Seminar on:

"Supporting foreign direct investment in Tunisia through improved investment protection and guarantees"

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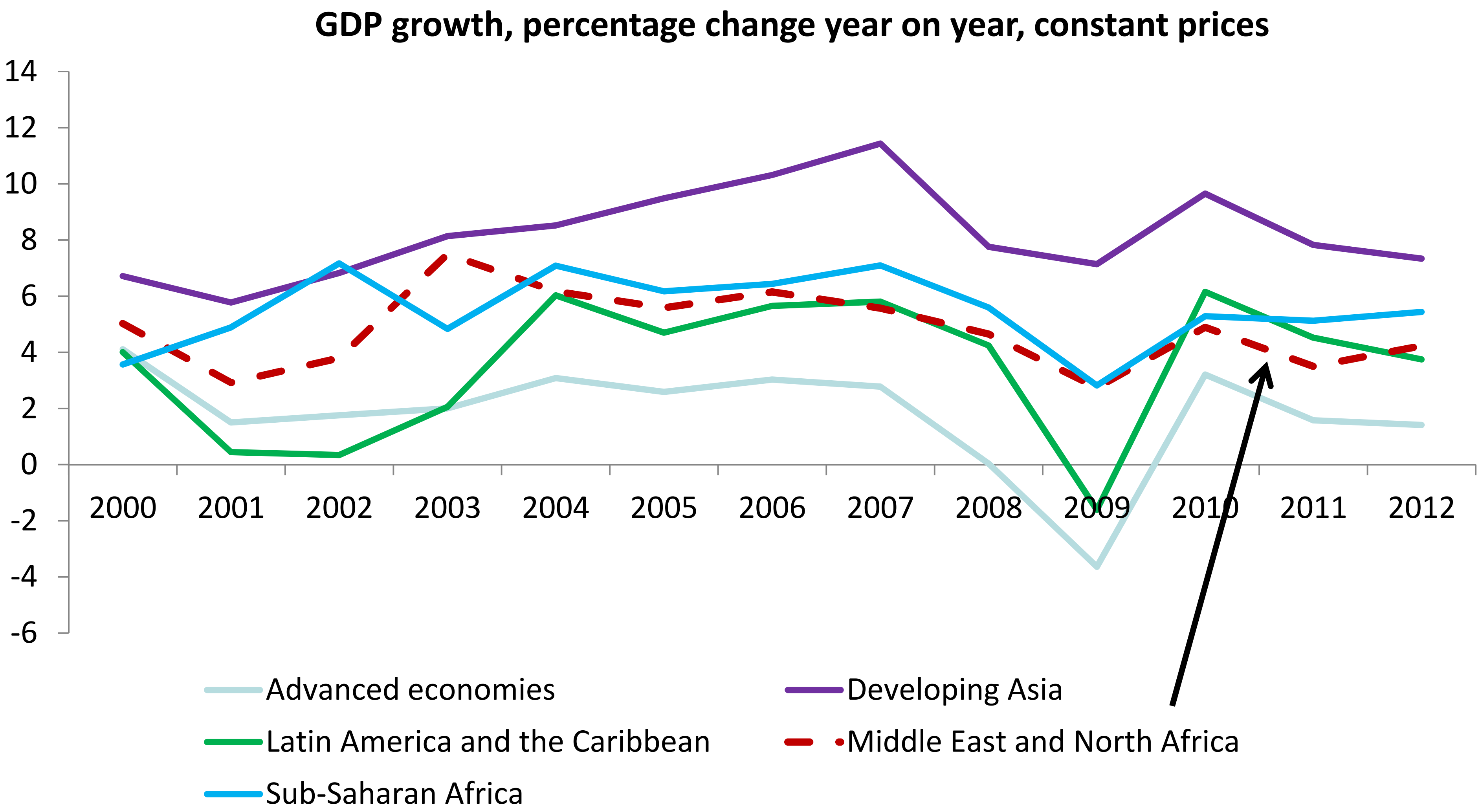
Gammarth, Tunisia

