



## EKONOMY AFTER COVID-19, SOLUTIONS AND MEASURES, REPUBLIC OF TUNISIA

### ИКОНОМИКАТА СЛЕД COVID-19 – РЕШЕНИЯ И МЕРКИ – РЕПУБЛИКА ТУНИС

**Karim Naama**  
**Карим Наама**

St. Cyril and St. Methodius University of Veliko Tarnovo  
Великотърновски университет „Св. св. Кирил и Методий“

**Резюме:** В настоящата разработка изследваме проблема на COVID-19 и отражението му върху политико-икономическото развитие на Република Тунис. Това изследване се прави в рамките на взаимодействията и промените, които настъпват в глобалната политика и световната икономика през 21. век с доминанта желанието на САЩ и Китай за засилване на относителния им икономически и политически дял на световната сцена.

Понастоящем тунизийската икономика, 10 година от началото на Арабската пролет през 2010 г., е изправена пред големи трудности, част от които се дължат на негативните условия и последиците, произтичащи от пандемията на COVID-19, провокирала широкомащабен икономически натиск върху целия свят в резултат на спирането и общото затваряне на много икономически дейности, на върха на които е туристическият сектор – основният източник на приходи за тунизийската икономика.

Тази разработка представя въздействието на епидемията от COVID-19 върху макроикономиката на Тунис, както и върху малките и микропредприятията и семействата. Проучването хвърля светлина и върху въздействието на всеобхватната карантина и мерките, предприети от правителството на Тунис за контрол на епидемията на икономическо ниво. Проучването представя оценка на увеличената на финансовата уязвимост на МТРЕs и многоизмерната парична бедност на домакинствата. Проучването дава много конкретни препоръки и възможни практически решения, които биха намалили последиците от кризата и биха подкрепили уязвимите социални слоеве, малките и микропредприятията по време на етапите на кризата, особено решения, които могат да допринесат за икономическото възстановяване след кризата.

**Ключови думи:** COVID-19; биологичен тероризъм; Тунис; икономика; криза; хаос; МВФ; ESCWA; решение.

**JEL:** P 00, P 20, P 51, F 43

### Introduction

Researcher Martin Rees, one of the experts on the problems of the 21st century, deals with problems related to the organization of social forces and states in a very different way in his book „Our Final Hour“ (Martin, 2003). The author explains that advanced technology will introduce new methods of creating terrorism and destruction, and communications will lead to the regulation of their social impact and it will be possible for disasters to occur in this way and even more annoying that they result from simple technical misfortune, that is and the more serious the threats, the more likely the number of perpetrators

is, so that the appearance of chaos becomes widespread, which is presented in this unique and strange book in its details.

The book also shows the opportunities available through advances in science and technology and the associated benefits and risks, smoothly aimed at non-specialists, and presents the subject of science that has not yet reached its end, as some claim and still many studies of the universe and its fate and the complex structures of life and the brain, etc. And new discoveries and useful applications will appear, but they also raise ethical risks and problems of a new type. We need to balance the benefits and advantages of genetics and information, the risks of all this, and the impact on the universe more diversely and broadly than we anticipate.

Biological terrorism and the intervention of scientists in the genetic modification of human biology, human and animal reproduction, tissue culture and other biological sciences, both suspicion and interest, give us reason to quote the British scientist Martin Rees born in 1943, who wrote the book, *Our Last Hour*, and published it in mid – 2003. This book confirms fears of the potential for the destruction of the universe. He says: „Expectations of a catastrophe will destroy the world, they have risen to 50% since they were 20% a hundred years ago, and he goes on to say: Science is advancing at a high rate and in a more dangerous field than ever. He went on to see that the most important threats to humanity are nuclear terrorism, genetically modified deadly viruses, the flight of man-made devices and genetic engineering that are changing human nature.

And all this is done by bad people or as a result of human error, but 2020 will be the year of biological error that kills a million people, and human nature will change because it will become unstable due to the drugs used in medical drugs, as well as the tremendous advances in genetic engineering, the rapid development of DNA code technology, and the potential for significant risks.

The Republic of Tunisia cannot be isolated from everything that has happened since the emergence of COVID-19. This reflects on the development of the country in political, economic and social aspects, namely here the current problems related to the political and economic development of the country and the impact of the pandemic will be studied.

