Centre for Affordable Housing Finance in Africa

Housing Investment Landscapes

Tunisia

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1 Country background

Tunisia has had housing as an integral sector for public investment and provision since gaining independence in the mid-twentieth century. A series of loans from both the World Bank and the United States Agency for International Development from the 1960s through the early 1990s targeted urban development programmes, often with housing components. However, these kinds of investments from large development finance institutions (DFIs) for affordable housing in Tunisia have dwindled since the 1990s. Most DFI-backed loans and programmes have been geared toward fiscal responsibility, institutional strengthening, and the development of small and medium enterprises (SMEs).

Key reforms in Tunisia have occurred recently, giving hope that a more robust economy and greater access to markets for investors is possible. Some key reforms include "adoption of the Competition Law, the PPP (public private partnership) law, as well as the new Investment Code, which came into effect in April 2017."[1]

In July 2018, "the International Monetary Fund (IMF) completed the third review of Tunisia's economic programme supported by an arrangement under the Extended Fund Facility (EFF)." According to a press release, the government of Tunisia has made progress in "strengthening the recovery" since the revolution in accordance with the agreement with a focus on "growth-friendly and socially conscious reforms aimed at stabilising public debt while raising investment and social spending."[2]

The real estate sector, despite certain restrictions for investments, was already attracting foreign interest before the revolution. In 2013, after entering into the second agreement with the IMF, it was reported that the "Tunisian real estate sector offers a bright spot for global investors and could lead the way in helping the country regain a firm footing on the economy."[3] A good deal of this interest was from "wealthy investors from the Gulf region."[4] However, this investor interest was still happening within the context of an economy that retained some of the issues that would deter other investors, including a lack of institutional strength, or potentially lingering corrupt practices linked to influential people from before the Arab Spring.

In addition to the new legislative and regulatory frameworks that are geared toward liberalising Tunisia's economy, the government has also established the Tunisian Investment Authority, "which will act as a one-stop-shop to facilitate the procedures required for investors" who are looking to explore business opportunities in Tunisia.

In 2017, the government launched The Economic and Social Roadmap 2018-2020 to help bring about the reforms that have been ongoing since the implementation of the Five-Year Plan. The Roadmap has nine primary initiatives:

1) Removal of barriers to investment;

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[1] World Bank (2018). International Bank for Reconstruction and Development Program Document for a Proposed Loan in the Amount of Euro 413.4 million (Equivalent to US$500 million) to the Republic of Tunisia for the Investment, Competitiveness and Inclusion Development Policy Finance.

[2] IMF Press Release (2018). IMF Executive Board Completes Third Review under the Extended Fund Facility (EFF) Arrangement for Tunisia. http://www.imf.org/en/News/Articles/2018/07/09/pr18279-tunisia-imf-executive-board-completes-third-review-under-eff.

[3] Ventures Africa (2013). Tunisia: Real estate market remains bright spot. http://venturesafrica.com/tunisia-real-estate-market-remains-a-bright-spot/.

[4] Ibid.

2) Improvement of SME financing and the enabling environment for high-growth start-ups;
3) Development of a national programme to boost exports;
4) Infrastructure investment through PPPs to improve regional development and connect industrial zones and technological parks to highways;
5) Implementation of a Digital Tunisia 2020 programme;
6) Implementation of the Tunisia Renewables Plan;
7) Initiative for improving the Rades port;
8) Initiatives to manage tourism sector debt and the launch of a new strategy to support the sector; and
9) Harnessing PPPs for crucial projects.[5]

While the framework of the Roadmap and many of the other reforms do mention affordable housing finance, a desperately needed solution to Tunisia's continuing urbanisation, many of the initiatives are mostly focused on the development of local economies through SMEs, technology, energy, and agriculture. According to the World Bank, the micro-credit schemes detailed in their most recent loan programme for income-generating activities "exclude microcredits relating to housing" and other key sectors. However, under the World Bank programme's financing axis, a key component is increasing "financial inclusion by promoting mobile payments and improving access to affordable housing finance."[6] The specifics are not detailed in the loan proposal document, but given the maturity of the mortgage lending market and the history of Tunisia trying to address issues of affordable housing, the potential for more investment in key SME and technology sectors, the conditions to develop an innovative, robust affordable housing industry may already exist.

