

BCC 14th Annual Conference

Resilience of the financial system: Where do we stand?

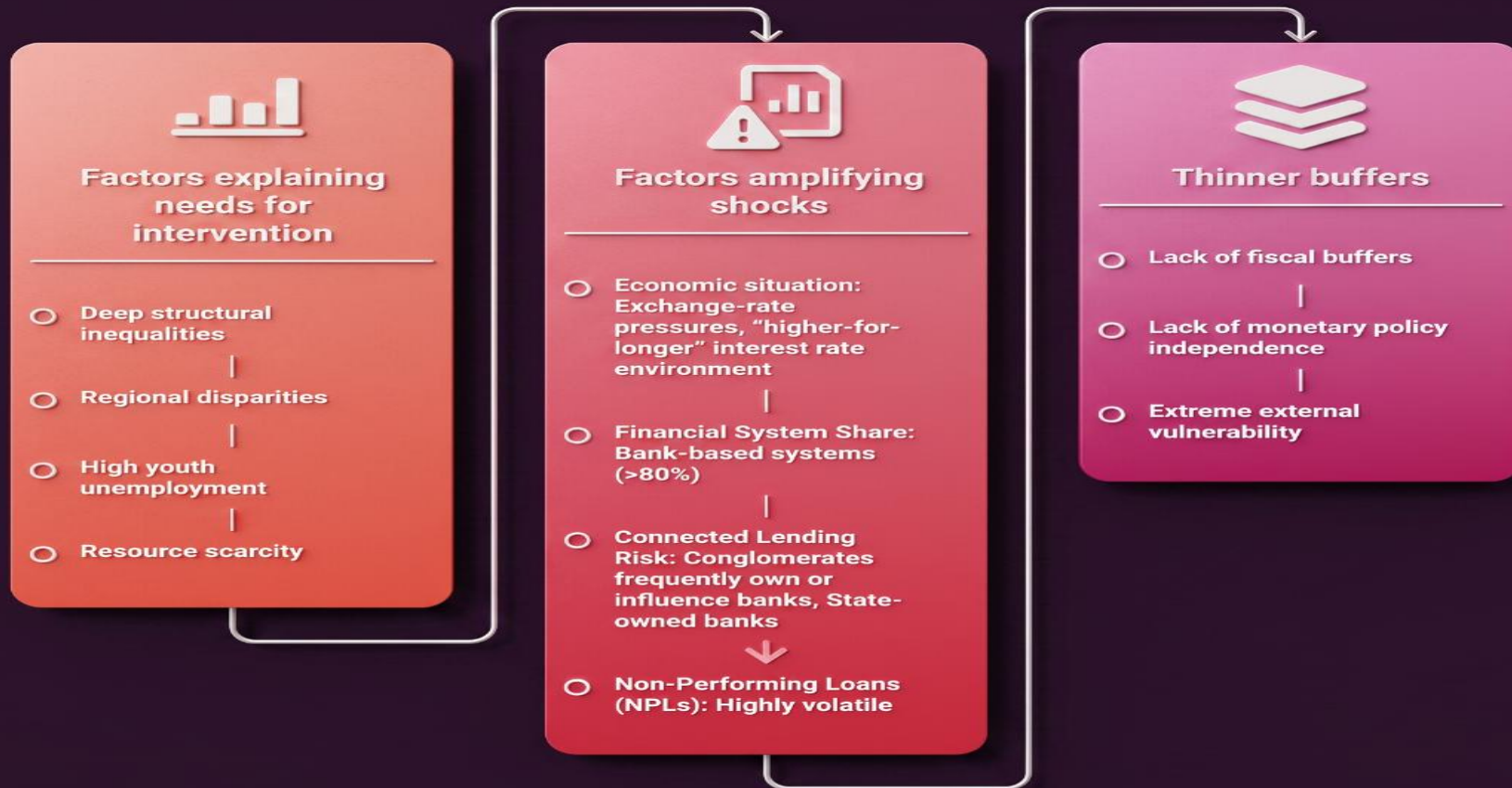
Policy Panel 3: Is Policy Intervention Required More Than in the Past?

Lessons from Developing & Emerging Economies: The Case of Tunisia



weaker market systems and higher exposure to shocks

2



Structural features turn shocks into system-wide risk



Slow economic growth

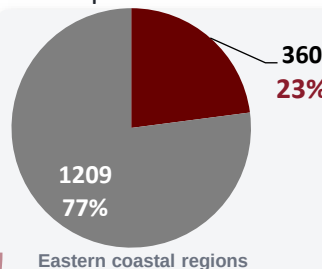
Slow economic growth (Hit harder, recovering less).

