

# Impact of financial reforms in the Euromediterranean area

## *Challenges and ways forward*

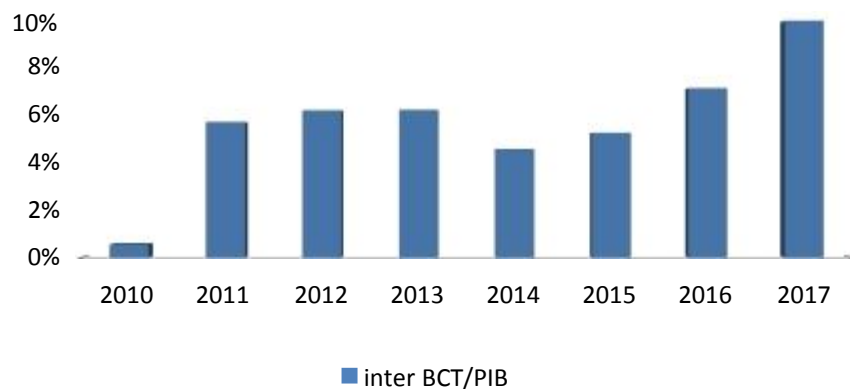
*Amel Ben Rahal*

*Director General of Financial Stability*

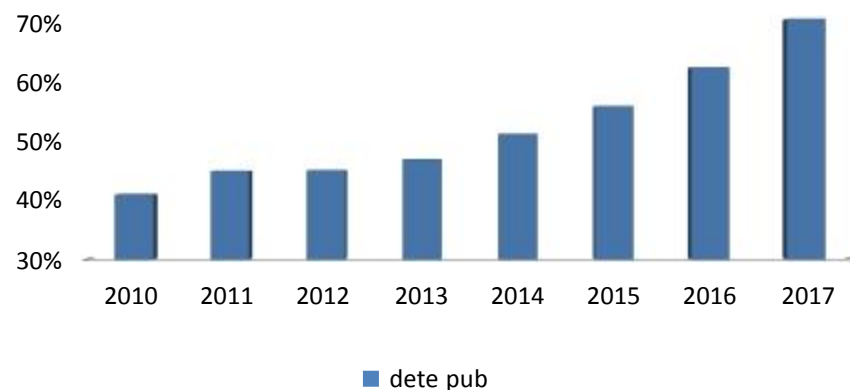
*Central Bank of Tunisia*

# Status : Managing the crisis in Tunisia and resorting to QE and CE

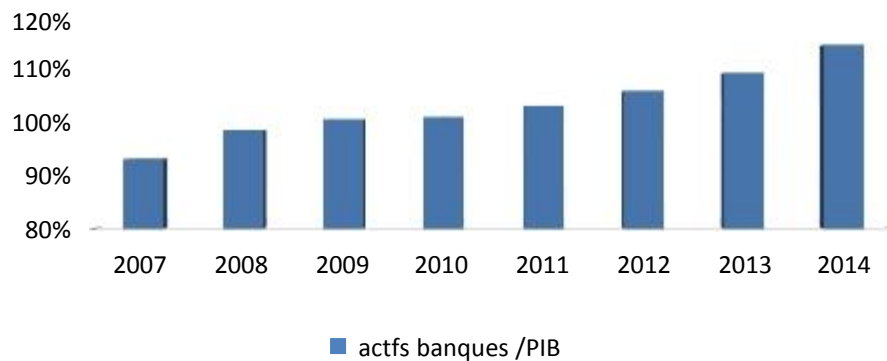
## inter BCT/GDP



## Government debt

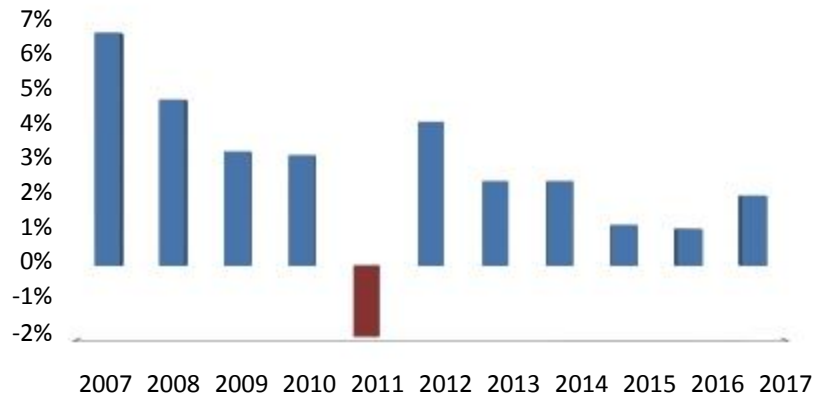


## bank assets /GDP

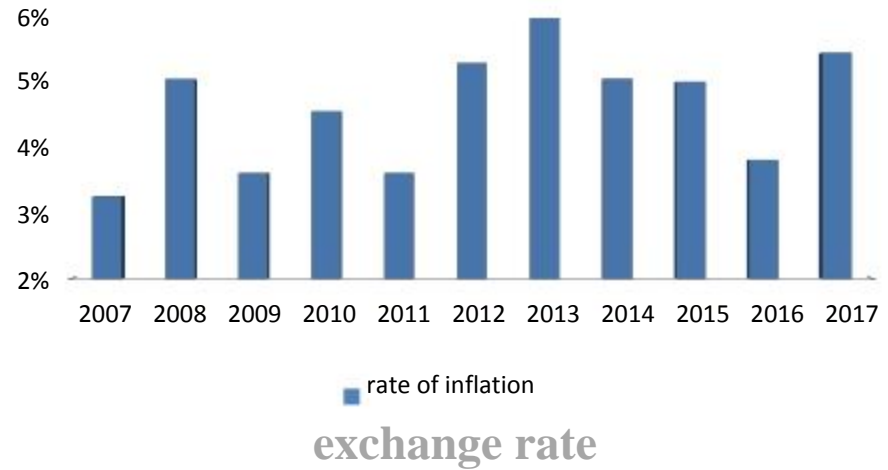


# Results: changes in economic aggregates

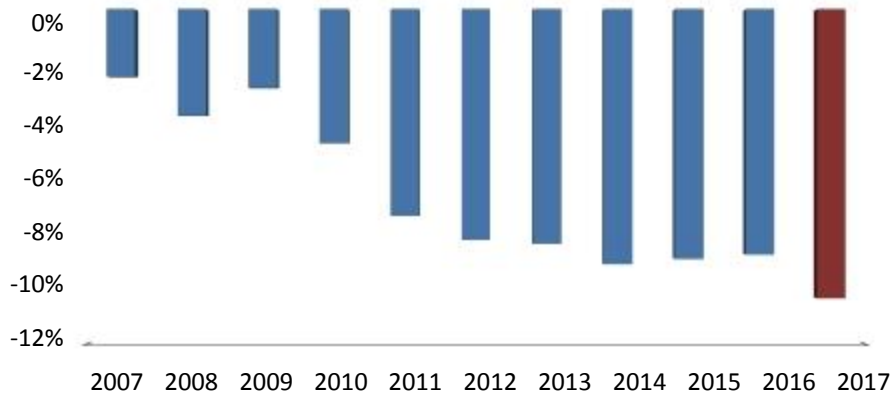
## real GDP growth



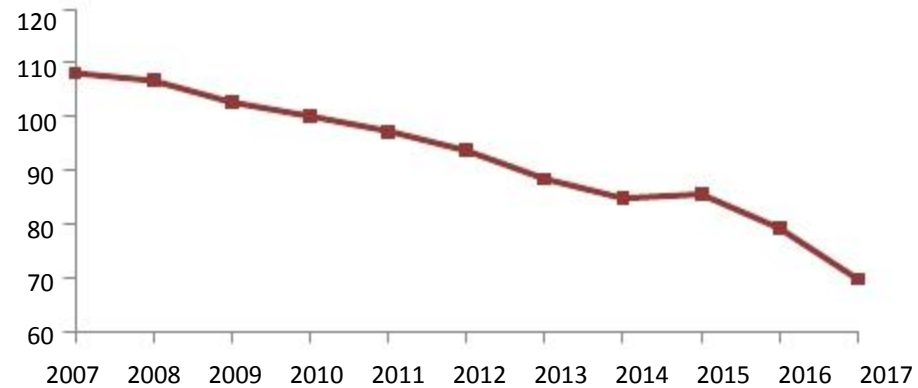
## Inflation



## current deficit



## exchange rate



# Impact of credit easing by Central Banks

These findings do not just apply to Tunisia. For a wide panel of emerging and developing countries recent IMF (1) research revealed empirically that resorting to credit easing entails serious depreciation of the local currency, high inflation and a substantial drop in economic growth. Whereas for advanced economies, the effects of CE were limited.

As a result, the authors suggest that emerging and developing countries need to be careful about using CE given the untoward macroeconomic repercussions it can have.

Such countries should rather seek to mitigate their vulnerability ex ante by consolidating supervision and financial regulations and by implementing a robust macroprudential policy.

<sup>1</sup> Luis I. Jácome H., Tahsin Saadi Sedik, and Alexander Ziegenbein (mars 2018) Is Credit Easing Viable in Emerging and Developing Economies? An Empirical Approach, IMF Working Paper WP/18/43

# Challenges we face

- *Pursue reforms whilst taking the following into account :*
  - *specificities of emerging economies*
  - *objectives of inclusive development*



*The pace and modalities of reform implementation need to be geared to local conditions*

- *Succeeding your exit strategy in economies where banks provide most of the funding*