Tunisia's urban areas are seeing the same kinds of affordability and development problems that can be found all over the world and the MENA region. Luxury apartments have been built to meet the needs of the wealthiest Tunisians, but, "Housing is traditionally the second largest item of expenditure for Tunisian households."[7] A variety of loan options exist for lower, middle, and upper classes, from more than 20 institutions issuing mortgage products, including from the (mostly) public Housing Bank (*Banque de l'Habitat*) as well as commercial banks and microcredit institutions.

Due to increasing rural-urban migration of predominantly young Tunisians, the "new demand for housing is estimated at approximately 70 000 units per year."[8]

2 Investor profiles and description of housing sector investments

Since the end of the Ebola crisis, Guinea's economic situation has gradually improved, and investments have started to enter in the market. There are both local and foreign institutional investors in Guinea, although investment by local actors remains extremely limited in the housing sector.

[5] World Bank (2018). See footnote 1.
[6] Ibid.
[7] CAHF Yearbook (2017) – *Housing Finance in Africa: A review of some of Africa's housing finance markets*, Centre for Affordable Housing Finance in Africa.
[8] Middle East and North Africa Transition Fund (2013). TN AMF – WB Regional Affordable Housing Proposal. https://www.menatransitionfund.org/documents/regional-affordable-housing-project-tunisia-activities.

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2.1 Local institutional investors

Capital markets

Local capital markets have not been significantly leveraged to invest in affordable housing. Some limited long-term financing exists. The Tunis International Bank offers long-term financing to non-resident companies and claims site construction, capital investments, and loans for refurbishment and property development as the types of project this financing is for. However, the terms only go up to 12 months,[9] which might hinder more ambitious affordable housing investment from non-resident companies looking to use local capital markets.

In general, Tunisia has well-developed local capital markets compared to other countries in the region. The legal and professional capacity exists for a mature financial sector and the TUNINDEX is a major stock market index listing all traded companies. TUNINDEX reached an all-time high in August 2018.[10] However, the Centre for Affordable Housing Finance in Africa's 2017 Yearbook notes there have only been two instances where the secondary markets have been used to fund long-term mortgage finance.[11] The International Arab Bank of Tunisia (BIAT) carried out these transactions in 2005 and 2006. In addition, the Housing Bank is allowed to issue stocks and bonds on the capital markets.

Asset management industry

Tunisia has an asset management industry, but limited information is available on affordable housing asset management, or affordable housing as an asset class. Most housing built or designated as affordable would likely be under the management of the government.

Integra Partners is a relatively developed and large asset management company that has two subsidiaries operating in Tunisia (Tunisie Valuers and AfricInvest) with over US$1.4 billion under management. Around 25 percent of AfricInvest's portfolio is invested in the construction and manufacturing sectors.[12]

Pension funds

Some social security payments do go into housing. These payments go into the Fund for the Promotion of Social Housing (FOPROLOS) programme. However, the outdated Investment Incentive Code made several exemptions for investments that removed these social security payments into the FOPROLOS programme. While housing development had been a sector foreign investors could enter, two out of three types of investors received permanent exemptions if their investments were in designated "regional development zones," with the third receiving no exemption.[13] Given the other restrictions to foreign direct investment (FDI), it is likely that the conditions for FDI in the housing sector have improved.

The OECD Economic Survey 2017 suggests ending the social payments into housing altogether, and have affordable housing be funded through completely separate methods and revenue streams.

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[9] Tunis International Bank (n.d). Non-resident companies: long-term financing. www.tib.com.tn/En/non-resident-companies_107_8_D22.