15 June 2012

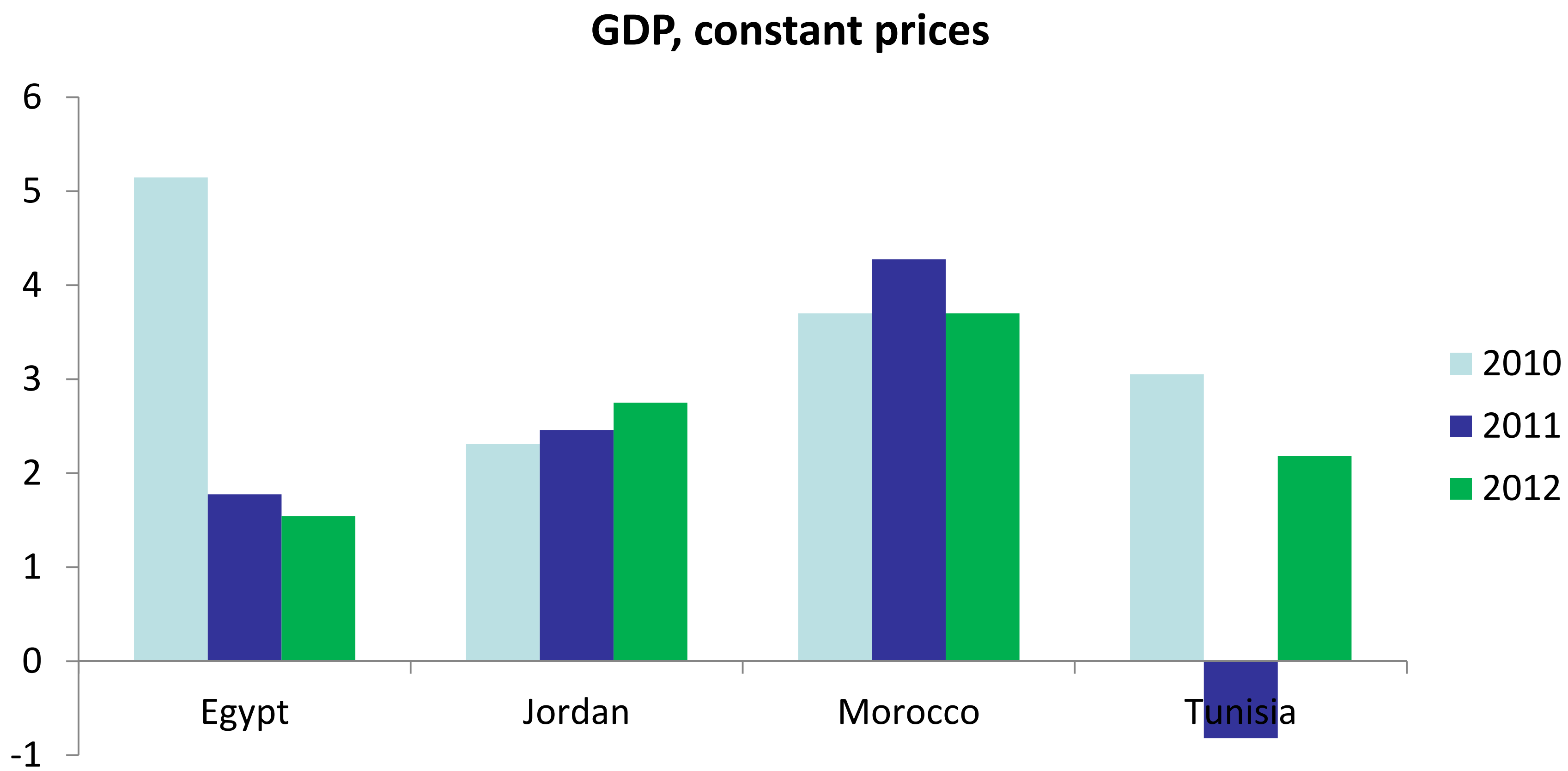
1. The macro-economic near-term outlook for Tunisia is mixed

