | | | | | | |
| Regulatory capital to risk-weighted assets | 11.6 | 11.9 | 11.8 | 8.2 | 9.4 | 12.0 | 11.3 | 11.9 | 11.7 | 12.4 |
| Tier 1 capital to risk weighted assets | 10.2 | 10.0 | 9.5 | 6.6 | 7.6 | 9.3 | 8.6 | 8.9 | 9.0 | 9.7 |
| Capital to assets | 8.4 | 8.5 | 7.8 | 5.6 | 6.2 | 7.8 | 8.1 | 8.4 | 8.4 | 8.6 |
| **Asset quality** | | | | | | | | | | |
| Sectoral distribution of loans to total loans | | | | | | | | | | |
| Industry | 30.5 | 28.6 | 27.9 | 27.8 | 27.2 | 27.3 | 27.0 | 27.6 | 28.4 | 28.1 |
| Agriculture | 2.9 | 2.9 | 2.8 | 2.8 | 2.8 | 2.6 | 2.6 | 2.6 | 2.5 | 2.5 |
| Commerce | 15.0 | 16.0 | 15.4 | 15.1 | 15.6 | 15.8 | 16.0 | 16.0 | 15.9 | 16.6 |
| Construction | 5.9 | 5.6 | 5.4 | 5.5 | 5.7 | 6.2 | 6.2 | 5.8 | 5.6 | 5.8 |
| Tourism | 7.3 | 7.3 | 6.9 | 6.5 | 6.1 | 6.2 | 5.8 | 5.3 | 4.7 | 4.5 |
| Households | 22.1 | 23.4 | 25.4 | 26.2 | 26.2 | 26.6 | 26.4 | 25.8 | 24.6 | 24.3 |
| Other | 16.3 | 16.3 | 16.2 | 16.0 | 16.5 | 15.4 | 16.0 | 16.8 | 18.4 | 18.1 |
| FX-loans to total loans | 5.3 | 5.1 | 4.8 | 4.8 | 5.5 | 5.8 | 5.7 | 5.1 | 4.5 | 5.2 |
| Credit to the private sector (pct. of total loans) 1/ | 70.6 | 67.4 | 67.7 | 73.7 | 73.8 | 73.5 | 73.7 | 74.5 | 75.4 | 75.7 |
| Nonperforming Loans (NPLs) to total loans | 13.0 | 13.3 | 14.9 | 16.5 | 15.8 | 16.6 | 15.6 | 13.9 | 13.4 | 13.9 |
| Specific provisions to NPLs | N.A. | 48.6 | 45.7 | 56.4 | 58.0 | 56.9 | 57.9 | 57.0 | 55.7 | 55.1 |
| NPLs, net of provisions, to tier 1 capital | 60.3 | 66.2 | 86.3 | 111.6 | 90.3 | 78.8 | 71.2 | 63.7 | 61.2 | 60.5 |
| Specific provisions to total loans | 7.6 | 7.6 | 8.0 | 10.3 | 10.1 | 10.5 | 10.0 | 8.8 | 8.4 | 8.6 |
| **Profitability** | | | | | | | | | | |
| Return on assets (ROA) | 0.9 | 0.6 | 0.6 | 0.3 | 0.9 | 0.9 | 1.0 | 1.2 | 1.2 | 1.2 |
| Return on equity (ROE) | 10.2 | 5.9 | 7.2 | 3.0 | 11.2 | 10.9 | 11.4 | 13.8 | 13.5 | ... |
| Interest rate average spread (btw. loans and deposits) | 3.5 | 3.0 | 3.0 | 3.3 | 3.1 | 3.0 | 2.9 | 3.2 | 4.0 | 4.2 |
| Interest return on credit | 6.2 | 5.7 | 5.4 | 5.9 | 6.4 | 6.3 | 6.0 | 6.5 | 8.0 | 8.7 |
| Cost of risk (pct. of credit) | 1.7 | 1.2 | 1.2 | 1.9 | 1.1 | 1.1 | 0.9 | 0.9 | ... | ... |
| Net interest margin to net banking product (PNB) | 58.6 | 57.2 | 58.1 | 58.9 | 57.2 | 54.6 | 50.9 | 49.7 | 51.9 | 54.5 |
| Operating expenses to PNB | 46.5 | 51.1 | 50.3 | 47.3 | 48.5 | 49.2 | 48.5 | 47.6 | 47.0 | 52.0 |
| Operating expenses to total assets | | | | | | | | | | |
| Personnel expenses to non-interest expenses | 59.1 | 62.6 | 61.5 | 60.8 | 59.3 | 60.1 | 58.7 | 59.1 | 53.0 | 52.3 |
| Trading and other non-interest income to PNB | 21.8 | 22.5 | 20.9 | 21.6 | 22.4 | 24.3 | 29.5 | 29.2 | 28.4 | 25.8 |
| **Liquidity** | | | | | | | | | | |
| Liquid assets to total assets 2/ | 29.8 | 26.5 | 28.2 | 28.4 | 28.2 | 5.6 | 5.6 | 5.7 | 4.5 | 4.7 |
| Liquid assets to short-term liabilities | 104.1 | 89.4 | 89.2 | 92.6 | 96.6 | 83.8 | 94.4 | 91.7 | 75.2 | 121.9 |
| Deposits to loans | 94.6 | 87.4 | 89.5 | 89.6 | 88.8 | 87.4 | 86.8 | 85.7 | 85.2 | 89.4 |
| Deposits of state-owned enterprises to total deposits | 13.8 | 12.6 | 13.2 | 13.0 | 11.7 | 9.5 | 7.8 | 6.8 | 5.7 | 5.8 |
| **Sensitivity to market risk** | | | | | | | | | | |
| FX net open position to tier 1 capital | 1.4 | 1.9 | 2.3 | 3.1 | 2.2 | 3.3 | 4.9 | 6.4 | 5.5 | 3.3 |

Source: Central Bank of Tunisia.

1/ Coverage of private sector credit may differ from that of Table 7.

2/ The definition of the liquidity ratio was modified in 2015. Liquid assets now include only treasury bills and cash. Using the new definition, the end-December 2014 liquidity ratio would have been 6 percent.

... = not available.

## Table 10. Tunisia: Illustrative Medium-Term Outlook, 2017–25

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Prel. | | | Proj. | | | |
| | | | | (Annual percentage change) | | | | | |
| **Real GDP** (at 2010 prices) | **1.9** | **2.7** | **1.0** | **-4.3** | **4.1** | **2.7** | **2.7** | **3.0** | **3.3** |
| **Total consumption** | **1.9** | **1.9** | **0.6** | **1.7** | **0.6** | **1.5** | **1.2** | **1.0** | **2.3** |
| *of which:* private consumption | 2.4 | 2.3 | 1.4 | 1.0 | 1.0 | 2.3 | 2.0 | 1.7 | 2.1 |
| **Investment** | **-0.2** | **2.6** | **-15.5** | **-72.6** | **189.4** | **22.6** | **6.7** | **10.8** | **4.2** |
| *of which:* gross fixed capital formation | 0.3 | 1.7 | -18.6 | -71.5 | 166.9 | 21.3 | 6.3 | 9.9 | 4.4 |
| **Trade balance** | **-0.2** | **2.6** | **3.5** | **10.3** | **-13.8** | **-2.9** | **1.6** | **1.5** | **1.6** |
| Exports of goods and non-factor services | 3.2 | 3.5 | -5.1 | -14.2 | 15.8 | 4.6 | 3.6 | 3.6 | 3.6 |
| Imports of goods and non-factor services | 3.4 | 1.0 | -8.6 | -24.5 | 29.6 | 7.5 | 2.0 | 2.0 | 2.0 |
| **Inflation (annual average)** | **5.3** | **7.3** | **6.7** | **6.2** | **4.9** | **4.3** | **4.1** | **4.0** | **4.0** |
| | | | | (Percent of GDP) | | | | | |
| **Gross national savings** | **9.1** | **10.1** | **10.1** | **3.1** | **6.6** | **8.7** | **10.3** | **11.9** | **13.6** |
| Central government 1/ | -0.4 | 1.1 | 1.4 | -1.1 | 2.1 | 3.6 | 4.6 | 5.7 | 6.1 |
| Rest of the economy | 9.5 | 9.1 | 8.6 | 4.1 | 4.5 | 5.1 | 5.7 | 6.2 | 7.5 |
| **Gross investment** | **19.3** | **21.3** | **18.9** | **10.6** | **14.8** | **16.6** | **17.4** | **18.1** | **18.8** |
| Central government 1/ | 5.6 | 5.6 | 5.4 | 3.3 | 4.6 | 5.3 | 5.4 | 5.7 | 6.1 |
| Rest of the economy | 13.8 | 15.7 | 13.5 | 7.3 | 10.1 | 11.3 | 12.0 | 12.4 | 12.7 |
| Private consumption | 72.2 | 72.6 | 72.7 | 77.5 | 74.8 | 74.4 | 73.9 | 73.0 | 72.1 |
| Public consumption | 20.9 | 20.2 | 20.1 | 22.1 | 20.7 | 19.8 | 19.0 | 18.1 | 18.1 |
| **Savings-investment balance** | **-10.2** | **-11.2** | **-8.8** | **-7.5** | **-8.1** | **-7.9** | **-7.1** | **-6.2** | **-5.2** |
| Central government 1/ | -6.0 | -4.6 | -4.0 | -4.4 | -2.5 | -1.7 | -0.9 | 0.0 | 0.0 |
| Rest of the economy | -4.3 | -6.6 | -4.8 | -3.1 | -5.6 | -6.3 | -6.3 | -6.1 | -5.1 |
| ***Memorandum items:*** | | | | | | | | | |
| Nominal GDP (in millions of TD) | 96,298 | 105,268 | 113,848 | 114,419 | 125,711 | 134,713 | 144,134 | 154,358 | 165,839 |
| Overall fiscal balance (excl. grants, pct. of GDP) 2/ | -6.1 | -4.8 | -4.1 | -5.3 | -2.8 | -2.0 | -1.2 | -0.3 | -0.3 |
| Social expenditures (pct. of GDP) 3/ | | | | | | | | | |
| Gross public debt (pct. of GDP) | 70.6 | 78.2 | 72.3 | 88.5 | 86.7 | 83.4 | 79.6 | 75.1 | 69.9 |
| Current account balance (pct. of GDP) | -10.2 | -11.2 | -8.8 | -7.5 | -8.1 | -7.9 | -7.1 | -6.2 | -5.2 |
| External debt (pct. of GDP) | 84.3 | 97.3 | 90.3 | 109.9 | 108.2 | 107.2 | 104.3 | 100.2 | 95.2 |
| Credit to the economy (yoy growth, pct.) | 12.7 | 9.3 | 3.5 | 5.3 | 5.4 | 5.9 | 6.4 | 6.9 | 7.4 |

Sources: Tunisian authorities; and IMF staff estimates.