[10] Trading Economics website (n.d.). Tunisia Stock Market (TUNINDEX). www.tradingeconomics.com/tunisia/stock-market.

[11] CAHF Yearbook (2017). *Housing Finance in Africa: A review of some of Africa's housing finance markets*, Centre for Affordable Housing Finance in Africa.

[12] AfricInvest website ((n.d). Portfolio. http://www.africinvest.com/portfolio/key-figures/.

[13] Foreign Investment Promotion Agency, 2013. *A Foreign Investor's Guide to Tunisia*.

Local savings schemes

Several local savings schemes are available in Tunisia from public, quasi-public, and private banking institutions. Since most housing is financed independently, personal savings represent a significant aspect of the housing and real estate market. For example, the Al Baraka Bank Tunisia offers the “Maskan Al Baraka” loan/savings scheme. The Maskan Al Baraka loan is a financing mechanism that is consistent with Islamic principles and can be used to finance new housing, existing housing, or land. The loan funds up to four times the amount saved with a cap at TD 300 000 (US$108 441). Consistent with other mortgage financing mechanisms, funding cannot exceed 80 percent of the total cost and is repaid over a 25-year term.[14][15]

Government investment

Public investment in housing is significant and, despite some slowdowns in production and output, has remained stable, primarily through a number of financial subsidies and the publicly owned Banque de l’Habitat (Housing Bank). The performance of the Housing Bank declined during the 1990s and early 2000s, as the competitiveness and variation in the mortgage markets increased. The Housing Bank, is, however, the sole provider of the state-subsided FOPROLOS loan programme (*Fonds pour la Promotion des Logements aux Saleriés*). In 2015, the Housing Bank was still the mortgage market leader “with a real estate market share of 23 percent”. The government keeps a majority share of the Housing Bank but has allowed a significant portion of it to be privatised. The Housing Bank has also been the recipient of at least three loans from the African Development Bank (ADB).

The FOPROLOS programme, or Fund for the Promotion of Social Housing (*Fond pour la Promotion des Logement aux Saleriés*), is the government’s primary means of trying to help low to middle income families access affordable housing finance, and is administered exclusively by the Housing Bank. Interest rates for FOPROLOS loans range from 2.5 to 5.75 percent and three income brackets are covered. The income brackets “are targeted at households earning a regular salary between minimum wage and up to 4. 5 times minimum wage.”[16] These loans can finance up to 90 percent of a property’s value with a maximum term of 25 years. FOPROLOS excludes those with incomes in the informal markets, and the stipulations of the programme make affordable housing finance inaccessible to many who need it most.

The Government of Tunisia launched the “First Housing” programme in 2017. The programme started with a fund of US$80 million and produces financial products for middle income borrowers seeking to buy their first home.[17] Other government-subsidised programmes under which Tunisians can access affordable housing financing include the national Fund for Housing Improvement, the Housing Land Agency, and the National Solidarity Fund.

2.2 Foreign institutional investors

[14] CAHF, 2017.
[15] Al Baraka Bank Tunisia website (n.d.). Maskan Al Baraka, albarakabank.com. http://www.albarakabank.com.tn/DetailsProduit.aspx?idProduit=29.
[16] CAHF, 2017.
[17] Ibid.

DFI investment

Tunisia has been the recipient of a significant amount of foreign investment from development finance institutions since gaining independence in 1956. For the first couple of decades of Tunisia's independence, the World Bank and United States Agency for International Development (USAID) played major roles in providing financial resources, particularly for the growth of urban development.[18] Rapid urbanization was one of the consequences of these investments, leading to the need to address key sectors in urban areas, particularly housing and employment. Tunisia has struggled to keep up with the needs of both.

Many DFI investments have been focused on the promotion of SMEs in Tunisia and macroeconomic reforms. Recent investment in affordable housing from DFIs is limited.