## **1. Reflections on the economy of the Republic of Tunisia**

Today, 10 years after the start of the Arab Spring in 2010, the Tunisian economy is facing major difficulties, some of which are due to the negative conditions and consequences of the coronavirus pandemic, which has brought widespread economic pressure to the world as a result of the suspension and general closure of many economic activities, topped by the tourism sector, which in turn is the main source of income for the Tunisian economy. However, the most important part of the crisis and the difficulties facing the economy are due to internal and previous causes of the COVID-19 crisis, especially since the beginning of the political instability to which the country has been exposed in recent years.

There is not a single Arab country left that has not been affected by the COVID-19 pandemic. In addition to the fragility of the health system in many Arab countries, the economy has been severely affected in many countries, and most of them live on international support, raising questions about the economic future of these countries after the pandemic, while Arab countries with strong economies have taken preventive measures. The virus revealed the fragility of several countries' economies and showed shortcomings, including a lack of medical protection and a lack of food and other vital products.

The United Nations Economic and Social Commission for Western Asia (ESCWA) has warned that the effects of COVID-19 could throw more than 8 million more into the Arab region's population into poverty and hunger due to declining trade with food and lack of stocks of it. It is estimated that currently over 100 million people in the Arab region suffer from poverty.

ESCWA said 8.3 million people in Arab countries would reach poverty levels in 2020 as a result of the spread of the virus. COVID-19 is no longer just a disease, but rather an international problem that requires international interaction and cooperation to confront it.

The International Monetary Fund (IMF, 2020) estimates that expected Tunisian economy to shrink by an estimated rate of 7% in 2020 as one of the highest rates of contraction expected at international level during the year that has witnessed the peak of the pandemic, especially since the fund estimates

that the rate of contraction of the world economy during the year is about 4.4% and that the economies of developed countries will shrink by an average of 5.8%, while the average rate of contraction of emerging economies to which Tunisia belongs will probably reach about 3.3 percent.

Although the economy is expected to return to positive growth at a rate of 4% in 2021, its contraction in 2020 at this high rate suggests many negative signs associated with the instability of the overall situation. The ability of the economy to return to positive growth alone remains dependent on the end of the COVID-19 crisis, which cannot be certain to happen in the foreseeable future, including 2021, especially if the new human immunodeficiency viruses (HIV) worldwide continue to grow, as has happened recently. Because recent increases have prompted some countries to re-impose a general or partial blockade.

In light of these unfavorable conditions, the government expects to report a 14% deficit in its fiscal 2020 budget, compared to a deficit of about 3% that was expected for the same budget before the COVID-19 crisis erupted earlier this year. The government has responded to this significant increase in the effects of the pandemic. Although it seeks to reduce the budget deficit to around 7.3% in the next fiscal year (2021), according to estimates of the new draft budget, which was referred to Parliament for discussion and approval recently, realizing that this target remains dependent on the end of the COVID-19 crisis.

The amount of the Tunisian budget for the new fiscal year (2021) is estimated at 52.6 billion dinars, or about 19 billion dollars, with about 11.3% increase compared to the budget for the fiscal year 2020, which amounts to 47.23 billion dinars, or about \$ 17 billion. But the targeted budget increase depends on the economy's ability to provide more sources of income, which is exaggerated in light of the renewed spread of the virus around the world, leading to a continuing decline in public revenues for all countries, especially those dependent on sectors that generate foreign revenue, such as Tunisia, which depends on the tourism sector, which is the most important sector of its economy, as it contributes about 14.6% of its GDP and over 50% of its foreign exchange earnings per year.

The tourism sector accounts for 10% of GDP and this sector is witnessing a significant decline, reaching 50% in the first five months of this year, compared to the same period in 2019, due to the closure of airports, sea and land borders during the quarantine period., and even after the opening of airports did not report changes in the tourism sector, but rather reduced revenues in the first months of 2020.

The tourism sector provides 400,000 jobs directly and indirectly, and the sector's revenues have fallen by more than 50 percent in the first six months of this year compared to the same period in 2019.

From the beginning of 2020 to the limits of August 20, 2020, revenues from tourism decreased by 60% to reach 1.3 billion, while revenues from tourism for the same period last year and until August 2019 amounted to about 3.3 billion dinars.

While Tunisia experienced an economic decline of 21.6% in the second quarter of 2020 compared to the same period last year, the main reason for this contraction was mainly related to the decline in revenues in the tourism sector, which shrank by more than 38% compared to the same period in 2019. Data of the central bank (Central Bank of the Republic of Tunisia) show that Tunisia's tourism revenues decreased in the first five months of 2020, to 1.028 billion dinars (\$ 361.9 million), compared to 1.63 billion dinars (\$ 576.2 million) for the same period in 2019. The Arab Monetary Fund ranks (Arab Monetary Fond. WWW.amf.org) Tunisia among the Arab countries most affected by the decline in tourism revenues in light of the economic consequences of the COVID-19 crisis in 2020.

