

African Development Bank Group



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PRESS STATEMENT ON TUNISIA

TUNIS, FEBRUARY 14, 2011

1. **Good afternoon, Ladies and Gentleman. This morning, at my request, I met with H.E Mohamed Ghanouchi Prime Minister of Tunisia.**

On behalf of the African Development Bank Group, a long standing multilateral partner of Tunisia, I wanted to learn more about the transition process and express our readiness to support the efforts of the interim Government and Tunisian people at this critical time in Tunisian history.

2. **As the country embarks on a political transition that holds much opportunity for her people, but also, significant risks; it is evident that, for risks to be minimized and opportunities maximized, Tunisia will need the goodwill and support of her friends, to help the country with the immediate fiscal and social challenges and address some of the structural issues at the heart of some of the problems the country faces, in particular, youth unemployment and regional inequalities.**
3. **Organizing a successful transition and getting Tunisia back to work is the priority of the Government. Tunisia's economy relies heavily on its services sector which accounts for 40% of the GDP and 50% of the formal sector labor force.**

Tourism receipts represent 5% of GDP and 15% of foreign exchange. This sector has suffered during the upheavals and may take some time to recover.

The Authorities estimate that during the recent upheavals between 5 and 8 billion dollars have been lost, tourism receipts seriously affected, key investments put on hold and thousands of jobs lost.

Our projection is that the economy will contract or at best grow at a slow pace of 1.6% to 2%. I indicated to the Prime Minister our keenness to work with the Government in the process of economic recovery, a recovery that can create jobs and opportunities.

Tunisia's fiscal situation will be under pressure in the short term and probably for the remainder of 2011 as a result of economic contraction, lower tax revenues, increased social demands, repairing infrastructure, compensating for damage, dealing with unemployment and probably increase in subsidies of basic necessities which at 4% of GDP were already considerable.

But we believe Tunisia with support of her partners can manage. The country has official gross reserves of 9 billion dollars (end 2010) equal to 5 months imports, moderate external debt of 46% of GDP (21 billion dollars, with a debt service of 10% of exports); and has the confidence of the markets and the International Financial Institutions.

- 4. Tunisia remains a key partner, the second client of the Bank. We have total commitments to the country at this time totaling 1.4 billion dollars of which about 80% is already disbursed, including a total of nearly 250 million dollars to the private sector.**

I take the opportunity here to commend the Government which has continued to honor its obligation to the International Financial institutions and I am certain they are able to do the same to the international bond markets, when that is due.

While major rating agencies have downgraded Tunisia one notch, it is also true that Tunisia Credit Default Swaps have continued to ease from above 200 bps in January.

The country has two significant bonds due in April and September. I have no doubt they will meet the obligations as they have done for International Financial Institutions.

- 5. Tunisia's long standing challenge has been unemployment at around 13 to 15%. Even when the economy was growing it was not creating enough jobs, only 65,000 jobs per year. During the upheavals probably another 15,000 have become unemployed. Moreover, a third of Tunisia's population live in rural areas - and nearly one million people live in poverty. 46% of the unemployed are graduates. This will remain a challenge during and after the transition.**
- 6. This morning I discussed with the Authorities the financial support required, the priorities during the transition, which not surprisingly concerned organizing a successful transition to a new democratic dispensation, unemployment, regional inequalities, equipping disenfranchised regions, investment in infrastructure, supporting governance and recovery of illicit wealth stashed abroad.**

Within its means, mandate and policies, the Bank will work with the Tunisian Government and a coalition of Tunisia's partners to be part of the global effort for Tunisia's recovery, and smooth transition.

We will remain engaged during these times of change, of opportunities and new horizons, with a broad range of financial instruments at our disposal.

We have in the past demonstrated our ability to respond, as we did during the financial crisis -- we are prepared to do so again with the Tunisian people and our international partners.

- 7. As many of you know the Bank's HQ is in Abidjan. The Bank temporarily relocated here since February 2003.**

I take the opportunity to once again thank the Tunisian Authorities and People for their hospitality over the last eight years.

- 8. We understand the context and significance of events that have taken place in Tunisia. We fully appreciate it will take time to return the country to full normalcy.**

In the meantime, the Bank's full confidence in Tunisia remains intact. Needless to say morale of staff has been a concern, especially at the height of the crisis; in particular for those members and their families who lived through similar events in Abidjan.

Measures were taken to attenuate that, but overall our Board, management and staff have remained steadfast during the events.

I express my deep gratitude to the Authorities which have provided us support at all times.

- 9. As of now, and until the situation in Abidjan, Cote D'Ivoire normalizes, Tunis remains our temporary relocation and a suitable working location.**

Throughout the upheavals the Bank remained operational in Tunis, only adjusting to the exigencies of a curfew.

10. I would like to reaffirm here that the disruptions to our operations have been minimal and fully manageable under our business continuity plan.

In addition, the robustness of our finances has always meant that we as a Bank have a very significant risk bearing capacity and resilience.

11. As regards longer term lessons to be learnt vis a vis the tumultuous events in North Africa; it is too early to draw all the conclusions. What is clear though is that greater attention must now be given to the issues of social inclusion and opportunities for the youth, opportunities in the broad sense, economic, social and political, and a greater openness of society.

12. Tunisia is a country with a great history, talented people, critical for the overall prosperity and stability of Africa. A country for which the Bank attaches great importance.

We understand the needs and challenges facing Tunisia and the context. We, Africa's leading development finance institution, would like to be at the forefront of helping Tunisia as it enters this delicate phase of its history, and we call upon other partners to join us in this endeavor.