DFI investment in finance and housing

Since 2002, the Housing Bank has been the recipient of three loans from the African Development Bank (AfDB, 2002, 2003, and 2017) totaling more than US$125 million.[19]

In the 1960s, the World Bank began to make a series of large loans to the Tunisian government, often for urban development with housing components. However, the Bank "has ended its involvement in Tunisia's housing sector."[20] In 2017 and 2018, the World Bank made two loans of US$500 million each to directly change the investment and business climate in Tunisia. The Tunisia Investment, Competitiveness, and Inclusion project (2018), does contain language around access to affordable housing finance in Tunisia.

The International Finance Corporation (IFC) has also financed projects to shape Tunisia's investment landscape in recent years. The IFC's portfolio in Tunisia was around US$235 million in 2012.[21] In 2008, the IFC provided a credit guarantee to ENDA, one of the leading microfinance institutions in the country that does provide housing microfinance products. The IFC then loaned US$6.18 million to ENDA in 2012 over a five-year disbursement. In 2017, the IFC provided Amen Bank with US$100 000 and technical assistance to set up the "investor relations management framework."[22]

The Islamic Development Bank has made two recent loans, one to the Ministry of Development, Investment, and International Cooperation,[23] and one to promote an economic empowerment project by local microfinance institution Zitouna.[24]

Tunisia has had an ongoing bilateral relationship with Europe for several years. The European Investment Bank (EIB), particularly through its Fund for Euro-Mediterranean Investment and

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[18] Sims, D E. UN Habitat, 2011. Tunisia Housing Profile. UN Human Settlements Programme.
[19] AfDB, "Tunisia Project Portfolio," African Development Bank Group, https://www.afdb.org/en/projects-and-operations/project-portfolio/tunisia/.
[20] See footnote 18.
[21] Gallagher, K et al. Bank Information Centre (2012). *The World Bank Group and Tunisia: A Country Study*
[22] IFC Project Information Portal. https://disclosures.ifc.org/#/projectDetail/AS/601717
[23] Islamic Development Bank website (n.d.). C.B. of the Ministry of Development, Investment and Int'l Cooperation. https://www.isdb.org/project/cb-of-the-ministry-of-development-investment-and-intl-cooperation
[24] Islamic Development Bank website (n.d.). Economic Empowerment by Zitouna Tamkeen. https://www.isdb.org/project/economic-empowerment-by-zitouna-tamkeen

Partnership (FEMIP) provided €408 million to Tunisia as of 2016, including financing for improving the investment climate for sectors such as social housing.[25]

Private equity

The most obvious examples of private equity investments from foreign actors are the various mega-projects backed by various firms and members of Gulf states. These mega-projects were disrupted by the events of the Arab Spring, but some have gone forward in recent years. While these are large real estate and infrastructure investments, the residential components tend to focus on luxury real estate rather than affordable housing.

Two affordable housing-specific investments have been made in recent years, showing both the insufficient attention the sector receives from the international community, as well as the potential for more investments like these.

The first is from the Middle East and North Africa Transition Fund (MENA Fund) for the MENA Regional Affordable Housing Project. The MENA Fund's regional affordable housing project was launched in Tunisia in 2014 in collaboration with the World Bank and the Arab Monetary Fund. The investment amounted to more than US$2.1 million. The primary recipient entities of the funds were Tunisian government institutions: the housing ministry, finance ministry, and the Central Bank of Tunisia.[26] The stated purpose of the MENA Fund project was to "provide technical assistance to advance country-led policy and institutional reforms in three key areas."[27] The three key areas included scaling up production of affordable housing, expanding finance for affordable housing, and knowledge sharing. Ultimately, the project aimed to provide more access to affordable housing options to low and middle income households and spread the programme across the region.[28]

Blue Orchard is an impact investment manager with recent operations in Tunisia. According to their 2017 Social Performance Report, close to "half of the investees in Blue Orchard portfolios provide housing and home improvement loans." While not all these investments are in Tunisia, "the housing portfolio of Blue Orchard investees totaled more than US$3 billion as of 31 March 2017." ENDA-Tamweel, the local Tunisian microfinance entity, was one such investee. As of March 2017, ENDA-Tamweel's Darna loan product had been given out to 100 000 recipients, totaling more than US$50 million. Many of these loans went toward capital and living condition improvements targeting vulnerable families with health and hygiene upgrades such as plumbing.[29]