MENA post-crisis recovery remained behind other emerging markets



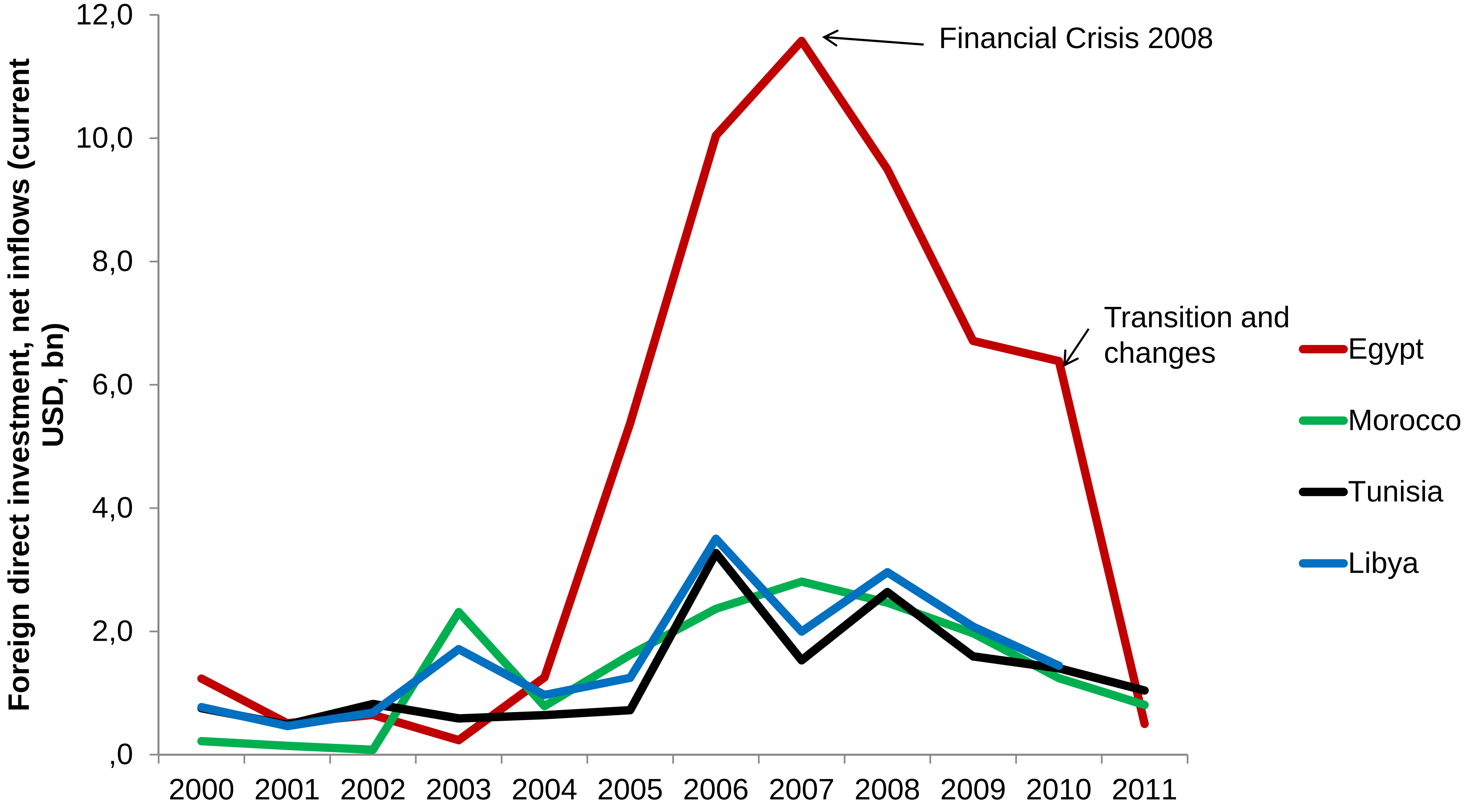
Source: IMF, 2012. Figures for 2012 are forecasts.

GDP growth in Tunisia was constrained in 2011 by the "Arab Spring"



Source: IMF, 2012. Figures for 2012 are forecasts.