1/ Excludes social security, public enterprises, and local governments.

2/ Including grants and excluding privatization.

3/ Public capital expenditures of key ministries and social transfers and programs.

## Table 11. Tunisia: Indicators of Fund Credit, 2017–25

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Prel. | Proj. | | | | | |
| **Existing and prospective Fund credit (millions of SDR)** | | | | | | | | | |
| Disbursements | 227.3 | 530.3 | 176.8 | 545.2 | - | - | - | - | - |
| Stock | 1,205.6 | 1,366.7 | 1,269.1 | 1,687.9 | 1,631.1 | 1,540.6 | 1,225.5 | 759.3 | 429.3 |
| Obligations | 251.6 | 402.1 | 310.2 | 162.9 | 94.3 | 125.5 | 344.0 | 479.7 | 336.5 |
| Repurchase | 227.0 | 369.3 | 274.4 | 126.4 | 56.8 | 90.5 | 315.2 | 466.2 | 329.9 |
| Charges and surcharges | 24.6 | 32.8 | 35.9 | 36.5 | 37.5 | 35.0 | 28.8 | 13.5 | 6.5 |
| **Stock of existing and prospective Fund credit** | | | | | | | | | |
| In percent of quota | 221.1 | 250.7 | 232.8 | 309.6 | 299.2 | 282.6 | 224.8 | 139.3 | 78.7 |
| In percent of GDP | 4.2 | 4.8 | 4.5 | 6.3 | 6.3 | 5.8 | 4.4 | 2.6 | 1.4 |
| In percent of exports of goods and services | 9.4 | 9.9 | 9.1 | 17.4 | 12.9 | 11.2 | 8.2 | 4.7 | 2.5 |
| In percent of gross reserves | 30.5 | 36.5 | 23.6 | 36.1 | 34.6 | 30.2 | 22.5 | 13.2 | 6.9 |
| **Obligations to the Fund from existing and prospective Fund arrangements** | | | | | | | | | |
| In percent of quota | 46.2 | 73.7 | 56.9 | 29.9 | 17.3 | 23.0 | 63.1 | 88.0 | 61.7 |
| In percent of GDP | 0.9 | 1.4 | 1.1 | 0.6 | 0.4 | 0.5 | 1.2 | 1.6 | 1.1 |
| In percent of external debt service | 11.5 | 22.5 | 12.4 | 6.4 | 2.8 | 5.0 | 12.6 | 14.6 | 11.6 |
| In percent of exports of goods and services | 2.0 | 2.9 | 2.2 | 1.7 | 0.7 | 0.9 | 2.3 | 3.0 | 2.0 |
| In percent of gross reserves | 6.4 | 10.7 | 5.8 | 3.5 | 2.0 | 2.5 | 6.3 | 8.4 | 5.4 |

Source: IMF staff estimates.

# Annex I. Public Debt Sustainability Analysis

***Tunisia's debt sustainability risks have increased substantially, as the Covid-19 shock will reverse a downward trend in debt stocks observed in 2019****. Risks to public debt sustainability include exchange rate depreciation, loose fiscal and monetary policies, and contingent liabilities, especially if combined with lower growth. External debt remains resilient to shocks, except for a large real exchange rate depreciation. Debt sustainability benefits from a low average interest rate, relatively long maturities, a substantial share of concessional debt, and a large grant element in new loans. In the period ahead, debt sustainability will crucially depend on financing provided to Tunisia on concessional terms.*

**1. The Covid-19 outbreak has challenged Tunisia's debt sustainability.** Although debt stocks declined in 2019 as a result of an appreciating dinar and lower fiscal and external deficits, the Covid-19 shock will likely reverse these trends and increase Tunisia's debt burden significantly. The steep fall in growth to an unprecedented -4.3 percent as well as the deterioration of the primary fiscal balance because of lower revenues and the crisis-response measures will weigh on debt ratios. In addition, the exchange rate has recently started to depreciate again.

**2. Nevertheless, Tunisia's public debt remains sustainable with strong policy implementation.** Under the baseline, staff projects that central government debt would peak at 88.5 percent of GDP in 2021 (from an average of 46 percent over 2010–14) before declining to below 70 percent by 2025. This is conditional on continuous policy efforts to reduce the budget deficit over 2021–25, building on the progress made over 2018–19. Gross financing needs are expected to stay elevated in the near term but would decline from 11.2 percent of GDP in 2020 to 6.7 percent by 2025. Stress scenarios identify significant risks from exchange rate depreciation, loose fiscal and monetary policies, and contingent liabilities, especially if combined with sustained lower growth.[1]

**3. Risks to Tunisia's public debt sustainability increased substantially**. Key risks stem from rapid real exchange rate depreciation, fiscal and monetary policy slippages, and contingent liabilities. Outcomes are also highly sensitive to changes in underlying assumptions.

- ***A series of stress tests highlights risks to debt sustainability.*** Tunisia's debt-to-GDP ratio exceeds the emerging market debt burden benchmark of 70 percent of GDP, which signals the need for cautious policies to maintain investor confidence. Stress tests confirm the vulnerability of the country's public debt to interest rate risk, a growth shock, and real exchange rate depreciation. Several standard tests plus two customized scenarios—assuming slippages in fiscal and monetary policies in a fragile socio-political environment and a major security incident—signal that the debt-to-GDP ratio could significantly deteriorate relative to the baseline and, in

[1] State guarantees (about 12 percent of GDP) are excluded from the baseline stock of debt; the contingent liability shock provides an estimate of the impact of most guarantees being called simultaneously.

the case of a combined macro-fiscal shock, push it above 100 percent. Moreover, the test including contingent liabilities highlights risks from government guarantees to SOEs.[2]

- ***The heat map flags the debt level and its composition as main risks.*** These risks are partly mitigated by continued access to concessional financing and steadfast fiscal adjustment.

- ***The stochastic approach stresses the risk of policy slippages.*** The asymmetric distribution of estimated outcomes in the fan chart shows that debt levels could become durably entrenched above 80 percent of GDP.

- ***Contingent risks from state-owned enterprises.*** Risks to public debt could emerge in the form of contingent liabilities from the SOE sector (as indicated by the stress tests) and also indirectly through the impact of potential SOE payment difficulties on the banking sector as SOEs represent about 10 percent of bank assets.

**4. Several factors may attenuate debt sustainability risks**. First, Tunisia has maintained access to financing at a low cost (Annex Figure I.1). Almost half of Tunisia's public debt is owed to bilateral donors and multilateral institutions with low average interest rates and relatively long maturities. In addition, most of Tunisia's Eurobond issuances are covered by third-party sovereign guarantees. Second, the risk of large exchange rate swings is mitigated through a relatively closed financial account except for FDI and long-term flows. Third, banks' exposure to sovereign debt remains low at 15 percent of GDP and the sector maintains long net open FX positions, shielding the banking sector's balance sheet from potential spillovers. The relatively low exposure of the banking sector leaves some room for more domestic issuances if needed (at the moment, treasury bills and bonds represent 29 percent of total public debt, most of which have maturities of five years or more).

**5. Overall, the analysis highlights that strong policy implementation and continued access to concessional financing will be critical to preserve Tunisia's debt sustainability.** Strong fiscal consolidation should continue as soon as the Covid-19 crisis abates. Quickly improving the primary fiscal balance from a deficit of -2.2 percent of GDP expected for 2020 to a surplus of 3.2 percent by 2024 will be crucial to reduce the public debt-to-GDP ratio to below 70 percent by 2025. Such an adjustment is ambitious but still looks feasible (as shown in Annex Table I.2). Effective contingency planning would be important to respond pro-actively to unanticipated negative shocks, including a more protracted recovery than currently assumed from the virus outbreak. This planning could involve a reprioritization of spending with the objective of reducing discretionary/non-urgent expenditure while safeguarding social programs. Moreover, it would be important to mobilize new budget financing to the maximum possible on concessional terms or in the form of grants.

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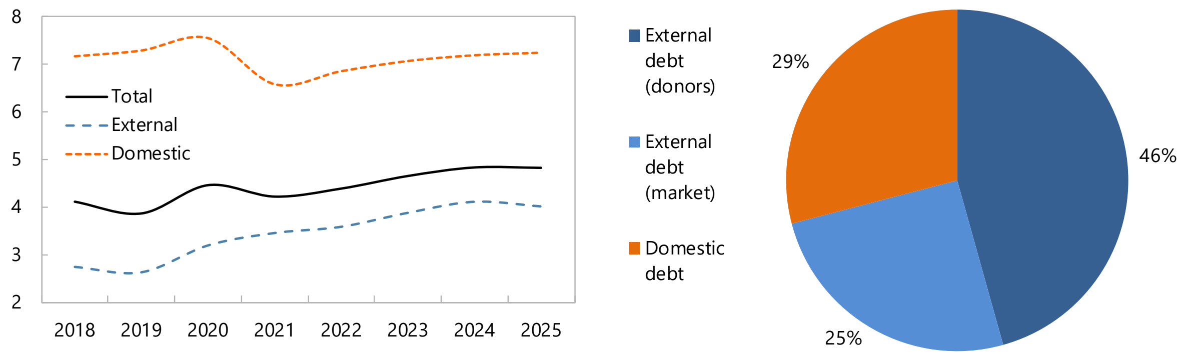
[2] The one-off 10 percent of GDP shock to contingent liabilities reflects an additional three percent of GDP in bank recapitalization costs and the realization of about 7 percent of GDP of the government's contingent liabilities to public enterprises.