# Challenges we face

## Enhancing financial stability

*Better articulation (calibration) of micro and macroprudential rules*

- ✓ *Reshaping safety nets (resolution mechanisms)*
- ✓ *Better coverage of shadow banking*
- ✓ *Pursue normalisation efforts for islamic banking*
- ✓ *Paying more attention to Fintechs*

## Ensuring inclusive economic growth:

- ✓ *integrating informal economy and de-cashing (plan conducted by BCT)*
- ✓ *a solidarity-based and social economy (draft law)*
- ✓ *Microfinance (raising the upper limits), mesofinance/crowdfunding (draft law)*

# De-cashing Plan

## Diagnosis

- ✓ *Preference for cash*
- ✓ *Increasing reluctance by economic agents to use cashless means of payment combining with illegal practices (informal economy, smuggling, tax evasion and laundering, etc.)*

## Short term action plan

- Regulatory limitations for receiving cash by government departments,*
- ✓ *implementing interoperability,*
  - ✓ *shaving costs and tariffs,*
  - ✓ *promoting payment terminals and other existing means of payment,*
  - ✓ *enhancing security,*
  - ✓ *adapting the regulatory framework governing electronic payments*
  - ✓ *promoting a financial culture.*

# De-cashing plan

## Short term action plan

Consolidating payment systems : disseminating and spreading the use of electronic payments on all the points of sale of goods and services in government organizations (Administration, state owned companies, social security offices) and the private sector (insurance, supermarkets, toll booths, retail outlets, petrol pumps, etc).

Upgrading payment infrastructures : modernizing systems and means of payment, enhancing stakeholder interoperability, diversifying offerings of mobile financial services and facilitating access for users. Securing payment systems and controlling risks by adopting international standards on the matter. Implementing a communication strategy and promoting a finance culture among users.