

# Responding to the Coronavirus Crisis

## Update on Tunisia (18/05/20)



### EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
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### Economic channels of disruption

#### Tourism, transport, global value chains, FDI

- The crisis has important implications from lower demand domestically and in Europe, Tunisia's main trading partner and source of supply chains for the textile and clothing and car-parts industries, the slowdown in tourism and transport, and a decline in global FDI flows.
- But, lower global oil prices will benefit the economy, as Tunisia is a net importer (the recent big drop in oil prices had helped Tunisia save \$270mn).
- In late April, the national security council announced several measures to ease economic restrictions by adopting a three-phase plan depending on the activity sector.

#### Selected crisis impact indicators

**EBRD GDP growth outlook (May 2020)** 2020: -2.5%  
2021: 2.5%

**Tunisia stock market (TUNINDEX)** 6,508  
(May 18 2020) (down 8% YTD)

### Crisis response measures to date

#### Fiscal emergency plan, social transfers and interest cuts

- Emergency plan of TD2.5bn (\$0.8bn) includes VAT exemptions; VAT refund procedures and reimbursement acceleration; the creation of a TD100mn fund for the acquisition of equipment for public hospitals; the purchase of emergency medical equipment and medicine; increasing strategic food reserve
- From the social side, cash transfers for low income households, disabled and homeless people (TD150mn) and support for those on temporary unemployment (TD300mn).
- BCT asked banks to suspend fees for electronic payments and withdrawals.
- The government created investment funds (TD600mn), a state guarantee for new credits (TD500mn), a mechanism to cover the difference between the policy rate and the effective interest rate on investment loans within a 3% cap.

#### Selected crisis response indicators

IMF: \$745mn (Rapid Financing Instrument (RFI))  
Italy: €50mn to counter the outbreak of the virus within the framework of mutual cooperation

**Committed external assistance** IsDB: \$280mn to the central pharmacy to purchase medicines and support the health ministry  
EC: €600mn under the €3bn MFA package.  
WB: \$20mn to support the healthcare sector

### Key short-term priorities

Reinforce structural reforms; accelerate fiscal consolidation and maintain monetary tightening; remove obstacles to private-sector participation