### Annex Figure I.1. Tunisia: Central Government Debt

**a. Implicit Interest Rates, 2018–25**
(Percent)

**b. Composition, 2019**
(Percent of total)




Sources: Tunisian authorities, and IMF staff calculations and projections.

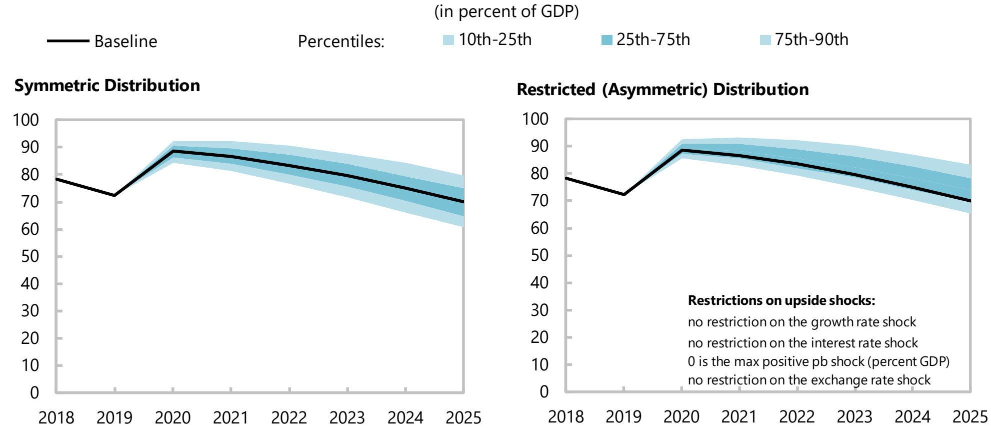
# Annex Table I.1. Tunisia: Public DSA Risk Assessment

### Heat Map

| | | | | | |
|---|---|---|---|---|---|
| Debt level [1/] | Real GDP Growth Shock | Primary Balance Shock | Real Interest Rate Shock | Exchange Rate Shock | Contingent Liability shock |
| Gross financing needs [2/] | Real GDP Growth Shock | Primary Balance Shock | Real Interest Rate Shock | Exchange Rate Shock | Contingent Liability Shock |
| Debt profile [3/] | Market Perception | External Financing Requirements | Change in the Share of Short-Term Debt | Public Debt Held by Non-Residents | Foreign Currency Debt |

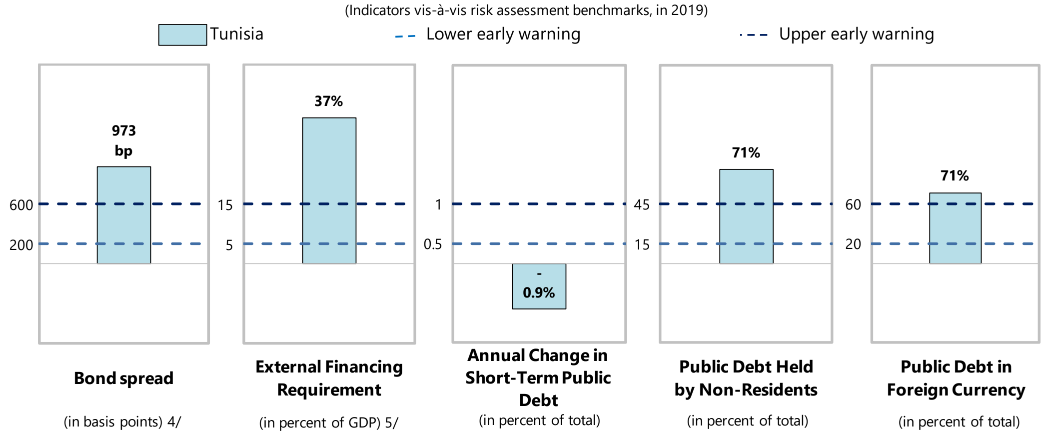
### Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)




### Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2019)




Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.
Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

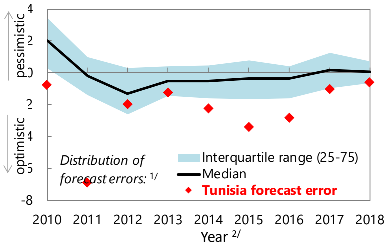
4/ Long-term bond spread over German bonds, an average over the last 3 months, 06-Dec-19 through 05-Mar-20.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

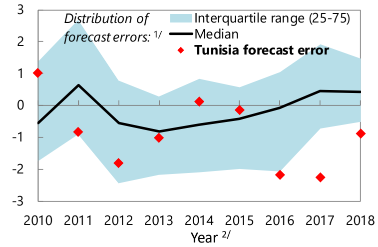
## Annex Table I.2. Tunisia: Realism of Baseline Assumptions

### Forecast Track Record, versus all countries

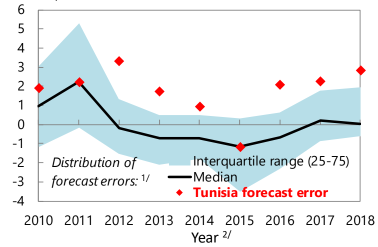
**Real GDP Growth**
(in percent, actual-projection)
Tunisia median forecast error, 2010-2018: **-1.96**
Has a percentile rank of: **3%**




**Primary Balance**
(in percent of GDP, actual-projection)
Tunisia median forecast error, 2010-2018: **-0.88**
Has a percentile rank of: **24%**

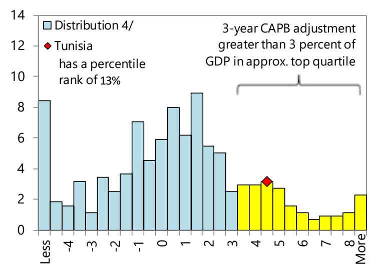



**Inflation (Deflator)**
(in percent, actual-projection)
Tunisia median forecast error, 2010-2018: **2.10**
Has a percentile rank of: **90%**

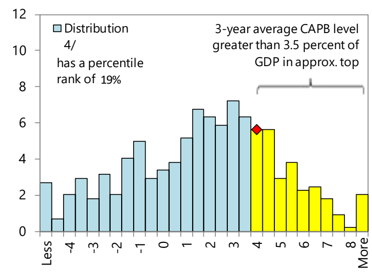



### Assessing the Realism of Projected Fiscal Adjustment

**3-Year Adjustment in Cyclically-Adjusted Primary Balance (CAPB)**
(Percent of GDP)

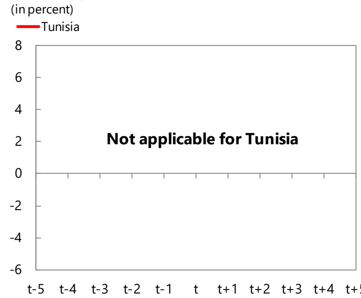



**3-Year Average Level of Cyclically-Adjusted Primary Balance (CAPB)**
(Percent of GDP)




### Boom-Bust Analysis 3/

**Real GDP growth**
(in percent)




Source : IMF Staff.
1/ Plotted distribution includes all countries, percentile rank refers to all countries.
2/ Projections made in the spring WEO vintage of the preceding year.
3/ Not applicable for Tunisia, as it meets neither the positive output gap criterion nor the private credit growth criterion.
4/ Data cover annual obervations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

# Annex Table I.3. Tunisia: Public Sector Debt Sustainability Analysis (DSA) – Baseline Scenario (Percent of GDP)

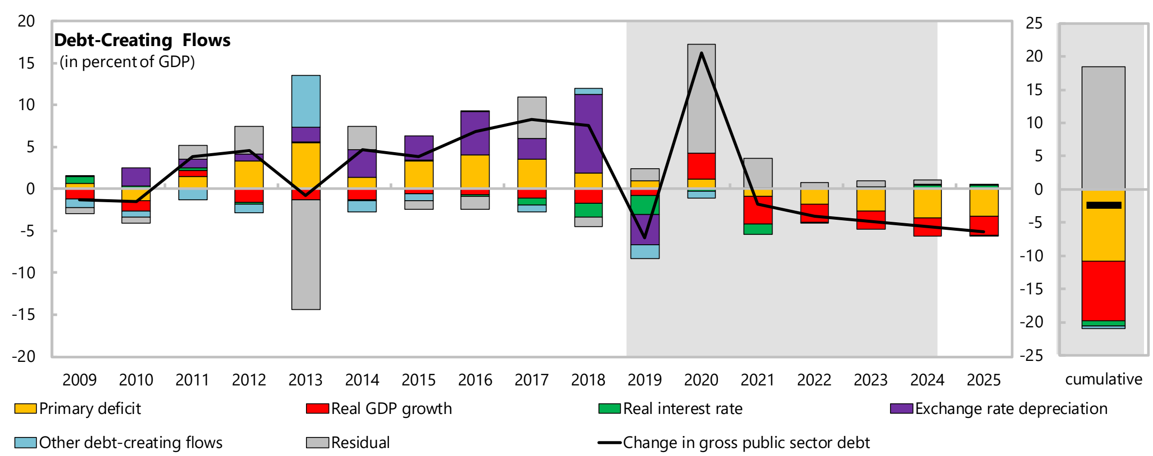
### Debt, Economic and Market Indicators [1/]

| | Actual | | | Projections | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2009-2017 [2/] | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Nominal gross public debt | 50.8 | 78.2 | 72.3 | 88.5 | 86.7 | 83.4 | 79.6 | 75.1 | 69.9 |
| Of which: guarantees | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public gross financing needs | 8.4 | 10.8 | 9.5 | 11.2 | 10.5 | 8.2 | 8.3 | 8.3 | 6.7 |
| Public debt (in percent of potential GDP) | 51.0 | 78.5 | 71.9 | 82.5 | 82.3 | 79.3 | 75.6 | 71.4 | 66.6 |
| Real GDP growth (in percent) | 2.1 | 2.7 | 1.0 | -4.3 | 4.1 | 2.7 | 2.7 | 3.0 | 3.3 |
| Inflation (GDP deflator, in percent) | 4.2 | 6.5 | 7.0 | 5.0 | 5.6 | 4.4 | 4.2 | 4.0 | 4.0 |
| Nominal GDP growth (in percent) | 6.4 | 9.3 | 8.2 | 0.5 | 9.9 | 7.2 | 7.0 | 7.1 | 7.4 |
| Effective interest rate (in percent) [4/] | 4.4 | 4.1 | 3.9 | 4.4 | 4.2 | 4.3 | 4.6 | 4.7 | 4.7 |

| As of March 30, 2020 | | |
|---|---|---|
| Sovereign Spreads | | |
| EMBIG (bp) 3/ | | 1002 |
| 5Y CDS (bp) | | 527 |
| Ratings | Foreign | Local |
| Moody's | B2 | B2 |
| S&Ps | n.a. | n.a. |
| Fitch | B+ | B+ |