Regarding the situation in the tourism sector in Tunisia and the extent of the pandemic's impact on it, Tunisian University President Khaled Al-Fahfakhakh said in an interview with Al-Arabi 21 (Fakhakh, 2020) that the tourism sector was hit hard by the epidemic and would shrink if be the last of the sectors to recover.

He believes that 2020 will be more difficult for the tourism sector than in 2015, when the sector was severely affected by terrorist attacks.

Regarding the possibility of overcoming this crisis, Al-Fahfakhakh replied: „We are now considering how to keep the workers and help them, as this will lead to the depletion of funds to pay off debts for

electricity, water, social funds and banks. He added: „There is a bet that the epidemic will be overcome soon with the hope of the return of domestic tourism and the arrival of tourists from Algeria and Europe (Fakhakh, 2020)“.

At a time when Tunisia is suffering from fragile economic instability in the light of the crisis, its tense political problems have for some time been a stumbling block to the return of its economy to stability, even if the COVID-19 crisis ends soon. Tunisia is experiencing the weight of a political crisis that has disrupted the country's stability as a result of confrontation between the head of state and the speaker of parliament on the one hand and between the head of state and the parties on the other. This tension has complicated the economic decision-making process, making it difficult to stimulate the economy and increasing its ability to cope with the COVID-19 crisis.

As a result of this complex situation, some Tunisian economic experts believe that the country is close to the brink of bankruptcy, especially since these interactions are a deterrent to economic policies, not to mention a barrier to consensus between the executive and the legislature in the country, which postpones the approval of these policies. All this leaves the economy vulnerable to further aggravation of its problems.

The government faces another dilemma arising from the large volume of public debt, which accounts for about 85% of GDP, in addition to the approaching dates for repaying much of that debt. According to some estimates, Tunisia is required to pay 7.5 billion dinars (\$ 2.7 billion) in foreign debt in the last quarter of 2020 alone.

These conditions, due to political instability, cause a general decline in investment performance in Tunisia, given that they have imposed a state of uncertainty on the economic outlook and the chances of recovery from weaknesses and financial instability. And while domestic foreign investment in Tunisia fell to about \$ 845 million in 2019, compared to about \$ 1.04 billion in 2018, or about 22.8%, it is likely to fall deeper in 2020.

It seems difficult to get out of the situation that economic indicators have reached in Tunisia without settling the financial conditions, which have been in crisis for years, and to find a way to adopt stimulus policies capable of allowing the economy to take the pressure. resulting from the COVID-19 crisis and without achieving a state of political stability that improves economic recovery and ensures its sustainability.

## **2. The state of the economy of the Republic of Tunisia during the COVID-19 crisis**

The ongoing economic crisis will have a greater impact than the 2008 crisis and its impact on Tunisian citizens will be more severe than in previous crises, as unemployment rises, especially for fragile tourism-related jobs directly or indirectly. , the purchasing power of citizens will decrease, especially for the poor and middle class, with the loss of the value of the Tunisian dinar. The Tunisian Institute of Competitiveness and Quantitative Studies revealed in a study published last May 2020 that it is possible that approximately 430,000 jobs could be lost in Tunisia during the three-month quarantine period, an average of 143,000 jobs. sites per month since the beginning of the pandemic and the spread of (COVID-19) in mid-March 2020.

A number of economists also expect the unemployment rate to rise as a result of this pandemic from 14.9% at the end of 2019 to 20 or 25% by the end of 2020. The National Statistical Institute announced on May 22 that Tunisia's GDP will shrink by 1.7% in the first quarter of 2020. The tourism sector has been hit hard by the crisis (COVID-19).

Although Tunisia has begun easing restrictions on the movement of individuals and companies, the pandemic has caused major damage to the tourism sector, which contributes about 10 percent of GDP and is a major source of foreign exchange. The Tunisian economy is projected to shrink by 4 to 7 percent this year in 2020 due to the pandemic (COVID-19), which is the largest contraction since independence.

Although consumption has seen a noticeable jump in the food and basic materials sector, it is in the immediate direction of providing for vital needs and keeping them in reserve.

