Boutheina Ben Yaghlane Ben Slimane

Empowering the economy

Boutheina Ben Yaghlane Ben Slimane, General Manager, Caisse des Dépôts et Consignations (CDC), on the roles of public and private investment

What the role of public investment in developing small and medium-sized enterprises (SMEs)?

BEN YAGHLANE: Public investment has a role to play in the financing and guidance of SMEs, especially those in interior regions and those involved in high-value-added sectors, such as green energy and IT. As the financial arm of the Tunisian government, the CDC aims to boost the economy by stabilising its financial landscape, and supporting SMEs helps to achieve this goal. In particular, the CDC directly supports SMEs by acting as equity holders and indirectly through several on-shore funds, (e.g., regional development funds, Theemar funds with the Islamic Corporation for the Development of the Private Sector, etc) and offshore funds (e.g., the French-Tunisian Co-location Fund with Bpifrance, etc). Because financing comes with conditions that encourage good governance and prudential management of finances, public investment can also contribute to the development of more sustainable SMEs. Providing SMEs with guidance is crucial, especially in the start-up phase, which is why government should also support the creation of effective incubators.

How can public-private partnerships (PPPs) contribute to the development of Tunisia's interior regions?

BEN YAGHLANE: Tunisia has a new legal framework that supports the creation of PPPs, which is very important for the development of the country's interior. Economic underdevelopment in Tunisia's interior regions stems from several factors, including from a lack of adequate infrastructure, which require significant sums of investment. Private or public investment alone cannot finance the necessary investments, as the natures of these two types of investment are quite different. Though both types will continue to play their independent roles, their cooperation could create a period of strong and stable economic growth for the country.

With the backing of a public partner, private players are more likely to venture into areas that they might not have considered. The role of the CDC as a public investor is not to crowd out the private sector, but rather to empower it to intervene in areas once deemed too risky. Such cooperation has the potential to absorb the tensions that can exist between the two sectors.

How can the public sector in Tunisia better protect its economy from exogenous shocks?

BEN YAGHLANE: Economic downturns are often exogenous in what is an increasingly interconnected world. Protecting the Tunisian economy against exogenous shocks requires the existence of long-term investment, which serves the public interest and acts as a counter-cyclical force. Investment with this approach helps to restore confidence during recessions and downturns in the economy.

In Tunisia the country's long-term public investment fund is the CDC, which is based on an international model of public institutional investment firms. These kinds of funds are unique and have proven successful in practice. In the wake of the 2008 financial crisis, countries with similar funds proved more resilient and able to recover more quickly.

What is the importance of long-term investment for economic development in the country?

BEN YAGHLANE: An investor tasked with acting in times of an economic downturn must be patient and accept both deferred returns and higher associated risks. Long-term investments set the vision for a country's future, and doing this requires confidence and certainty that the economy will grow. Long-term investment is difficult to dissociate from the risks involved because the future is unpredictable. Making long-term investments is a gamble for any country, and Tunisia is no exception. However, a country cannot sustain development without visionary projects. That is why Tunisia is pleased to have its 2016-20 Development Plan, which has set the course for such projects.