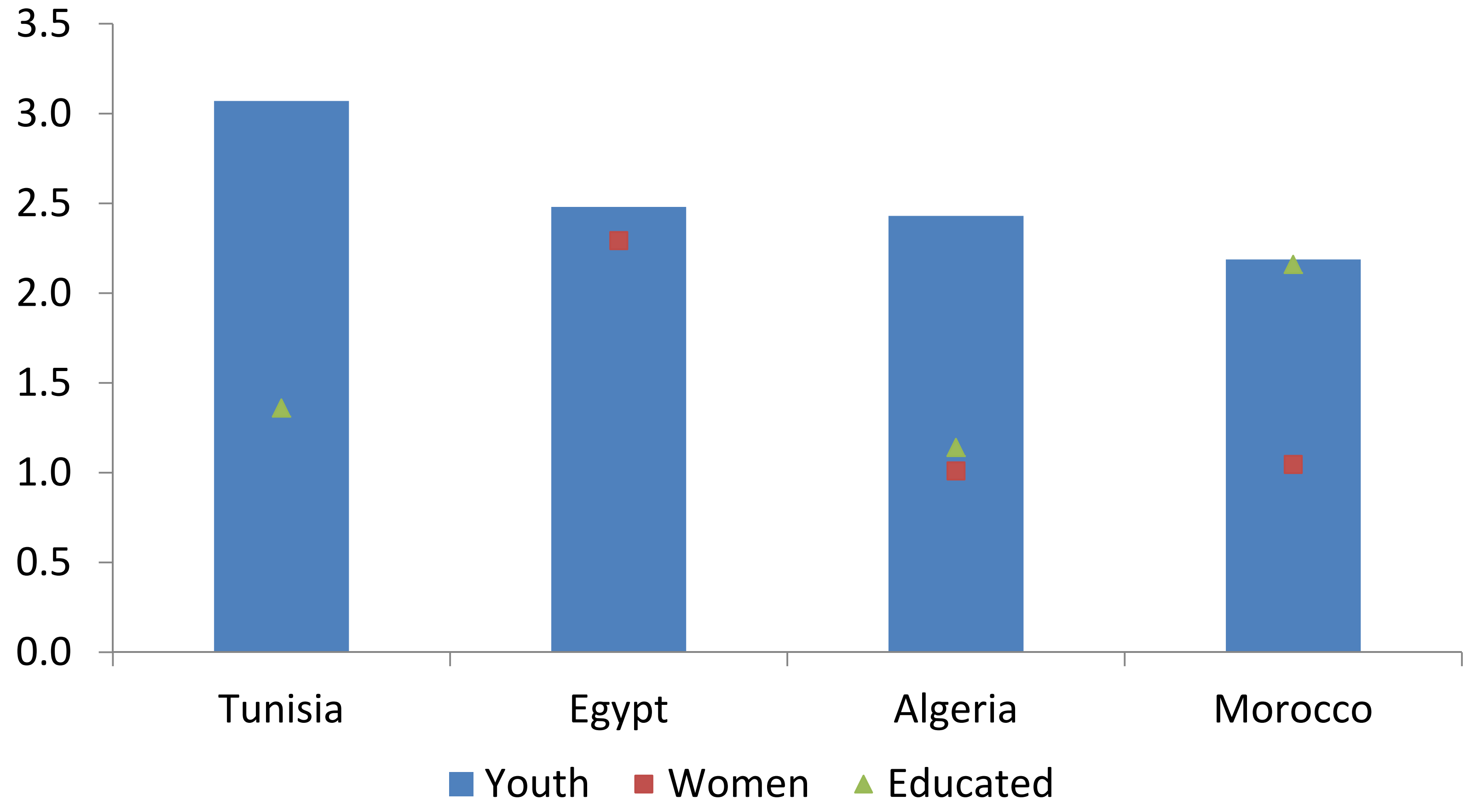
Parallel to strained growth Tunisia has seen substantial drops in FDI inflows (net) 2011



Source: UNCTAD 2011, OECD estimates.

High unemployment in Tunisia affects most segments of the population including the educated

Unemployment among youth, women, and the educated, 2009 or most recent year for which data are available



Source: World Bank

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2. Strengthening investment protection and guarantee instruments can contribute to boosting FDI

Investors in Tunisia are facing important financing challenges

- The financial crisis of 2008/09, the sovereign debt concerns in Europe and the US and political changes in the North Africa contributed to a volatile risk environment for investment
- Lending appetite amongst many commercial banks is diminishing:
  - The IMF estimates that large EU-based banks will shrink their balance sheets by US$ 2.6 trillion between September 2011 and December 2013
  - Estimated negative impact on credit supply between -1.7% to - 4.4% over 2 years
- Shrinking tenors and a rise in the cost of bank funding is the consequence
- Projects with high development impact, e.g. infrastructure are especially affected

Finance ministers highlight the importance of investment facilitation instruments

There is political support for the use and development of these instruments

Existing financial instruments:

- loan, grants, budget support
- multilateral investment instruments
- technical assistance
- bilateral and multilateral guarantee tools and export credit instruments dedicated to the private sector