Developers can take advantage of subsidized loans for producing housing. However, being a developer is little more than a tax designation. According to the OECD, "Housing investment has been underpinned by financial and tax incentives which have moved savings away from more productive investments." Economic reforms are being implemented that will require more private involvement in addition to maintaining public housing incentives that can more easily benefit the poorest households. Currently, the tax incentives related to housing "tend to benefit the wealthiest households."[30] The Oxford Business Group reported there were "2 960 real estate developers active

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[25] European Investment Bank (n.d.) Specific projects not found. http://www.eib.org/en/projects/regions/med/index.htm
[26] Middle East and North Africa Transition Fund (2013). "TN AMF – WB Regional Affordable Housing Proposal," 2013. https://www.menatransitionfund.org/documents/regional-affordable-housing-project-tunisia-activities.
[27] Ibid.
[28] Ibid.
[29] BlueOrchard (2017). Social Performance Report – Investing in our Future: Contributing to the Sustainable Development Goals.
[30] Organization for Economic Cooperation and Development (2018). Economic Survey 2018: Tunisia

in" Tunisia, a figure that comes from the National Association of Real Estate Developers (Chambre syndicale nationale des promoteurs immobiliers, CSMPI), but "many investors register as developers to benefit from tax incentives for property construction."[31] The CEO of developer Edifia, Nadhir Ben Ammar, says "'There are maybe 800 or 900 active developers in Tunisia."[32] Many of these, he goes on to say, are Tunisian professionals who use the real estate market as a safe investment.

3 Investment processes

The most recent writings about the investment processes and landscape are somewhat contradictory. As with many economic assessments, one can look at the same evidence and draw opposite conclusions. Tunisia began implementing its latest round of market reforms in 2016, continuing to liberalize the economy and encourage investment, but macroeconomic imbalances and political risks remain. Ivan Nimac's analysis of Tunisia's investment reforms claims, "Tunisia [has] successfully designed comprehensive reform agendas," despite the uncertainties and risks that continue to threaten the market and investment landscape.[33] In 2016, the government of Tunisia passed a new Investment Law (law No. 71-2016). The law effected changes in key areas to encourage investments: investment entry, protections, and incentives. These key areas are based on a series of evidence-based principles that are more in-line with international best practices.[34]

Governmental offices involved in investment processes include the Ministry of Investment, Development and International Cooperation and the Ministry of Finance. The Foreign Investment Promotion Agency is a public institution set up under the Ministry of Investment, Development, and International Cooperation in 1995, with the express mission of helping foreign investors set up businesses in Tunisia. In 2017, FIPA reported an increase in FDIs, despite a general downward trend of foreign investment since 2010. Most of these investments were in the manufacturing sector.[35] [36]

There are also professional associations such as the Association Tunisienne des Investisseurs en Capital (Tunisian Association of Capital Investors, ATIC) which government ministries consult to help guide policy changes and incentives. Both the "Ministry of Finance and capital market authority (*Conseil des Marchés Financiers*, CMF) consulted widely with ministries and ATIC membership" to help create entrepreneurial and investment policy frameworks, including a new Seed and Equity Code with better incentives.[37]

In addition to these new legislative and regulatory frameworks that are geared toward liberalizing Tunisia's economy, the government has also established the Tunisian Investment Authority, "which will act as a one-stop-shop to facilitate the procedures required for investors" who are looking to explore business opportunities in Tunisia.