### Contribution to Changes in Public Debt

| | Actual | | | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009-2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | cumulative | debt-stabilizing primary balance [9/] |
| Change in gross public sector debt | 3.2 | 7.6 | -5.8 | 16.2 | -1.8 | -3.3 | -3.8 | -4.5 | -5.2 | -2.4 | |
| Identified debt-creating flows | 3.7 | 8.7 | -7.3 | 3.1 | -5.3 | -4.0 | -4.5 | -5.1 | -5.0 | -20.9 | |
| Primary deficit | 2.5 | 1.9 | 1.0 | 1.2 | -0.8 | -1.8 | -2.7 | -3.4 | -3.2 | -10.8 | -1.8 |
| Primary (noninterest) revenue and grants | 24.5 | 26.2 | 28.0 | 26.4 | 27.8 | 28.5 | 28.7 | 28.7 | 28.7 | 168.8 | |
| Primary (noninterest) expenditure | 26.9 | 28.1 | 29.0 | 27.6 | 27.0 | 26.7 | 26.0 | 25.3 | 25.5 | 158.0 | |
| Automatic debt dynamics [5/] | 1.3 | 6.0 | -6.6 | 2.8 | -4.6 | -2.3 | -1.9 | -1.8 | -1.9 | -9.7 | |
| Interest rate/growth differential [6/] | -0.9 | -3.4 | -3.1 | 2.8 | -4.6 | -2.3 | -1.9 | -1.8 | -1.9 | -9.7 | |
| Of which: real interest rate | 0.0 | -1.6 | -2.3 | -0.3 | -1.3 | -0.2 | 0.2 | 0.5 | 0.4 | -0.7 | |
| Of which: real GDP growth | -0.9 | -1.7 | -0.8 | 3.1 | -3.3 | -2.1 | -2.1 | -2.2 | -2.3 | -9.0 | |
| Exchange rate depreciation [7/] | 2.2 | 9.4 | -3.6 | … | … | … | … | … | … | … | |
| Other identified debt-creating flows | -0.1 | 0.7 | -1.7 | -0.8 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | -0.4 | |
| Privatization, confiscated asset sales, and other (negative) | -0.3 | -0.1 | -0.8 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | |
| Contingent liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Change in deposits | 0.2 | 0.9 | -0.8 | -0.7 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | -0.1 | |
| Residual, including asset changes [8/] | -0.5 | -1.1 | 1.4 | 13.0 | 3.6 | 0.7 | 0.6 | 0.6 | -0.1 | 18.5 | |




Source: IMF staff.

1/ Public sector is defined as central government and includes public guarantees, defined as .

2/ Based on available data.

3/ Long-term bond spread over German bonds.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

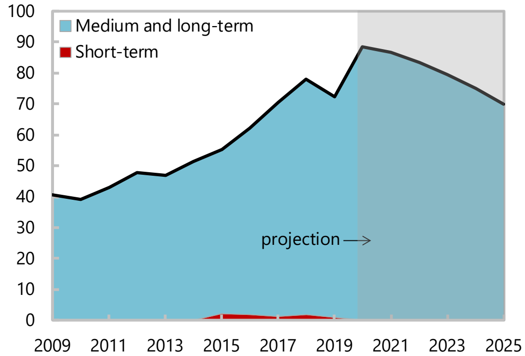
8/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

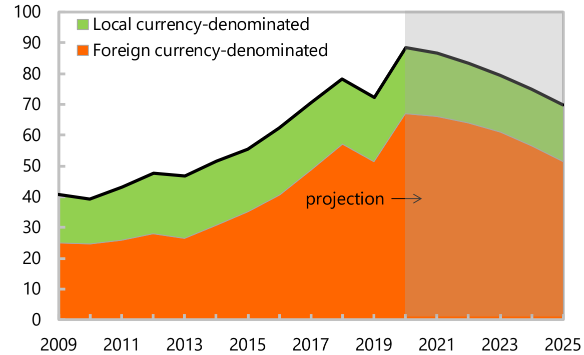
## Annex Table I.4. Tunisia: Composition of Public Debt and Alternative Scenarios

### Composition of Public Debt

**By Maturity**
(in percent of GDP)



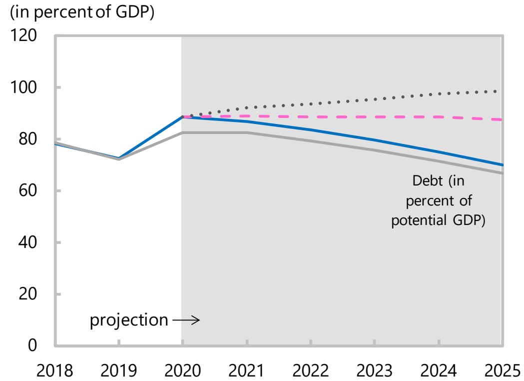

**By Currency**
(in percent of GDP)



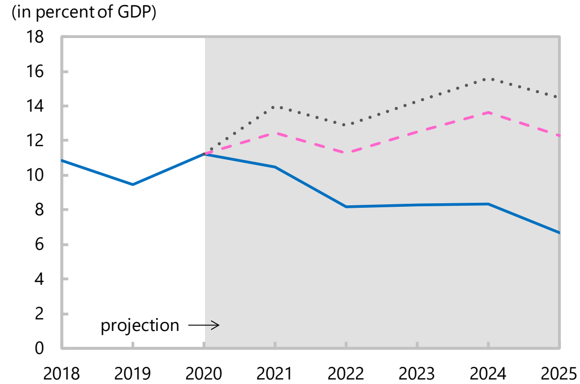

### Alternative Scenarios

Baseline    Historical    Constant Primary Balance

**Gross Nominal Public Debt**
(in percent of GDP)




**Public Gross Financing Needs**
(in percent of GDP)




### Underlying Assumptions
(in percent)

| Baseline Scenario | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| Real GDP growth | -4.3 | 4.1 | 2.7 | 2.7 | 3.0 | 3.3 |
| Inflation | 5.0 | 5.6 | 4.4 | 4.2 | 4.0 | 4.0 |
| Primary Balance | -1.2 | 0.8 | 1.8 | 2.7 | 3.4 | 3.2 |
| Effective interest rate | 4.4 | 4.2 | 4.3 | 4.6 | 4.7 | 4.7 |
| **Constant Primary Balance Scenario** | | | | | | |
| Real GDP growth | -4.3 | 4.1 | 2.7 | 2.7 | 3.0 | 3.3 |
| Inflation | 5.0 | 5.6 | 4.4 | 4.2 | 4.0 | 4.0 |
| Primary Balance | -1.2 | -1.2 | -1.2 | -1.2 | -1.2 | -1.2 |
| Effective interest rate | 4.4 | 4.2 | 4.3 | 4.7 | 4.8 | 5.0 |

| Historical Scenario | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| Real GDP growth | -4.3 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 |
| Inflation | 5.0 | 5.6 | 4.4 | 4.2 | 4.0 | 4.0 |
| Primary Balance | -1.2 | -2.4 | -2.4 | -2.4 | -2.4 | -2.4 |
| Effective interest rate | 4.4 | 4.2 | 4.3 | 4.6 | 4.7 | 4.8 |

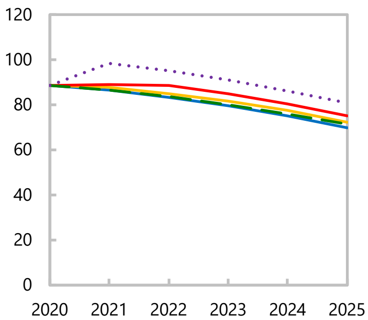
Source: IMF staff.