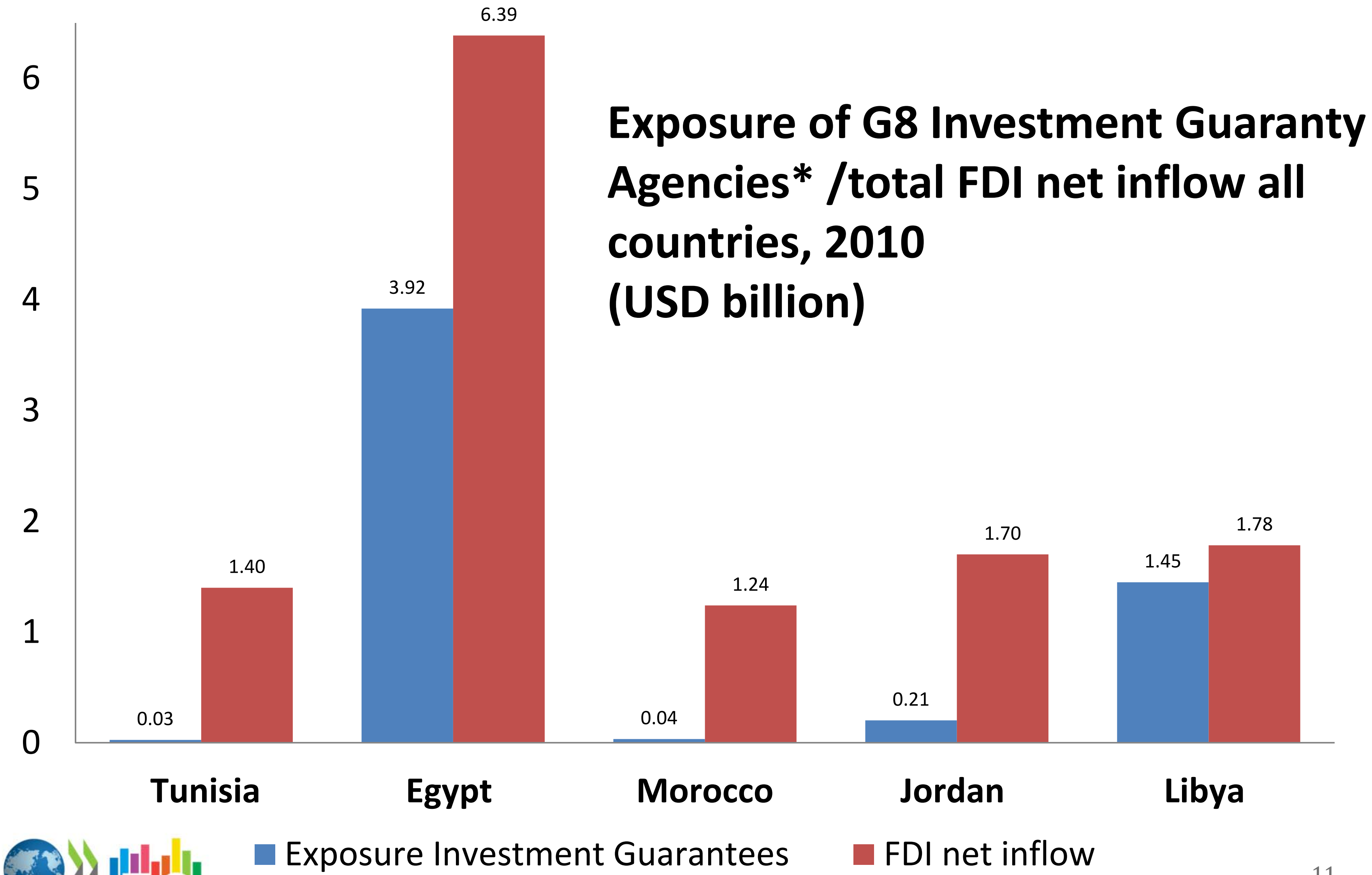
Possible new avenues to explore:

- risk-sharing instruments
- further guarantee mechanisms
- project bonds
- concessional credit loans
- further technical assistance

Investor demand for risk mitigation tools is increasing: export credit, investment and SME credit guarantees

- G8 countries' Investment guarantee providers had low exposure under their investment guarantee schemes in the Deauville Partnership countries in 2010
- Exposure increased in 2011
- The Capital Market Access Group of the Deauville Partnership recommends that ECAs and Investment Guarantee Agencies should not deleverage the region and play a counter-cyclical role stabilising existing and covering new investment
- The Group has also identified a need to improve access to credit guarantee instruments for SMEs

Investment guarantees are starting to pick up in Deauville Partnership countries



Source: OECD * OPIC, PwC, COFACE, SACE, EDC, ECDG, JBIC

THANK YOU FOR YOUR ATTENTION

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