

Public Debt: Will Tunisia overcome the “Wall of Debt”?

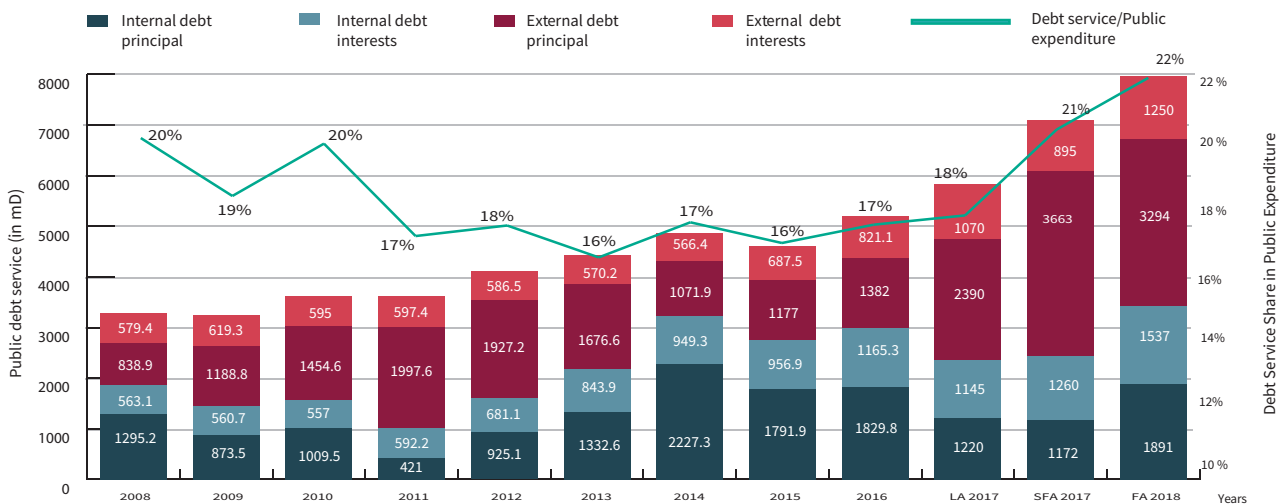
Key Highlights :

- In 2018, the debt service will reach an expected record of 22% of public expenditure.
- External debt repayment has surged since 2017, which is also the end of the grace period granted to Tunisia by foreign funders.
- The cost of internal debt has become prohibitive as a result of the vote of the independence of the Central Bank of Tunisia (BCT) and the prohibition to lend directly to the State.

|Title: *Change in Debt Service in Tunisia : 2008 - 2018*

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Sources : *Ministry of Finance*



The massive increase of the Tunisian public debt is starting to have an impact on the state budget through debt servicing, i.e. annual repayment of internal and external public debt including interest. Debt service has almost always been the largest item of expenditure of the State with an average of 19% of public expenditure over the period of 2008-2018. While the share of debt in public expenditure went from 20% in 2008 to 17% in 2011 to remain stable at this level until 2016, this share has curiously surged since 2017. Indeed, while the 2017 Finance Act, passed at the end of 2016, provided a service of public debt around 5.8 billion dinars, the 2017 Supplementary Finance Act, passed in December 2017, at the same time and therefore hidden by the 2018 Finance Act, adjusted this debt service for the year 2017 to 7 billion dinars. That is an estimated difference of 1.2 billion dinars! The Ministry of Finance explained this difference by the Qatari loan repayment, the date of repayment of which we know since at least the Tunisia2020 event where part of the Qatari promises would be used to reschedule our debt towards Qatar. 2017 and 2018 announce what some call the “Wall of Debt” that matches the beginning of the repayment of all loans granted by foreign funders who had given grace periods to Tunisia for the repayment of these debts principal. Therefore, we notice a surge of the external debt principal to be repaid starting in 2017. Similarly, starting that same year, we also see a sharp increase in the interests of internal debt following the vote on the independence of the Central Bank of Tunisia (BCT) which resulted in making prohibitive the appeal to internal debts. With this worrying trend, will Tunisia overcome the “Wall of Debt”?