# Annex Table I.5: Tunisia: Public DSA Stress Tests

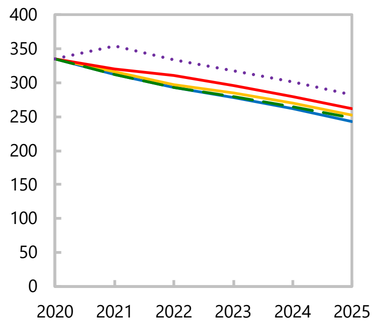
## Macro-Fiscal Stress Tests

Baseline
Real GDP Growth Shock
Primary Balance Shock
Real Exchange Rate Shock
Real Interest Rate Shock

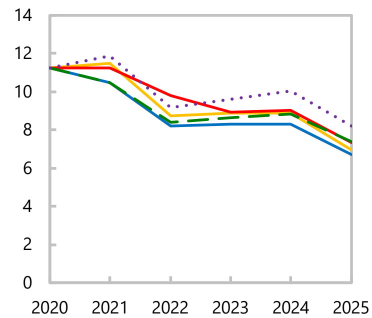
**Gross Nominal Public Debt**
(in percent of GDP)



**Gross Nominal Public Debt**
(in percent of Revenue)



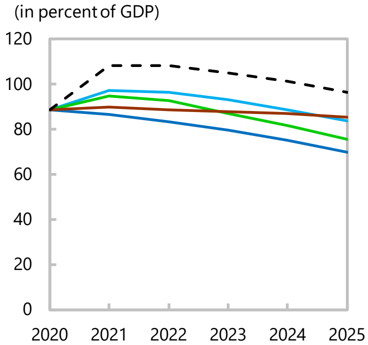
**Public Gross Financing Needs**
(in percent of GDP)



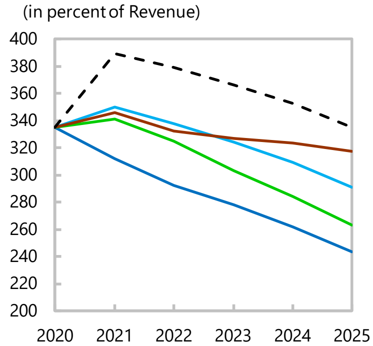
## Additional Stress Tests

Baseline
Security shock
Combined Macro-Fiscal Shock
No fiscal reforms
Contingent Liability Shock

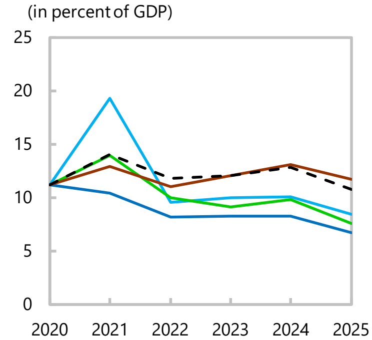
**Gross Nominal Public Debt**
(in percent of GDP)



**Gross Nominal Public Debt**
(in percent of Revenue)



**Public Gross Financing Needs**
(in percent of GDP)



## Underlying Assumptions
(in percent)

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| **Nominal Debt (in percent of GDP)** | | | | | | |
| Real GDP growth | -4.3 | 4.1 | 2.7 | 2.7 | 3.0 | 3.3 |
| Inflation | 5.0 | 5.6 | 4.4 | 4.2 | 4.0 | 4.0 |
| Primary balance | -1.2 | -0.2 | 1.3 | 2.2 | 3.0 | 3.2 |
| Effective interest rate | 4.4 | 4.2 | 4.4 | 4.7 | 4.8 | 4.8 |
| **Real Interest Rate Shock** | | | | | | |
| Real GDP growth | -4.3 | 4.1 | 2.7 | 2.7 | 3.0 | 3.3 |
| Inflation | 5.0 | 5.6 | 4.4 | 4.2 | 4.0 | 4.0 |
| Primary balance | -1.2 | 0.8 | 1.8 | 2.7 | 3.4 | 3.2 |
| Effective interest rate | 4.4 | 4.2 | 4.5 | 5.0 | 5.3 | 5.6 |
| **Combined Shock** | | | | | | |
| Real GDP growth | -4.3 | 2.4 | 1.0 | 2.7 | 3.0 | 3.3 |
| Inflation | 5.0 | 5.1 | 4.0 | 4.2 | 4.0 | 4.0 |
| Primary balance | -1.2 | -0.2 | 0.7 | 2.2 | 3.0 | 3.2 |
| Effective interest rate | 4.4 | 4.9 | 4.5 | 5.0 | 5.3 | 5.6 |

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| **Nominal Debt (in percent of GDP)** | | | | | | |
| Real GDP growth | -4.3 | 2.4 | 1.0 | 2.7 | 3.0 | 3.3 |
| Inflation | 5.0 | 5.1 | 4.0 | 4.2 | 4.0 | 4.0 |
| Primary balance | -1.2 | 0.3 | 0.7 | 2.7 | 3.4 | 3.2 |
| Effective interest rate | 4.4 | 4.2 | 4.3 | 4.7 | 4.8 | 4.8 |
| **Real Exchange Rate Shock** | | | | | | |
| Real GDP growth | -4.3 | 4.1 | 2.7 | 2.7 | 3.0 | 3.3 |
| Inflation | 5.0 | 12.4 | 4.4 | 4.2 | 4.0 | 4.0 |
| Primary balance | -1.2 | 0.8 | 1.8 | 2.7 | 3.4 | 3.2 |
| Effective interest rate | 4.4 | 4.9 | 4.2 | 4.5 | 4.6 | 4.7 |
| **Contingent Liability Shock** | | | | | | |
| Real GDP growth | -4.3 | 2.4 | 1.0 | 2.7 | 3.0 | 3.3 |
| Inflation | 5.0 | 5.1 | 4.0 | 4.2 | 4.0 | 4.0 |
| Primary balance | -1.2 | -7.6 | 1.8 | 2.7 | 3.4 | 3.2 |
| Effective interest rate | 4.4 | 4.4 | 4.9 | 5.2 | 5.2 | 5.3 |

Source: IMF staff.

# Annex II. External Debt Sustainability Analysis

1. **Tunisia's external debt has been rising since 2011.** After a sharp decline during the 2000s (from 61 to 49 percent of GDP between 2002 and 2010), the trend in external debt reversed after the revolution and debt peaked at 97 percent of GDP in 2018. Aided by currency appreciation over the course of 2019 and a lower current account deficit, the external debt-to-GDP ratio moderated to 90 percent at end-2019. Most of the new debt commitments are either with official creditors or backed by a third-party guarantee (see IMF Country Report No.17/203), except for Eurobond issuances of US$1 billion in January 2015, EUR 850 million in February 2017, EUR 500 million in October 2018, and EUR 695 million in July 2019 (Annex Table II.1).

2. **External debt will continue to increase.** On the back of the recent Eurobond issuance and continued official funding, and a partially guaranteed sovereign placement expected for the third quarter, external debt is expected to peak at 110 percent of GDP in 2020. After that, improving current account dynamics would lead to a gradual decline to 95 percent of GDP by the end of 2025 (Annex Table II.2).

3. **External debt would remain resilient to shocks, except for exchange rate depreciation.** Tunisia's debt profile is characterized by a low average interest rate, relatively long maturities, a substantial share of concessional debt, and a large grant element on new external debt (see IMF Country Report No.19/223). This makes the debt robust to most shocks, except for a large real exchange rate depreciation. The DSA results suggest that the external debt-to-GDP ratio would remain below 113 percent of GDP throughout the projection period under all but the FX depreciation scenario. For example, a negative combined shock to the real interest rate, growth and the current account would increase the debt ratio to 100 percent of GDP by the end of 2025 compared with 95 percent under the baseline. However, a sharp real exchange rate depreciation (one-time 30 percent in the second year of projection) would propel the external debt ratio to 140 percent of GDP in 2022 before declining to 128 percent at the end of the projection horizon (Annex Figure II.1).

## Annex Table II.1. Tunisia: External Debt Stock: Composition, 2018

| | TD Mio | US$ Mio | %GDP | % of total |
|---|---|---|---|---|
| **Total external debt stock** | **102,688** | **34,293** | **97.5** | **100** |
| **Maturity** | | | | |
| MLT | 78,454 | 26,200 | 74.5 | 76.4 |
| ST | 24,234 | 8,093 | 23.0 | 23.6 |
| **Currency** | | | | |
| US$ | 22,797 | 7,613 | 21.7 | 22.2 |
| EUR | 57,095 | 19,067 | 54.2 | 55.6 |
| JPY | 9,550 | 3,189 | 9.1 | 9.3 |
| Others | 13,247 | 4,424 | 12.6 | 12.9 |
| **Interest** | | | | |
| **Fixed rates** | **73,114** | **24,417** | **69.5** | **71.2** |
| 0 % | 308 | 103 | 0.3 | 0.3 |
| 0% < i < 5% | 64,796 | 21,639 | 61.6 | 63.1 |
| 5% < i < 7% | 7,804 | 2,606 | 7.4 | 7.6 |
| 7% < i < 10% | 205 | 69 | 0.2 | 0.2 |
| >10% | 0 | 0 | 0.0 | 0.0 |
| **Variable rates** | **29,574** | **9,876** | **28.1** | **28.8** |
| **Creditor, 2017** | | | | |
| **Total** | **80,856** | **32,552** | **84.0** | **100.0** |
| **Official** | **45,323** | **18,247** | **47.1** | **56.1** |
| Multilateral | 32,852 | 13,226 | 34.1 | 40.6 |
| o/w AfDB | 7,937 | 3,195 | 8.2 | 9.8 |
| o/w EIB | 6,755 | 2,720 | 7.0 | 8.4 |
| o/w IMF | 4,238 | 1,706 | 4.4 | 5.2 |
| o/w World Bank | 8,117 | 3,268 | 8.4 | 10.0 |
| Bilateral | 12,471 | 5,021 | 13.0 | 15.4 |
| G-7 | 7,642 | 3,077 | 7.9 | 9.5 |
| o/w France | 4,448 | 1,791 | 4.6 | 5.5 |
| o/w Japan | 1,590 | 640 | 1.7 | 2.0 |
| Other | 4,829 | 1,944 | 5.0 | 6.0 |
| o/w Saudi Arabia | 404 | 163 | 0.4 | 0.5 |
| o/w Kuwait | 189 | 76 | 0.2 | 0.2 |
| **Private** | **17,198** | **6,924** | **17.9** | **21.3** |
| Market | 17,198 | 6,924 | 17.9 | 21.3 |
| o/w guaranteed | 5,769 | 2,323 | 6.0 | 7.1 |
| Banks | 0 | 0 | 0.0 | 0.0 |
| **Other (incl. sukuk)** | **18,335** | **7,381** | **19.0** | **22.7** |