In our opinion, analyzing the situation in the country, the current growth rate of the Tunisian economy exceeds 1.2% in 2019, and the expected growth rate in the budget for 2020 is estimated at 2.7%, but this crisis has canceled all calculations and evaluations. „Tunisia's economy has been facing an uncharacteristic crisis since 1929. The virus has affected the national economy, which is inherently facing a structural crisis, as the pre-epidemic growth rate is 1% and the trend is declining by 5%.“ „The total debt ratio is around 80% and the external debt ratio has exceeded 90% due to the epidemic. In this difficult situation, it is currently difficult to find the necessary costs for the health sector, and recovery will be difficult later.“

According to some researchers (Arabic 21, 2020), many economic sectors will be affected, most notably: tourism and transport, traditional industries, foreign trade and export industries such as textiles, auto parts manufacturing, mechanical and electrical industries, which will be most affected. Especially in light of the spread of the epidemic in Italy, Germany and China, given that Tunisia's trade with these countries amounts to more than 60% of total foreign trade.

As for the sectors that will be relatively less affected and need to be revised in the overall economic structure, they are „agriculture and the food industry“, as the current crisis allows the country to double its exports of agricultural materials such as olive oil and fishing, given the critical situation facing Italy, which is considered to be the first supplier of this material to the rest of the European Union.

For Tunisia, a drop in world oil prices to \$ 30 is a real opportunity to reduce the energy deficit and reduce the trade deficit, provided they provide future contracts.

In the report „Prospects for the World Economy from October 2020“ The International Monetary Fund forecasts that the growth of the Tunisian economy will shrink by 2020 by 7% and is likely to recover in 2021 and reach 4%. The International Monetary Fund also expects that inflation in Tunisia will reach 5.4% in 2020 and that the deficit will reach 8.3% and 8.7% by the end of 2021.

The report calls for more measures to address urgent weaknesses in countries suffering from limited fiscal space in order to ensure a smooth recovery while maintaining the resilience of macroeconomic conditions. Urgent measures include providing jobs, providing liquidity to companies and families, protecting the poor and creating a carefully designed economic roadmap for recovery.

According to the Central Bank of Tunisia, economic growth fell by 21.6% in the second quarter of 2020, compared with an increase of 2.1% in the same period last year. The statement of the Central Bank, published on 30 September 2020, found that this contraction was due to a decline in production in all sectors except the agricultural sector. The central bank's data show that the Tunisian economy fell by 11.9% in constant prices in the first half of 2020 compared to the same period last year.

The central bank's report also indicates a decline in the inflation rate, taking into account the annual decline, to the level of 5.4% in August 2020, and according to the central bank this decline is due to the slow pace of development of laboratory, food and services. The central bank also pointed to a decline in key core inflation indicators, with their decline, especially item inflation, excluding fresh and framed items, reaching 5.3% in August 2020.

In the first eight months of 2020, the current account deficit continued to decline to 5% of GDP, a result of the continuing economic contraction at national level and at the level of Tunisia's most important partner countries as a result of the effects of the epidemic. The crown. The net inflow of foreign capital made it possible to cover the current deficit and maintain the level of net assets in foreign currency, which amounted to 21,127 pp, or 141 days of delivery on September 25, 2020, compared to 17,892 md, and 101 days on the same date in 2019.

In the same context, the central bank, referred to in a statement published on 30 September 2020, decided to reduce the key interest rate of the Central Bank of Tunisia by 50 basis points in order to provide the right conditions to stimulate investment and restore economic activity., while maintaining financial stability, bringing the interest rate to the level of 6.25%. Data from the National Statistical Institute also show an economic contraction in the second quarter of this year, reaching a negative rate of 21.6%.



### **3. The effects of the economic crisis on small and medium-sized businesses**

Following the announcement of the first case of coronavirus infection on 2 March 2020 and the announcement of quarantine, the Prime Minister of Tunisia announced a set of exceptional measures to support economic institutions affected by quarantine procedures and some related measures. with small and medium-sized enterprises and the liberal professions, such as deferral of payments for a period of 3 months from April, deferral of social security contributions for the second quarter for a period of 3 months, deferral of payments of bank debts and financial institutions for a period of 6 months, rescheduling of tax and customs obligations for a period of 7 years, creation of a guarantee line of 500 million dinars to enable the institutions to obtain new loans for disposal and construction and to enable recovery of excess performance over value added within a maximum period of one month.