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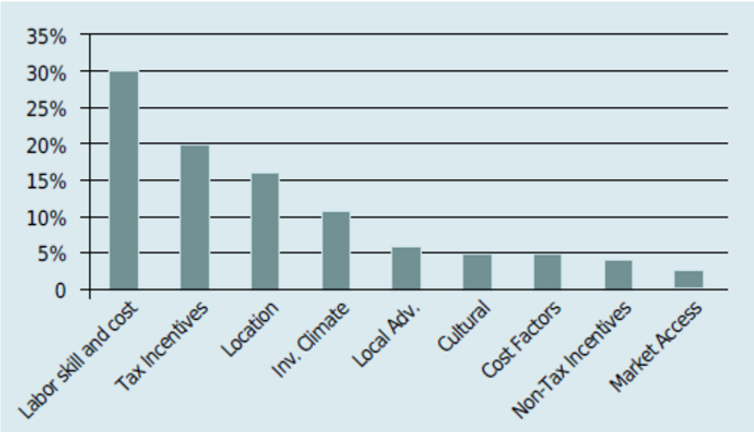
[31] CAHF, 2017.
[32] Oxford Business Group (n/d). Real estate sector set to benefit from new housing programmes in Tunisia https://oxfordbusinessgroup.com/overview/stable-base-new-housing-programmes-should-see-real-estate-sector-emerge-period-uncertainty.
[33] Nimac, I et al, World Bank (2017). Promoting Investment Policy Reforms amid Political Turbulence and Transition: The Case of Tunisia and the Arab Spring, *Trade & Competitiveness in Practice (1)*
[34] Ibid.
[35] *XinhuaNet* (2018) Tunisia reports sharp increase in of foreign investments in 2017. http://www.xinhuanet.com/english/2018-01/25/c_136922091.htm.
[36] OECD (2018). Economic Survey: Tunisia. http://www.oecd.org/eco/surveys/economic-survey-tunisia.htm
[37] See footnote 1.

In 2017, the government launched The Economic and Social Roadmap 2018-2020 to help bring about the reforms that have been ongoing since the implementation of the Five-Year Plan.

Figure 1: Investor motivation factors



Source: OECD, "OECD Economic Survey: Tunisia," 2018, derived from 2012 Tunisia Investors Motivation Survey

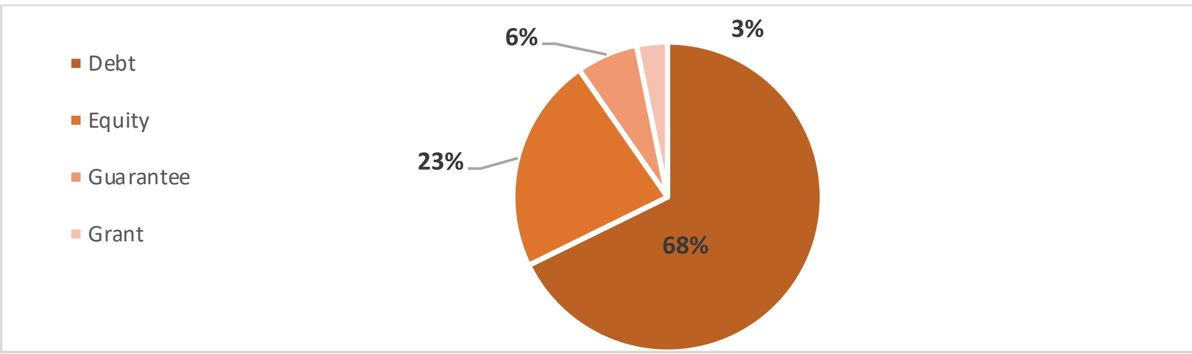
While circumstances have changed since the results of the OECD Economic Survey were calculated, it is apparent that investors in Tunisia are looking for the same basic indicators an investor would look for in any other developed region.

4 Investment activity

4.1 Top performing investment tools

Most investment tools used by Development Finance Institutions have been loans. Direct investments into affordable housing have been limited.