| | TD Mio | US$ Mio | %GDP | % of total |
|---|---|---|---|---|
| **Debtor** | | | | |
| **Public** | **75,215** | **25,119** | **71.5** | **73.2** |
| Administration | 60,773 | 20,296 | 57.7 | 59.2 |
| CG | 54,341 | 18,148 | 51.6 | 52.9 |
| CBT | 6,432 | 2,148 | 6.1 | 6.3 |
| SoEs | 14,442 | 4,823 | 13.7 | 14.1 |
| **Private** | **27,473** | **9,175** | **26.1** | **26.8** |
| **Debtor, MLT** | | | | |
| **Public** | **74,579** | **24,906** | **70.8** | **72.6** |
| Administration | 60,136 | 20,083 | 57.1 | 58.6 |
| CG | 54,341 | 18,148 | 51.6 | 52.9 |
| CBT | 5,795 | 1,935 | 5.5 | 5.6 |
| SoEs | 14,442 | 4,823 | 13.7 | 14.1 |
| **Private** | **3,876** | **1,294** | **3.7** | **3.8** |
| **Debtor, ST** | | | | |
| **Public** | **637** | **213** | 0.6 | **0.6** |
| Administration | 637 | 213 | 0.6 | 0.6 |
| CG | 0 | 0 | 0.0 | 0.0 |
| CBT | 637 | 213 | 0.6 | 0.6 |
| SoEs | 0 | 0 | 0.0 | 0.0 |
| **Private** | **23,597** | **7,880** | **22.4** | **23.0** |
| *Memo items:* | 2017 | 2018 | | |
| GDP (Mio TD) | 96,298 | 105,268 | | |
| TD/US$ (eop) | 2.48 | 2.99 | | |

Source: Tunisian authorities and IMF staff calculations.

# Annex Table II.2. Tunisia: External Debt Sustainability Framework, 2015–2025

## (Percent of GDP, unless otherwise indicated)

| | Actual | | | | | | | Projections | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | |
| | | | | | | | | I. Baseline Projections | | | | | | Debt-stabilizing non-interest current account 6/ |
| **External debt** | **65.4** | **72.5** | **84.3** | **97.3** | **90.3** | | | **109.9** | **108.2** | **107.2** | **104.3** | **100.2** | **95.2 #** | **-6.5** |
| Change in external debt | 4.4 | 7.2 | 11.8 | 13.0 | -7.0 | | | 19.6 | -1.7 | -1.0 | -2.9 | -4.1 | -5.0 # | |
| Identified external debt-creating flows (4+8+9) | 8.0 | 12.5 | 8.2 | 18.8 | -7.0 | | | 22.5 | 3.0 | -1.4 | -1.3 | -2.2 | -3.7 | |
| Current account deficit, excluding interest payments | 7.3 | 7.3 | 8.3 | 9.3 | 6.6 | | | 5.8 | 5.5 | 5.1 | 4.2 | 3.3 | 3.0 | |
| Deficit in balance of goods and services | 10.3 | 10.9 | 12.0 | 13.1 | 10.6 | | | 10.6 | 9.9 | 10.1 | 9.5 | 8.3 | 8.1 | |
| Exports | 36.8 | 39.3 | 42.3 | 49.0 | 48.6 | | | 39.9 | 50.7 | 51.7 | 53.0 | 54.1 | 54.0 | |
| Imports | 47.1 | 50.2 | 54.2 | 62.1 | 59.2 | | | 50.6 | 60.5 | 61.8 | 62.5 | 62.4 | 62.2 | |
| Net non-debt creating capital inflows (negative) | -2.9 | -3.1 | -1.8 | -2.3 | -2.7 | | | -2.8 | -1.4 | -2.1 | -2.4 | -2.5 | -2.5 | |
| Automatic debt dynamics 1/ | 3.6 | 8.3 | 1.6 | 11.8 | -10.9 | | | 19.6 | -1.1 | -4.4 | -3.1 | -3.1 | -4.2 | |
| Contribution from nominal interest rate | 1.7 | 1.9 | 2.0 | 2.1 | 1.9 | | | 2.5 | 2.4 | 2.8 | 2.8 | 2.9 | 2.7 | |
| Contribution from real GDP growth | -0.7 | -0.9 | -1.4 | -2.5 | -0.9 | | | 4.6 | -4.3 | -2.7 | -2.7 | -3.0 | -3.1 | |
| Contribution from price and exchange rate changes 2/ | 2.7 | 7.3 | 1.0 | 12.3 | -11.9 | | | 12.5 | 0.8 | -4.5 | -3.3 | -3.0 | -3.8 | |
| Residual, incl. change in gross foreign assets (2-3) | -3.6 | -5.3 | 3.6 | -5.8 | 0.0 | | | -2.9 | -4.7 | 0.4 | -1.5 | -1.9 | -1.3 | |
| External debt-to-exports ratio (in percent) | 177.4 | 184.3 | 199.5 | 198.6 | 185.7 | | | 275.0 | 213.5 | 207.4 | 196.8 | 185.3 | 176.2 | |
| **Gross external financing need (in billions of US dollars) 3/** | 12.5 | 12.2 | 12.2 | 13.2 | 14.2 | | | 14.3 | 13.3 | 12.7 | 14.1 | 15.4 | 14.9 | |
| in percent of GDP | 26.3 | 28.4 | 29.1 | 33.3 | 35.7 | 10-Year Historical Average | 10-Year Standard Deviation | 42.8 | 38.5 | 34.3 | 36.1 | 37.0 | 33.5 | Projected Average |
| **Key Macroeconomic Assumptions** | | | | | | | | | | | | | | |
| | 38.9 | 44.9 | 43.5 | 44.3 | 46.3 | | | 46.0 | 47.8 | 49.7 | 52.1 | 54.8 | 58.1 | |
| Real GDP growth (in percent) | 1.2 | 1.2 | 1.9 | 2.7 | 1.0 | 1.9 | 1.7 | -4.3 | 4.1 | 2.7 | 2.7 | 3.0 | 3.3 | 1.9 |
| Exchange rate appreciation (US dollar value of local currency, pct.change) | -8.4 | -13.1 | -5.8 | -17.0 | 7.0 | -7.1 | 6.5 | -18.0 | -5.5 | -1.2 | -1.2 | -1.2 | 0.0 | -4.5 |
| GDP deflator in US dollars (change in percent) | -4.2 | -10.1 | -1.4 | -12.7 | 13.9 | -2.9 | 7.4 | -12.2 | -0.8 | 4.3 | 3.1 | 3.0 | 4.0 | 0.2 |
| Growth of exports (US dollar terms, in percent) | -19.1 | -3.2 | 4.0 | 10.4 | -0.9 | 0.0 | 8.5 | -30.9 | 31.0 | 9.2 | 8.6 | 8.2 | 7.3 | 5.6 |
| Growth of imports (US dollar terms, in percent) | -17.3 | -3.5 | 4.6 | 9.1 | -4.8 | 1.4 | 8.9 | -28.2 | 23.7 | 9.3 | 7.0 | 5.9 | 7.0 | 4.1 |
| Current account balance, excluding interest payments | -7.3 | -7.3 | -8.3 | -9.3 | -6.6 | -7.3 | 1.6 | -5.8 | -5.5 | -5.1 | -4.2 | -3.3 | -3.0 | -4.5 |
| Net non-debt creating capital inflows | 2.9 | 3.1 | 1.8 | 2.3 | 2.7 | 2.8 | 0.9 | 2.8 | 1.4 | 2.1 | 2.4 | 2.5 | 2.5 | 2.3 |
| | | | | | | | | II. Stress Tests for External Debt Ratio | | | | | | Debt-stabilizing non-interest current account 6/ |
| **A. Alternative Scenarios (with key variables at their historical averages) 5/** | | | | | | | | | | | | | | |
| A1. Key variables are at their historical averages in 2020-2025 4/ | | | | | | | | 88.1 | 92.8 | 101.6 | 109.0 | 116.4 | 124.5 | 2.5 |
| A2. Security shock | | | | | | | | 88.1 | 107.3 | 121.8 | 124.5 | 120.7 | 116.4 | -5.7 |
| A3. No fiscal reforms | | | | | | | | 88.1 | 107.5 | 111.0 | 110.0 | 108.0 | 105.5 | -4.9 |
| **B. Bound Tests** | | | | | | | | | | | | | | |
| B1. Nominal interest rate is at baseline plus one-half standard deviation | | | | | | | | 88.1 | 109.2 | 111.9 | 110.0 | 107.1 | 103.9 | -4.9 |
| B2. Real GDP growth is at baseline minus one-half standard deviations | | | | | | | | 88.1 | 102.1 | 107.3 | 106.1 | 103.5 | 101.1 | -4.2 |
| B3. Non-interest current account is at baseline minus one-half standard deviations | | | | | | | | 88.1 | 109.5 | 112.5 | 110.3 | 107.1 | 104.1 | -5.4 |
| B4. Combination of B1-B3 using 1/4 standard deviation shocks | | | | | | | | 88.1 | 101.9 | 106.8 | 105.5 | 102.8 | 100.3 | -4.7 |
| B5. One time 30 percent real depreciation in 2021 | | | | | | | | 88.1 | 137.3 | 139.9 | 136.9 | 132.8 | 128.3 | -6.5 |

Sources: IMF Country desk data; and staff estimates.