Despite numerous procedures and measures, the government did not deliver on its promises, which were confirmed by Bashir Buzhdi, a member of the Tunisian Union's executive office for industry, trade and crafts, in a statement to Shams FM on Thursday, October 8, 2020, where he pointed out that: "35% of small and medium-sized companies live in a difficult situation and are threatened with closure and disappearance. And other representatives in the Republic of Tunisia say that the quarantine measures that were activated during the first wave of the spread of COVID-19 have led to the loss of 165,000 jobs and even the latest government decisions that the organization seeks and promotes. debt planning and deferral of bank contributions and payments, it is not activated and is activated below expectations.

Following the emerging problems surrounding investment in the country and the impact of the COVID-19 crisis, the Foreign Investment Promotion Agency confirmed that in the first nine months of 2020, international investment flowing into Tunisia decreased by 26.4% as an indicator. for the country's vulnerability to the effects of the coronavirus pandemic. Data reported by the Tunisia Africa News Agency show that Tunisia has attracted investments worth 1506.6 million dinars by the end of September 2020, against 2048.4 compared to the same period in 2019. Also, international investments in financial portfolios decreased by 68.1% and at the end of the third quarter of 2020 they reached about 47.7 m. dinar compared to 149.8 m. dinar in 2019.

As for energy investment, it has fallen significantly by 23.5%, according to the Foreign Investment Promotion Agency. The level of investment in the energy sector was reached by the end of September 601.7 m. Dinar compared to 786.3 m. Dinar compared to 2019 and this decline, according to the agency, is due to the deterioration in the price of a barrel of oil reached the lowest its historic levels in 2020, in addition to protests and intersections in most of the production areas, especially in the Al-Camor area.

Regarding the proposed solutions to overcome the economic crisis, the experts respond as follows: „that the solution lies in the protection of the private sector by exempting from taxes and social contributions, negotiating with the International Monetary Fund and the World Bank to schedule debts in Tunisia and relieve her of some debts, and support Tunisia with some extraordinary loans.

Given the causes and nature of the crisis, we can say that overcoming the crisis lies in solving an existing problem in Tunisia, the „issue of corruption“, and here the solution comes by overcoming it, adopting an uncompromising policy against it and transforming the law on economic reconciliation in a law to settle problems, not an amnesty.

The need for „self-reliance“, by mobilizing efforts and resources, the openness of society to take responsibility, showing a culture of ambition, work and sacrifice by all and moving with a clear strategic policy to solve problems.

Experts think that betting on Tunisian society will bear the brunt of the problem, not through tax inputs, but through other inputs, such as: contributing to national instruments for financing development projects in entities that the state cannot implement, and activating funds and donations in various social sectors. It is necessary to apply the law firmly and strictly to all and at all levels, to deal with the situation of insecurity and lawlessness, to circumvent the law, debauchery in the workplace, evasion, fraud, tax fraud and smuggling. Furthermore, it is necessary to expand economic partnerships with other emerging poles such as China, Africa and Turkey and not limit itself to the European partnership. The government needs to negotiate well with international institutions to suspend debt service until the crisis is resolved

and stolen and frozen funds are recovered abroad. Finally, in order to avoid pandemics, society must change its way of life.

In conclusion, the Tunisian economy continues to face difficulties in light of the critical health situation, and the government is still making promises that have not yet been fulfilled, and the Tunisian citizen is still on the waiting list.

## REFERENCES

**R. Martin. (2003).** "Our Final Hour". Published by Basis Books. A Member of the Perseus Group. (pbk).

**T. Husham. (2006).** Building the universe and the destiny of man (ناسنالا ريصمو نوكلا ءانب), Hardcover, 720 pages, Published February 1st 2006 by راد رشنلاو ةعابطلل ةفرعما راد .

Future for Advanced Research and Studies. [www.futureuae.com](http://www.futureuae.com)

**N. Karim. (2020).** Reforms and Challenges (World Experience). University Publishing House „St. Cyril and St. Methodius” (in Bulgarian).

<http://www.finances.gov.tn>

<http://www.tunisieindustrie.gov.tn>

<http://www.tourisme.gov.tn>

<http://www.tunisie.gov.tn/annuaire>

---

### За контакти:

Карим Наама, професор, доктор на науките

Служебен адрес: В. Търново 5000, ул. „Арх. Георги Козаров“ № 1,

ВТУ „Св. св. Кирил и Методий“, Стопански факултет

катедра „Икономическа теория и международни икономически отношения“

Ел. поща: [k.naama@ts.uni-vt.bg](mailto:k.naama@ts.uni-vt.bg)

---