

**FOURTH PERIODIC CONFERENCE
OF LENDING INSTITUTIONS' CHIEF EXECUTIVE OFFICERS (CEOS), WORKS**

Central Bank of Tunisia, 24 and 25 September 2010

In his intervention in the 4th conference of lending institutions' CEOs which was held under the high auspices of his Excellency President Ben Ali, M. Brahim Saada, Deputy-Governor of the Central Bank of Tunisia (BCT) indicated that financing to the economy grew by 13 % over the first eight months 8 months of 2010, compared to 6% in the same period of 2009.

In this regard, he pointed out that this increase reflects the banking sector's efforts in financing the economy despite a difficult economic environment, in order to accompany the economic recovery and meet the national needs in the area of investment.

He indicated that professional loans, exclusive of financing for certain major projects, grew by 8% vs. 2.5% in the same period of 2009.

Likewise, mortgage loans went up by 15% and consumer loans by 5.4%. In order to cover the financing needs in 2010, banks focused mainly on customer deposits, which evolved by 8.1%, this helped maintain the 100% rate of coverage of loans by deposits. The Central Bank intervened to mop up excess liquidity as of June 2010 and thus to cover the increasing deficit in bank liquidity.

The main measures that are to be undertaken by banks over the forthcoming period aim at improving the quality of banking services and therefore protecting the consumer and boosting the clients' confidence in the sector. This means also to develop internship programmes and make them available to all the employees, while focusing on specialization and setting an enhancing policy for the human skills.

M. Abdelkarim Gdouda, General Manager of SIBTEL (Interbank clearing company), indicated that Tunisian banks are working to replace the 48-hour clearing, currently in force, by 24-clearing as of 30 October of the current year. He specified that 11 banks are currently testing this system while 13 others expressed their willingness to apply.

According to Mr. Khaled Fradi, Tunisia Monetics' CEO, efforts will be axed over the next period on making general the settlements through the mobile phone and the adoption of a multi-functional card, calling banks' representatives to use these services.

Discussions emphasized the importance of challenges over the next period, requiring development of financial soundness in the banking sector, improvement of services and internationalization of bank activities as well as the creation of a banking pole to boost the sector's competitiveness.

In the second session of works of the fourth conference of lending institutions' CEOs, M. Afif Chelbi, Minister of Industry and Technology, underlined that Tunisia's positioning in the area of innovation is indeed honorable.

He pointed out that the last annual report of Davos forum 2010-2011 classified Tunisia 31st internationally in the area of innovation before Portugal (32), Turkey (67), Morocco (81) and Rumania (87).

Evoking the industrial strategy to be set up to 2016, M. Chelbi specified that the target is to achieve a growth rate based on innovation and no more on competitiveness and this by setting a plan made up of two pillars: "promoting an infrastructure on a technological basis" and "modernizing the mechanisms of financing for corporate technological promotion".

The Minister of industry and technology indicated that 10 technological and development poles were created with an investment worth some 1,000 million dinars, likely to create 100 thousand jobs.

M. Chelbi indicated that implementation of the presidential programme to boost upgrading of technological development operations within the company has already started, aiming to draw up 300 technological diagnostics and carry 1,000 technological investment operations over the forthcoming years vs. 600 presently. As for the mechanisms for financing corporate technological development, M. Chelbi referred to In'tech fund (innovation and technological development Fund), created in April 2010 by means of 50 million dinars in loans and likely to contribute to the creation of 250 innovative businesses in the 2010-2016 period.

The Minister explained that the Fund finances projects with the cost varying between 100 thousand dinars and 5 million dinars for innovative projects in promising sectors, technological development, extension and modernization for small and medium-sized businesses participating in the industrial upgrading programme. Resources of the Fund are derived from core funds (70%) and bank loans (30%).

He also indicated that two credit lines were created to finance rescheduling operations :the line for financing restructuring loans granted by the lending institutions and the use of the remainder from the 4th credit line of the French Development Agency (AFD) to boost the financial basis of small and medium-sized businesses PME participating in the upgrading programme.

M.Chelbi stated that the investment premium in research-development and the national programme for research and innovation were boosted, which will help identify 180 innovative projects by 2016. The system enhancing innovation in the area of information and communication technologies would also help create 150 innovative businesses as per the industrial strategy.

He stressed the important role of the banking sector in supporting State efforts in the area of technological innovation, pointing out to the need to internationalize the Tunisian industry by helping the private sector be set abroad, notably after simplifying financial procedures.

In the third session of the works, Mr. Ridha Ben Mosbah, Minister of trade and handicrafts, talked about means to contain the trade deficit and diversify the Tunisian exports and the banking sector contribution in this area.

In this regard, Mr. Ben Mosbah stated that the trade deficit of goods and services totalled 2,727.7 million dinars over the first six months of 2010, due to an increase in imports.

He added that it is a sound deficit, in so far as 77% of imports were production input, raw materials and capital goods, noting that growth rate for these imports remained stable at 30% compared to faster progress pace for exports, up from 6.8% in January to 20.6% in August.

The Minister asserted that the national policy to curb the trade deficit provides for diversification of export of goods and their adjustment to foreign markets' specificities, increasing the export of services and diversification of markets within the European Union and elsewhere.

He called on the banking sector to contribute to containing of this deficit and to development of exports by accompanying exporters in looking for new markets.

M. Taoufik Baccar, Governor of the Central Bank of Tunisia (BCT) indicated that the trade deficit reached 5,561 million dinar over the first eight months of 2010, adding that this deficit will be associated with a wider current deficit due to the difficulties encountering the agricultural and the tourist sectors. He called on the sector's officers to further control consumer loan granting.

The banking institutions' officers estimated that worsening of the trade deficit and therefore the current deficit is just conjunctural, recommending diversification of export markets within the European Union and creation of new mechanisms to promote exports.

They noted that in order to conquer new African markets, special credit lines should be mobilized, which would not facilitate the task.

During the 2nd day of the conference, Mr. Mohamed Nouri Jouini, Minister of development and international cooperation evoked the issue of « the stake in preserving the global balances and increasing the growth pace ».

He indicated in his intervention that coverage of the ever-increasing job demands, notably, those of higher-education graduates, requires the adoption of an economic model based on innovation, Know-how and high added value.

The Minister asserted that the current economic model, which is based on competitiveness, is not capable of absorbing the additional job demands of higher-education graduates, who would represent 20 to 25% of additional job demands in the forthcoming period compared to 15% presently.

The national strategies in this area target faster growth, higher level of job creation, curbing the effects of weather conditions and control of management of the country's resources further to the integration in the world economy.

The Minister specifies that the goal consists in preserving the global balances of the national economy, pointing out that the increase in the deficit of balance of payments in the beginning of the year was led by conjunctural factors related to lower tourist activity and agricultural production, and higher per capita income without however increasing productivity, and this despite a progress in the volume of exports (made up of low added-value products).

The discussion focused on the national economy's capacity to face up to the challenges, the next economic stage, means to manage the transition period, notably, in the wake of higher cost of financing investment in the area of research and technology.

Intervenors called for setting up structures of support at the level of the public sector as well as that of the financing institutions.