

# Coronavirus response in 2021: building back better

## Update on Tunisia (16 June 2021)



### Covid-19 policy response

- **The policy response in 2020 focused on mitigating the social effects of the pandemic.** Amounting to around 2.9 per cent of GDP, fiscal measures included a considerable expansion of social safety nets, as well as tax holidays, loan moratoria and loan guarantees for affected businesses.
- **The 2021 budget includes additional Covid-19-related measures,** namely, additional financial support for affected businesses, tax exemptions and unemployment benefits.
- **Mounting fiscal pressures are amplifying Tunisia's dependence on external support.** The government has taken positive steps to enable negotiations for an International Monetary Fund (IMF)-supported reform programme, but political paralysis continues to hamper progress. Tunisia secured US\$ 500 million of support from the government of the United States of America and is likely to continue to seek US guarantees for prospective Eurobond issuance.

### Macroeconomic indicators (%)

	FY18	FY19	FY20	Short-term indicators
GDP growth	2.7	1.0	-8.8	<b>EBRD GDP growth forecast (June 2021)</b> <b>2021: 2.7%; 2022: 2.9%</b>  GDP quarterly growth: -3% (Q1 2021) Industrial production: 2.6% y/y (March 2021) Annual inflation: 5.0% (April 2021)
Annual inflation (end-year)	7.5	6.1	4.9	
Government balance/GDP	-11.1	-3.9	-10.6	
Current-account balance/GDP	-2.4	-8.4	-6.8	
Net FDI/GDP	2.5	2.1	1.5	
Public debt/GDP (end-year)	77.5	71.8	87.6	
Unemployment rate (end-year)	15.5	14.9	17.4	

### Key short-term priorities

- The digitalisation of government services should continue.
- Tunisia could benefit from the relocation of European and Asian industry to the southern Mediterranean region after Covid-19.
- The authorities should commit to further reforms in the energy sector and public administration.

### EBRD assessment of transition qualities (ATQs), 2020<sup>1</sup>



### Building back better: key ongoing initiatives

<b>Competitive</b>	<ul style="list-style-type: none"> <li>• New reforms with regard to agricultural land ownership aim to increase the sector's competitiveness, attract investment and encourage agricultural exports.</li> </ul>
<b>Well-governed</b>	<ul style="list-style-type: none"> <li>• Reforms are under way to upgrade the country's customs infrastructure, organisational structure and governance as part of the 2020-24 Customs Modernisation Strategy.</li> </ul>
<b>Green</b>	<ul style="list-style-type: none"> <li>• The government launched a 70 MW photovoltaic tender and plans to build six 10 MW solar plants. It is investing in a 30 MW wind farm as part of its long-term renewable energy plan.</li> </ul>
<b>Inclusive</b>	<ul style="list-style-type: none"> <li>• Reforms of technical and vocational education and training to promote youth inclusion are ongoing, led by the Ministry of Vocational Training and Employment.</li> </ul>
<b>Resilient</b>	<ul style="list-style-type: none"> <li>• Reforms have been introduced to modernise the state-owned electricity and gas company and ensure energy sustainability.</li> </ul>
<b>Integrated</b>	<ul style="list-style-type: none"> <li>• The Ministry of Trade and Export has an initiative under way to help small and medium-sized companies penetrate new export markets in sub-Saharan Africa.</li> </ul>
<b>Digital</b>	<ul style="list-style-type: none"> <li>• The 2021-25 National Strategy for Digital Transformation includes plans to accelerate the digitalisation of services, upgrade infrastructure, improve internet access, upgrade digital skills and promote e-commerce and e-payment solutions.</li> </ul>

To learn more about EBRD's support to Tunisia visit: <https://www.ebrd.com/tunisia.html>.

<sup>1</sup> For more details on ATQs, see EBRD (2020), [Transition Report 2020/21: The State Strikes Back](#), London.