



TUNISIA

REQUEST FOR AN EXTENSION OF THE STAND-BY ARRANGEMENT—PRESS RELEASE; AND STAFF REPORT

May 2015

In the context of the request for an extension of the Stand-By Arrangement, the following documents have been released and are included in this package:

- A **Press Release**
- This paper on Tunisia was prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis. It is based on the information available at the time it was completed on May 1, 2015.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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May 19, 2015

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IMF Approves 7-Month Extension of the Stand-By Arrangement for Tunisia

The Executive Board of the International Monetary Fund (IMF) approved on May 11, 2015—the decision was taken without an Executive Board meeting¹—a 7 month-extension of Tunisia’s Stand-By Arrangement (SBA) to December 31, 2015. The extension will provide time to the Tunisian authorities to implement the policy measures needed to deliver on forward looking commitments—notably on the banking and fiscal reforms—which will help reduce vulnerabilities and spur higher and more inclusive growth. A mission will visit Tunis in late May 2015 to conduct the Article IV discussions and the 6th Review under the SBA.

The two-year SBA in the amount of SDR 1.146 billion (about US\$1.75 billion, or 400 percent of Tunisia’s quota at the IMF) was approved by the Executive Board on June 7, 2013 ([See Press Release No. 13/202](#)). Following the conclusion of the Fifth Review in December 2014, disbursements under the arrangement reached SDR 787.875 million (about \$1.15 billion).

¹ The Executive Board takes decisions under its lapse of time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.



TUNISIA

REQUEST FOR AN EXTENSION OF THE STAND-BY ARRANGEMENT

May 1, 2015

Approved By
**Daniela Gressani (MCD) and
Taline Koranchelian (SPR)**

Prepared by the Middle East and Central Asia Department, in consultation with other departments.

1. In the attached letter, the Tunisian authorities request a seven-month extension of the Stand-by Arrangement (SBA) through December 31, 2015 to allow them sufficient time to implement the policy measures needed to deliver on forward looking commitments necessary to complete the sixth and seventh reviews under the program, and to enable purchases of approximately SDR 358.125 million or about \$520 million.
2. On June 7, 2013, the Executive Board approved a 24-month SBA in an amount equivalent to 400 percent of quota (SDR 1.146 billion or about \$1.75 billion). Following the completion of the fifth review on December 12, 2014, purchases under the arrangement reached SDR 787.875 million or about \$1.15 billion.
3. The sixth review, originally scheduled to take place before end-March 2015, has been delayed. While QPCs for end-December 2014 and end-March 2015 are likely to have been met (with an international bond issuance of \$1 billion helping the authorities meet the end-March reserve targets), the structural reform agenda did not advance as expected (only two of ten structural benchmarks set for the period between December 2014 and March 2015 have been met), mainly reflecting the authorities' focus on the formation of a coalition government and the approval of internal regulations for the newly elected parliament. The adoption of long-awaited legislation necessary to promote more inclusive growth and reduce vulnerabilities remains outstanding in many areas, such as banking, competition, PPPs, and the setting up of the Asset Management Company.
4. Discussions between the authorities and Fund staff on measures underpinning the sixth review are ongoing. Key issues outstanding for concluding the next review (with a scheduled purchase of SDR 214.875 million or about \$319 million) are: (i) the effective recapitalization and restructuring of public banks in line with good international practices; (ii) legislative approval of a proper banking resolution framework; and (iii) maintaining an appropriate fiscal stance and spending composition.

5. Staff expects to conduct discussions for the sixth review in late May 2015 (based on end-March data) along with the Article IV consultation with a view to presenting to the Board a request for the completion of the review by end-July 2015. The authorities have informed staff that they will request a rephrasing in the context of the sixth review such that the final purchase under the SBA will become available mid-November 2015 (with the review to be completed by December 2015) based on new end-September quantitative performance criteria (QPC) and structural benchmarks to be set at the time of the sixth review. End-June indicative targets will also be set at the time of the sixth review.

6. Staff supports the authorities' request for an extension of the arrangement until December 31, 2015. Accordingly, the following draft decision is proposed for adoption by the Executive Board.

Tunis, April 30, 2015

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431

Madame Managing Director,

On June 7, 2013, the IMF's Executive Board approved a 24-month Stand-by Arrangement (SBA) for Tunisia that helped maintain macroeconomic stability and support a reform agenda aimed at generating higher and more inclusive growth at a time when our economy was facing a protracted political transition and a difficult international economic environment. The historical political transition culminated in the formation of Tunisia's first post-transition government on February 5th, 2015, which started its duties by assessing the economic situation in regions of the interior and reviewing economic policies and existing commitments under the current Fund-supported program. Following this evaluation, the Government and Central Bank of Tunisia hereby request that the SBA be extended for a further seven months, to enable us to implement the policy measures envisaged under our reform program, and to allow us sufficient time to complete the remaining sixth and seventh reviews under the SBA.

In pursuit of our program objectives, we intend over the next few weeks to move ahead with crucial elements of our banking sector reform, in particular on the effective recapitalization and restructuring of public banks in line with good international practices (including changes in the governance framework), and a proper bank resolution mechanism. On the fiscal front, we are pushing ahead with finalizing a comprehensive tax reform and we remain committed to preserving the 2015 budgetary aggregates as defined in the program framework. Finally, we intend to work closely with the new Parliament to accelerate the approval of a number of key growth-enhancing legislation, including the competition law, the PPP law, and the bankruptcy law.

The Government and Central Bank of Tunisia believe that extending the arrangement through December 31, 2015 and the purchase of the remaining tranches before the end of 2015 provides enough flexibility to undertake and adopt the main objectives of our economic and reform program supported by the IMF, and to which we remain committed. We will continue to consult with the Fund prior to any revision of existing macroeconomic policies, in accordance with the relevant Fund policies.

Sincerely yours,

/s/
Chedly Ayari
Governor, Central Bank of Tunisia

/s/
Slim Chaker
Minister of Finance