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

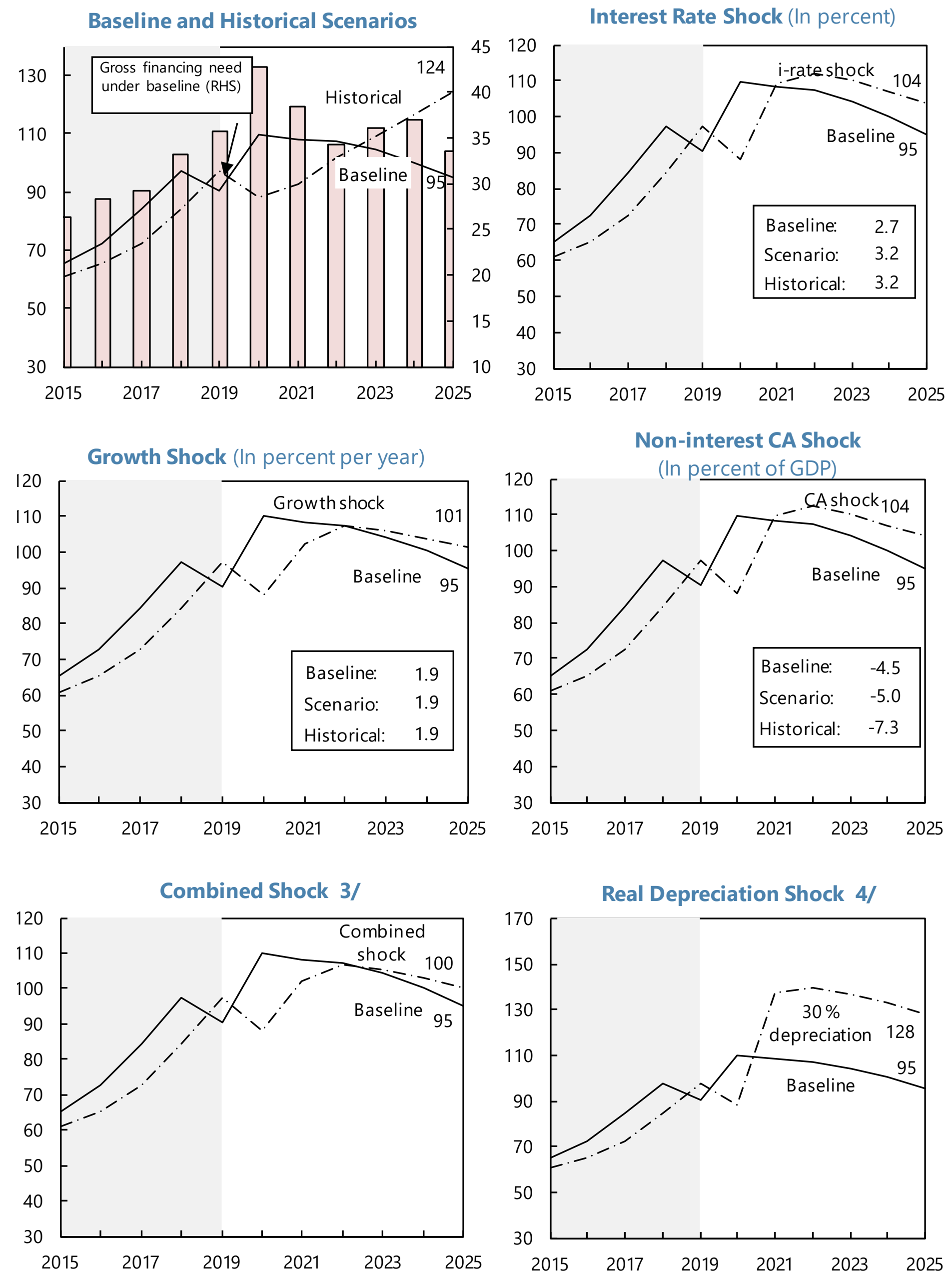
3/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

4/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

5/ The implied change in other key variables under this scenario is discussed in the text.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

## Annex Figure II.1. Tunisia: External Debt Sustainability: Bound Tests 1/ 2/
(Percent of GDP)




Sources: IMF, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks (except for growth which is a 3/4th standard deviation). Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2019.

# Attachment I. Letter of Intent

Tunis, April 2, 2020

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, D.C. 20431
USA

Madame Managing Director,

1. Tunisia was hit hard by the Covid-19 pandemic. The first case of Covid-19 was reported on March 2. Initially an imported disease, new cases have been surging among people with no travel history. The total number of confirmed cases to date amounts to about 300. Like other countries, this apparently low number conceals however a more complex reality. The Tunisian population is particularly exposed to the pandemic given the country's geographical proximity to the current disease clusters in South Europe, and the intensive human and economic relations between Tunisia and its European neighbors. Tunisia has around 217,000 nationals in Italy, 824,000 in France, and 103,000 in Germany. Since the beginning of the year, Tunisia has received 1.1 million visitors (nationals and foreigners) including from its most hit European neighbors, multiplying the risks of contamination for the local population. The extent of the pandemic is not fully known: the health system is under-resourced and does not allow yet extensive testing of the population. The virus must have inexorably reached all regions of the country including the disadvantaged ones, in connection with the visits of Tunisians working overseas to their families.

2. The economic consequences of the pandemic for Tunisia are expected to be severe and to jeopardize some of the macroeconomic achievements of 2019. As in other countries hit by the shock, Tunisia will likely experience a steep recession in 2020 with growth falling by up to 4.3 percent although exceptionally high uncertainty today does not allow for any precise projections. The initial impact of the pandemic may be exacerbated through several channels: (1) the containment measures taken by the government will directly and immediately affect small businesses and will slow down an already weak domestic activity; (2) unforeseen health care costs will weigh on a tight budget with weak buffers to meet these expenses; (3) the consequences of the declining global demand, border closures, and the disruption of the supply chain will affect the Tunisian exporting sector and weigh on remittances from diaspora; and importantly (4) the anticipated strains on the tourism sector, a pillar of the Tunisian economy (7 percent of GDP), could lead to a shortfall of 4 billion dinars of FX revenues this year, and threaten an estimated 150,000 direct jobs and 250,000 indirect jobs.

3. In this difficult context, Tunisia will benefit from our recent efforts to improve macroeconomic stability, and notably our success in (i) containing inflation at 6.7 percent in 2019 compared with 7.3 percent in 2018, (ii) reducing external vulnerabilities through a reduction in the

current account deficit to 8.8 percent of GDP in 2019 from 11.2 percent in 2018, (iii) building up reserve buffers to US$7.4 billion by the end of 2019 from US$5.2 billion at the end of 2018, (iv) narrowing the fiscal deficit to 3.9 percent in 2019 from 4.6 percent in 2018, and (v) curbing the trajectory in the public debt/GDP ratio to 72 percent by the end of 2019 from 78 percent at the end of 2018.

4. Since the virus outbreak, the Government's priority was to contain the spread of the disease and address the public health threat. Day after day, measures were tightened, going from closure of schools and universities, to the announcement, on March 13, of quasi level-3 epidemic prevention measures, including the closure of all maritime borders to travel, the suspension or restriction on flights to-and-from affected countries, followed by the closure of airspace and compulsory self-isolation measures for 14 days for all those entering the Tunisian territory, bans of public gatherings, cancellation of fairs and exhibitions, closure of places of worship, a night curfew, completed by general confinement starting March 22.

5. Beyond these immediate responses, the government has adopted a set of measures to address the Covid-19 outbreak in a broader perspective (see LOI Table 1). These measures, whose cost to the central government budget is estimated at about TD 2 billion, include support for the health sector, including through the purchase of emergency medical equipment and medicine, support for low-income households and other vulnerable segments of society, and support for firms suffering from financial stress due to the spreading virus. We are committed to ensuring maximum effectiveness of these measures by targeted assistance programs (especially toward AMG1 and AMG2) and strong governance and transparency in their implementation. To contain pressures on the budget, we commit to reviewing these time-bound measures on a monthly basis with the objective of phasing them out as soon as they are no longer needed. The measures will not become permanent.

6. To create space for the Covid-19 response measures while maintaining fiscal stability, the government has already taken steps to limit budgetary pressures and reduce urgent balance of payments needs. First, we introduced an automatic price adjustment mechanism for the three main car fuels (gasoil, gasoil 50, essence) to ensure convergence of pump prices with import prices and hence full cost recovery. This will be important to eliminate a big structural risk to our budget. The mechanism, which is based on by-law (arrêté) 028 published in the official gazette on April 3, 2020, will apply monthly adjustments to the pump prices of the three fuels to bring them in line with import prices plus a fixed mark-up for distribution and other costs. The maximum monthly change will be limited to +/- 1.5 percent from the existing pump prices in a first time of its application to avoid large price changes for consumers and firms in the short run; the maximum change will be increased to +/- 2 percent -at the latest by January 2021. In case the international price for Brent oil increases to at least US$45 per barrel, the change to the +/- 2 percent band will be applied from the first month after crossing the US$45 threshold. Price changes will be automatically applied as signaled by the pricing formula, with the process being overseen by a technical commission headed by the Ministry of Energy. The mechanism will be applied for the first time by April 8, resulting in a reduction of pump prices by 1.5 percent across all covered fuel categories. Second, we introduced

emergency measures on the civil service wage bill to prevent any hiring, non-statutory promotions, or new wage increases for 2020 beyond those already agreed with the UGTT labor union. Third, we increased tobacco prices in March for an expected yield of TD 200 million. Finally, we are implementing a temporary and targeted rescheduling of TD 3.4 billion in public investment to open space for Covid-19-related capital expenditures. The savings will be achieved through the delay of lower-priority projects to minimize the negative impact on growth and will be implemented through directives issued to the relevant line ministries.

7. Despite these difficult but necessary measures, we expect a larger than projected fiscal deficit for which about US$1 billion (or 2.6 percent of GDP) in additional external financing would still need to be mobilized. The BOP need will be even larger, given the expected fallout of the Covid-19 outbreak also on the private sector and its access to external financing. To help cover these urgent budget and BOP needs, Tunisia requests emergency financing from the IMF in the equivalent of SDR 545.2 million (about US$753.2 million), corresponding to a purchase of 100 percent of quota under the Rapid Financing Instrument (RFI). The government also requests cancellation of the current Extended Fund Facility arrangement with the Fund.

