

Tunisia

Less bank funding, more FX lending

Domestic and foreign banks operate branch networks throughout Tunisia, with a strong focus on Tunis and the northern part of the country, particularly the Mediterranean coast. Both domestic (private and state-owned) and foreign banks lend to small and medium-sized enterprise (SME), retail and corporate clients. Cross-border lending into Tunisia is not regarded as a major source of funding for local companies.

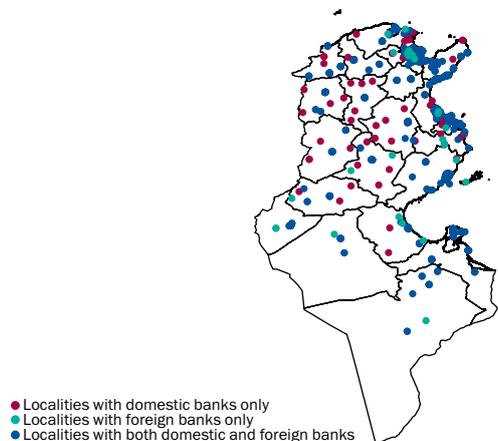
Compared to other EBRD countries, Tunisian banks appear to experience relatively few problems due to limited borrower profitability or transparency (Chart 2). A lack of credit demand appears to be a more important constraint to lending at the moment (Chart 3). However, and contrary to many other countries, Tunisian banks mention that compared to 2007 (before the Arab Spring) bank funding has become much scarcer. This too is constraining lending to both SMEs and large firms.

About two-thirds of all interviewed banks also mention they have increased the proportion of FX loans in their new lending flow between 2007 and 2011. This suggests that funding constraints may be largely domestic in nature and reflect temporary local illiquidity due to the 2011 Arab Spring.

Tunisian banks have become more positive about their regulator since 2007, with fewer banks now mentioning that regulatory interventions are burdensome. Most Tunisian banks also believe their banking regulator to be fair, impartial and able to enforce its decisions. Interestingly, Tunisia is the only EBRD country where a significant number (exactly half) of the interviewed banks mentioned that they thought that the banking regulator required too little capital at the moment.

In addition, a majority of banks disagree, strongly or otherwise, with the statement that the current pledge and mortgage laws enable efficient enforcement of movable and immovable security rights. The main cause is a slow though generally fair and impartial court system.

Chart 1 Bank localities by ownership



- Localities with domestic banks only
- Localities with foreign banks only
- Localities with both domestic and foreign banks

Chart 2 Frequency of loan rejection reasons

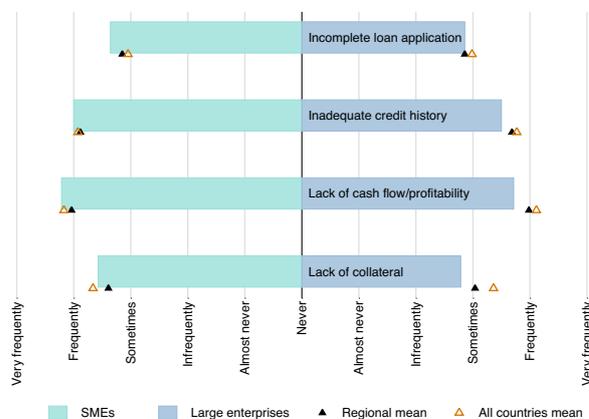
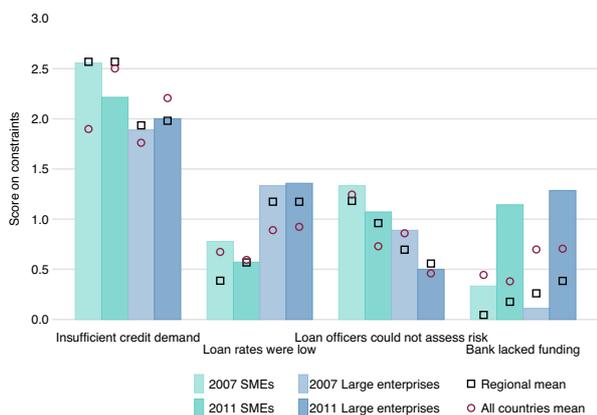


Chart 3 Main constraints to lending*



*The constraint score runs from 0 to 3 with 0 signifying no constraint and 3 signifying the main constraint.

Chart 4 Regulatory instructions: a significant burden