Figure 2 Types of investments



Source: Author's own compilation, , derived from the investor tracker

The major debt investments amount to around 68 percent of housing or housing-related investments in Tunisia, primarily from DFIs. Most of these, however, represent the historical investments of the World Bank and USAID from the period following Tunisia's independence. More recently, debt investments have been in housing-related areas, or lines of credit issued to the Housing Bank from the AfDB. Equity investments have been limited but indicate confidence in the ENDA microfinance institution to deliver products to customers and use entities such as the MENA Transition Fund and

AfricInvest to manage capital. Other, more opaque investments include the mega projects funded mostly through large developers working out of the Gulf States.

4.2 Investment portfolio

Table 1 Investor tracker

Investor	Allocation to Housing (Millions US$)	Investment Activity/Tool	Horizon (Years)	Period (Years)
World Bank	500	Loan, urban development	1	2018-2019
World Bank	500	Loan, urban development	1	2017-2018
AfDB	41	Line of credit to Housing Bank	-	2017-
IFC	.1	Amen bank investor relations framework	-	2017-
IDB	1.1	SME support and SME finance	-	2017-
IFC	6.8	ENDA II	5	2016-2021
MENA Transition Fund	2	Regional affordable housing fund	3	2014-2017
MENA Transition Fund	5	Social protection reforms support fund	4	2013-1017
MENA Transition Fund	2	Establish Tunisia Investment Authority	4	2013-2017
IFC	2.7	Partial credit guarantee for ENDA	-	2008-
AfDB	29.7	Line of credit to Housing Bank	-	2002-
AfDB	55	Line of credit to Housing Bank	-	2003-
World Bank	220	Loan, urban development	6	1997-2003
USAID	15	Loan, municipal finance	-	1992-
World Bank	58	Loan, urban development	7	1989-1996
USAID	15	Loan, support for Housing Bank	-	1988-
World Bank	30.2	Loan, urban development	9	1986-1995
USAID	24	Loan, urban development	-	1986-
USAID	24	Loan, development with CNEL	-	1985-
World Bank	25	Loan, urban development	5	1982-1987
World Bank	19	Loan, urban development	6	1979-1985
USAID	20	Loan, upgrading and core CNEL housing	-	1977-
USAID	15	Loan, low income housing with SNIT	-	1972-
USAID	5	Loan, low to middle income housing	-	1966-

Investor	Allocation to Housing (Millions US$)	Investment Activity/Tool	Horizon (Years)	Period (Years)
World Bank	75	Loan, urban development	-	-
BlueOrchard	-	Equity in ENDA Tamweel	-	-
IDB	-		-	-
FEMIP	-	Various	-	-
AfricInvest	-	Various (insurance, microfinance)	-	-
Gulf Financing House	3 000.0	Mega project in Tunis	-	-
Dubai Holding	14 000-25 000	Mega project in Tunis	-	-

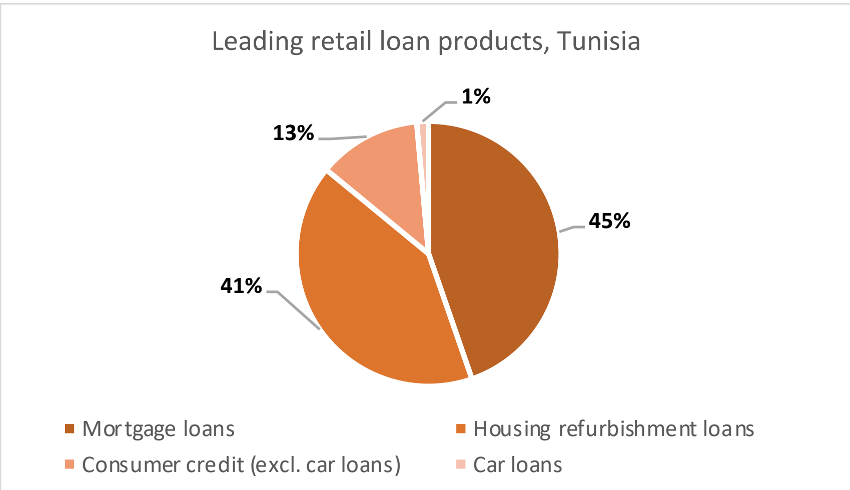
5 Impact of investment on country's housing and particularly affordable housing industry

