

# Tunisia

## Technical Assistance in Fiscal Year 2017

*Tunisia has managed to preserve macroeconomic stability and initiate fiscal and banking reforms in a context marked by a prolonged political transition, spillovers from the crisis in Libya, and numerous exogenous shocks. However, important challenges remain, and the authorities have developed a new economic program, supported under the IMF's EFF—to promote stronger and more inclusive growth, with implementation centered around four pillars: i) consolidating macroeconomic stability; ii) reforming public institutions, iii) promoting financial intermediation, and iv) improving the business climate. In this context, METAC focused its assistance on enhancing banking sector resilience, supporting the authorities' efforts to strengthen the monetary policy framework, PFM and transparency, including through enhanced anti-corruption initiatives, and improving national account statistics.*

### Banking Regulation and Supervision

January 16-20:

METAC undertook its first CD mission to the Central Bank of Tunisia (CBT), to support the authorities' banking regulatory and supervisory reforms in the context of the IMF Stand-By Arrangement (SBA). The mission provided training on market risk to 15 supervisors: It conducted peer analyses of similar countries on market risk, and offered practical examples to illustrate the calculation of capital charges, covering interest rate, equity, and foreign exchange risks under the standardized approach of Basel II. The mission also helped the CBT in drafting a framework on market risk, to help them curb excessive risk-taking and meet one of the structural benchmarks of the SBA. In this context, it discussed with the authorities various options, advised them to keep the regulation straightforward (i.e., without going into complex techniques such as securitization, CDS, etc.), emphasized the need for a precise definition of the trading portfolio, drawing on recent work undertaken by the Basel Committee to limit regulatory arbitrage between the banking trading books, and prepared a detailed outline of a regulation covering capital charges for market risk.

### Monetary Operations

March 28-April 10:

Over the past years IMF TA missions have provided a number of recommendations to the CBT to strengthen its collateral framework. One of the recommendations was to strengthen the risk controls around CBT's acceptance of bank loans. Against this background, METAC supported the CBT in establishing an internal rating tool for the assessment of bank loans as eligible collateral for monetary policy. More specifically, a TA mission backstopped by the IMF's MCM assisted with explaining the structure of rating tools, the ongoing monitoring of the tool and governance framework within the CBT, and with drafting high-level terms of reference for hiring an international consulting firm to do the actual operational work on the rating tool.

## **Public Financial Management**

October 20-November 3:

Since the 2011 Revolution, Tunisia's fiscal challenges have been putting pressures on the fiscal deficit and the government's debt. Due in part to a decline in revenues and in part to large cash transfers to cover state owned enterprises' liabilities, the government liquidity dried up and debt burden increase. Under the IM's EFF, Tunisia is making strides to improve its debt and cash management, including with the establishment of a treasury management office. In this context, a joint FAD/METAC mission provided advices to the authorities on: (i) key actions to foster cash management in the context of the establishment of the treasury management office; (ii) how to strengthen fiscal risks management, including templates for a fiscal risk statement and fiscal risk follow up; and (iii) how to strengthen the oversight practices for state-owned enterprises. The mission also conducted a high-level seminar on cash management for the staff of the MoF, the Central Bank and the banking branch of the Tunisian Post Office.

## **Statistics**

January 23-27:

METAC undertook its first mission to the National Institute of Statistics (NIS) to review and assess Tunisia's national accounts compilation system. The mission discussed areas in which METAC could support the NIS to ensure a sustainable compilation system, in line with international methodological requirements, including by introducing financial balance sheets, enhancing quarterly GDP estimates, and improving the price statistics needed for national accounts.