Graph 1: Real GDP growth, %

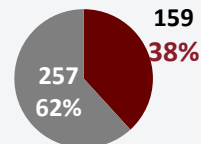


Financial System

Bank share of finance: >80% / **State ownership:** Three large public banks mix commercial, fiscal and development roles.



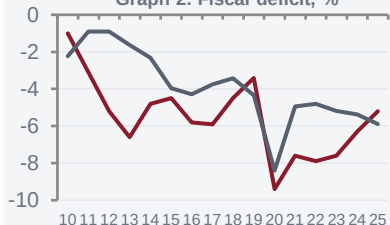
Graph 3: Bank Branches



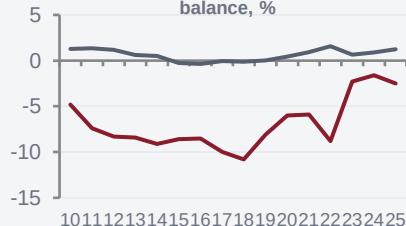
Macroeconomic vulnerabilities

The energy-related economic shocks cause major **external** and **public imbalances**.

Graph 2: Fiscal deficit, %



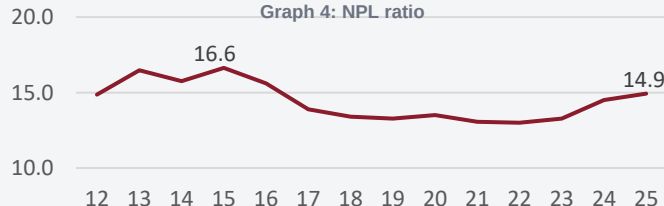
Graph 3: Current account balance, %



Asset quality

NPLs ≈15% of loans, concentrated in tourism and public enterprises; provisioning stuck at 50–55%.

Graph 4: NPL ratio



A less-regulated global system creates imported risks for emerging economies

1

The system is changing shape

- Lighter regulation in the United States,
- Rise of non-bank financial intermediaries
- Stablecoins & digital assets...

2

Impact channels (mainly indirect)

- Global Commodity Channel
- Foreign trade and global competitiveness
- Tourism & remittances
- Parallel FX Confidence & Financial Conditions

3

So intervention must be smarter & more preventive

- Without intervention : high risks
- Targeted intervention: not prohibition but managed innovation

For Tunisia these are imported risks: This creates an important asymmetry: Emerging markets import the volatility, but not the safety nets.

Intervening is hardest precisely where it is most needed



The nexus trap

After the COVID-19 pandemic, fiscal dominance arose in many developing economies as massive public debt and persistent budget deficits forced central banks to subordinate price stability to government financing needs. Risk-weighting sovereign paper would hit the budget and bank capital simultaneously; the exit must be sequenced with a credible fiscal path.



Political economy

Public-bank restructuring and NPL resolution touch employment and state-owned enterprises.



Procyclicality dilemma

Raising capital in a $\approx 1\%$ growth economy risks a credit crunch — hence phased deadlines and retention (dividend caps) instead of abrupt ratio hikes.



Informality & inclusion gaps

A large informal sector and high amounts of cash circulating outside the formal banking network limits credit data, collateral and the transmission of monetary and prudential policy.



Capacity & data

ECL models, consolidated reporting and supotech demand skills, IT and data infrastructure that remain scarce in banks and at the supervisor.

Implication: these constraints are not an argument against intervening — they are an argument for phased, model-informed, credibility-preserving intervention.

Requirement (Is policy intervention needed to address market failure?) vs Likelihood/Actuality (Will regulators actually intervene?)

	High Required Regulation	Low Required Regulation
High Actual/Expected Regulation	1 - Alignment & Focus <ul style="list-style-type: none"> • Macroprudential Sovereign-Bank Loop • AML/CFT & Financial Integrity • Systemic Bank Governance 	3- Regulatory Overreach (Repression) <ul style="list-style-type: none"> • Rigid Exchange Controls • Mandatory Public Debt Absorption
Low Actual/Expected Regulation	2- Regulatory Deficit <ul style="list-style-type: none"> • Climate & ESG Financial Risk • FinTech & Mobile Money Integration • Informal Sector 	4- Optimal Deregulation <ul style="list-style-type: none"> • Non-systemic Capital Market Trading • Early-stage Venture Equity Pricing • Cross-border Tech Freelance Services

Rebalancing financial policy requires scaling back repressive controls (Quadrant 3) to free up regulatory capacity (Quadrant 2).