8. The RFI will contain short-term risks and provide a bridge towards a more durable solution to Tunisia's macroeconomic imbalances. It will be critical to help us cover the urgent scaling up of our medical response to the virus outbreak and address priority needs of low-income households and firms under stress. It will also help us in maintaining a reserve buffer above 3 months of imports to insure our economy against shocks or in the event of a protracted recovery from the Covid-19 outbreak.

9. To further reduce short-term risks, we will ensure realistic costing and maximum effectiveness of our fiscal crisis-response measures and will introduce safeguards to prevent the measures from becoming permanent. Moreover, we commit to addressing two structural challenges that weigh heavily on Tunisia's budgets once the current crisis abates. First, we plan to durably reduce the subsidies for electricity and natural gas while preserving social tariffs. This work stream will start with us adopting a reform strategy with the assistance of the World Bank. We will also implement a natural gas price increase after the Covid-19 crisis subsides to reduce the pressure of this subsidy on the budget. Achieving additional savings on the civil service wage bill will be another priority. We will start negotiations with the UGTT labor union to this effect in April 2020, including on wage policies for 2021 and the medium term; and have already started with an audit of the civil service to detect and reduce absenteeism and ghost workers. We consider all these measures critical for containing the increase in the fiscal deficit, limiting cuts in public investment to make room for crisis-related spending, and maintaining debt sustainability.

10. The CBT commits to pursuing a regular policy dialogue with IMF staff based on high-frequency data. Consistent with its price stability mandate, CBT stands ready to tighten monetary policy in case of a buildup of depreciation expectations that could lead to exacerbating pressure on inflation prospects. To preserve its international reserves, the CBT will also refrain from other FX interventions than those necessary to ensure price discovery; it will consult with IMF staff in the event of pressures on the FX market. We will monitor very closely the evolutions of the banking

sector, in particular with respect to credit and deposit growth and asset quality. Loan classification and provisioning rules will not be eased, and any loan guarantees and subsidies will be provided by the government rather than the CBT.

11. To further reduce budget and BOP pressures, we will intensify our efforts to mobilize additional financing, especially from our external official partners. We are already receiving pledges from several multilateral and bilateral partners to help with our Covid-19 response. We are also working with partner governments on a potential guarantee for future sovereign bond issuances in the currently difficult international context; and will further step-up our efforts to maximize financing from multilateral and bilateral sources. In this regard, we support the call of the WBG/IMF on all official bilateral development partners to mobilize further financing. We also established a National Solidarity Fund for grants from the Tunisian population, which already collected TD 140 million out of the TD 170 million expected for this year.

12. The RFI will pave the way for an EFF request to support our efforts to resume macroeconomic adjustment and support sustainable and inclusive growth. The new government is committed to request an EFF successor arrangement as soon as possible, in support of its economic policy reform agenda that is currently under development. Our fiscal priorities to reduce our large debt burden and make our budget more supportive of growth and fairness will include the reduction of the large civil service wage bill as a percentage of GDP, the phasing out of energy subsidies, a reform of state-owned enterprises and the implementation of an effective social safety net especially for low-income households. To further foster inclusive growth in the economy, we will introduce measures to revive the economy and support SMEs, enforce the rule of law and advance in the fight against corruption, and improve public services especially in the areas of education, health, and digitization.

13. We intend to continue the dialogue with the IMF on Tunisia's balance-of-payments difficulties and will avoid measures or policies that would compound these difficulties. In this spirit, we will not impose new or intensify existing restrictions on the making of payments and transfers for international transactions, trade restrictions for balance-of payments purposes, or multiple currency practices, or to enter into bilateral payments agreements which are inconsistent with Article VIII of the IMF's Articles of Agreement.

14. In line with IMF safeguards policy, we commit to undergoing an update of the safeguards assessment that will be completed before the approval of a new EFF arrangement. As in previous instances, we will provide IMF staff with the Central Bank's most recently completed external audit reports and authorize our external auditors to hold discussions with IMF staff. Since the funds obtained under this RFI will be used for budget financing, we have updated the existing memorandum of understanding between the Ministry of Finance and the Central Bank of Tunisia on their respective responsibilities for servicing the related financial obligations to the IMF.

15. We authorize the IMF to publish this Letter of Intent and the staff report for the request for disbursement under the RFI.

40 Please accept, Madame Managing Director, the expression of our highest consideration.

Sincerely yours,

| | |
|---|---|
| /s/ | /s/ |
| Marouane El Abassi | Nizar Yaiche |
| Governor, Central Bank of Tunisia | Minister of Finance, Tunisia |

## LOI Table 1. Tunisia: Measures Implemented by the Tunisian Authorities to Deal with the Impact of Covid-19 (Millions of Tunisian Dinars)

| | |
|---|---|
| **Total measures** | **2,050** |
| **Revenue** | **260** |
| • Postponement of CIT filing to end-May, except for companies subject to the rate of 35%. | |
| • Encouragement of VAT e-filing. | |
| • Suspension, until the end of May, of all tax controls and adjustments, as well as time limits for contesting. | |
| • Acceleration of VAT reimbursements (through weekly rather than biweekly decision meetings and assurance of reimbursement within a month). | 100 |
| • Activation of the National Committee and regional reconciliation committees. | |
| • Rescheduling of tax arrears for up to 7 years. | 100 |
| • Suspension of penalties for delayed tax return for three months (starting on April 1). | 10 |
| • Immediate accreditation of tax certificated to businesses affected by the pandemic (without need to provide required documents). | |
| • Waiver of VAT for companies selling medicines (wholesalers and retailers). | 30 |
| • Extension of car road tax payment (to April 30). | |
| • Amnesty on customs offenses against industrial establishments convicted before March 20, 2020 (with the latter required to pay the amounts due to customs with a 10% fine). | 20 |
| • For all institutions, allow them to revalue their real estate and non-real estate assets included in their budgets according to their real value, while exempting the goodwill resulting from the revaluation provided that they do not sell them; this to consolidate the balance sheet of companies, among others in front of banks. | |
| **Spending** | **1,790** |
| **Social spending** | **1,450** |
| • Health care. | 300 |
| ◦ Current spending. | 300 |
| ◦ Creation, at the initiative of the CDC, of an investment mechanism of TD 100 million for the acquisition of equipment for hospitals and public health establishments. | |
| • Strategic stock of basic food items. | 200 |
| • Support for low-income families. | 450 |
| ◦ One-off cash transfer of TD 200 to 623,000 PNAFN beneficiary households. | |
| ◦ Discounted health care cards for AMG-2 beneficiaries. | |
| ◦ One-off cash transfer of TD 50 to 260,000 AMG-1 beneficaries. | |
| ◦ One-off cash transfer of TD 200 for families taking care of elderly people without support. | |
| ◦ One-off cash transfer of TD 200 for families taking care of disabled family members. | |
| ◦ Restoration and no cut of electricity, gas and water for 2 months for delinquent customers. | |
| ◦ Support for homeless people. | |
| • Other. | 500 |
| ◦ Support for unemployed (detail not yet provided). | 300 |
| ◦ Support for the self-employed (fragile jobs). | 200 |
| ◦ Report de paiement des crédits bancaires pour 6 mois pour les travailleurs ayant un revenu inférieur à 1000 dinars. | |
| ◦ Maintenance of health coverage; and family and single salary premia. | |
| ◦ Deferral of CNSS contributions until June. | |
| **Financial** | **340** |
| • Reduction of the policy rate by 100 bps. | |
| • Establishment of a financing line for SMEs of TD 300 million. | 300 |
| • Activation of the mechanism for the State to take charge of the interest rate differential between the TMM and the effective interest rate, on investment loans for SMEs (max 3%). | 40 |
| • Creation of an investment fund of TD 500 million (with a first closing of TD 100 million) on the initiative of the Caisse des Dépôts et des Consignations in order to finance strategic private companies with mechanisms similar to quasi-equity and allow the preservation of jobs. | |
| • Creation of a "bridging fund" of TD 100 million on the initiative of the CDC, for the repurchase of shares in investment funds for companies in strategic sectors which are going through difficulties. | |
| • For the benefit of the sectors most affected by the pandemic, setup of a mechanism allowing the State to guarantee new credits for management, operation and maintenance provided by the banking system until December 31, 2020 reimbursable over seven years, including two years of grace. The total amount of these credits is fixed at 500 MTD. The sectors concerned are those of tourism, transport, culture, etc. | |
| • Postponement (not credit restructuring) of payment of the installments of credits between March and September for companies and craftsmen classified 0 and 1 and possibility for classes 2 and 3 case by case. | |
| • Deferral of bank credit payments between March and september for workers with a net income of less than TD 1,000 classified 0 and 1 and possibility to extend the postponent for clients classified 2 and 3, case by case. | |
| • Imposition on banks with a LTD ratio of more than 120% at the end of a quarter to lower the ratio level by 1% each quarter. | |
| • Free cash withdrawal from ATMs. | |
| • Suspension of any commission applied to the electronic payment of billers and merchants for any transaction less than or equal to TD 100. | |
| • Provision of a free bank card (and/or pre-paid card) to interested customers. | |
| **Other** | **0** |
| • Permission for fully exporting companies in the food and health sectors to increase their marketing ratio on the local market from 30% to 100% in 2020. | |
| • Permission for fully exporting companies in other sectors to increase their local market marketing ratio from 30% to 50% in 2020. | |
| • Exemption from late tax payment penalties for a period of up to 6 months of companies with public contracts whose implementation has been disrupted by the coronavirus. | |
| • Creation of a cell within the Presidency of the government to support the companies most affected by the pandemic. The aim is to avoid loss of jobs. The cell will be made up of representatives from MoF, the Ministry of Social Affairs, Utica, UGTT, UTAP and APTBEF. The definition of "business affected by the pandemic" will be clarified later by a government decree after consultation with the monitoring unit at the level of the presidency of the government. The ministry said the cell will be responsible for monitoring the implementation of these measures, as well as ensuring respect for workers' rights and guaranteeing jobs. | |

Source: Tunisian authorities.