5.1 Breadth and depth of housing and housing finance products

Access to mortgage finance

Tunisia has a mature mortgage finance sector and much has already been written about the diversity of mortgage lending products available in the country as well as progressive government programmes and subsidies. However, affordability remains a challenge. Most development is carried out by individual builder-owners, or high-income professionals who become landlords as a supplementary form of income or investment. Large-scale affordable housing projects that effectively mix public and private investment that attract large foreign direct investment is not currently a major feature of the sector. According to CAHF, mortgage lending represented 8.6 percent of GDP in Tunisia, which is significant, but more and more people are locked out of the formal mortgage market. Even government-subsidized loans are out of reach for many Tunisians, and all Tunisians operating in the informal market.[38]

Figure 3: Loan products



Source: Oxford Business Group[39]

[38] CAHF (2017). Yearbook.
[39] Oxford Business Group (n.d). Recent reforms shore up Tunisia's banking sector," https://oxfordbusinessgroup.com/overview/top-down-recent-reforms-are-putting-sector-firmer-footing.

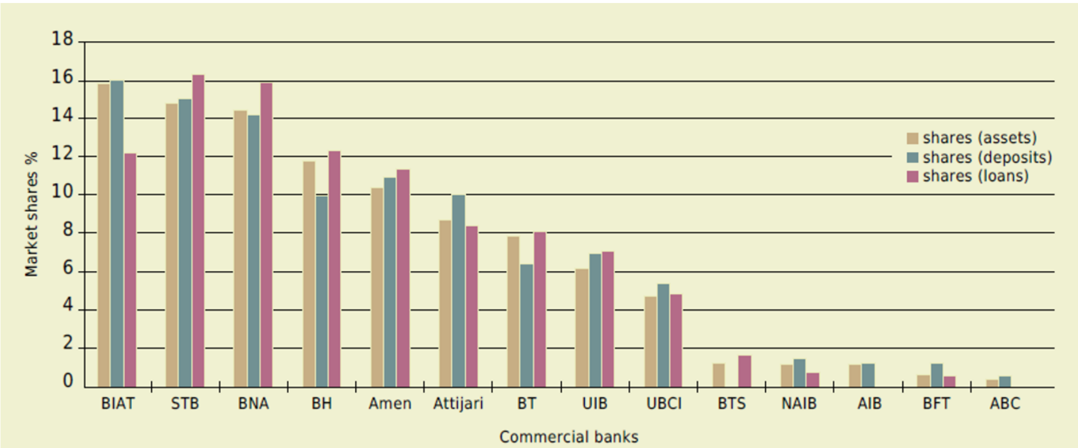
Mortgage loans made up the largest share of the retail market in Tunisia in 2016 at 45 percent (€3.9 billion), followed closely by housing refurbishment loans at 41 percent (€3.6 billion).

Given the maturity of the mortgage market, the diversity of products, the introduction of more microfinance institutions, developed capital markets and (limited) existing secondary markets, there is potential to redesign loan products to increase financial inclusion for affordable housing finance.

Key players and market size

At the end of 2013 there were 23 firms originating and funding mortgage loans. The Housing Bank remained the market leader in 2015 with more than 20 percent market share, but competition and diversity of products has increased in the 21st century, even while the rate of lending has decreased. The two private lenders with the largest market shares are Amen Bank and the Banque Internationale Arabe de Tunisie. These three banks made up 60 percent of the mortgage lending market as recently as 2015.[40]

Figure 4: Market shares of largest 14 Tunisian Banks in 2010



Source: Bankscope database via The Unfinished Revolution

The Housing Bank is one of the largest financial institutions in Tunisia, ranking 4th in 2010 among Tunisia's banks. Figure 4 shows that both commercial and government institutions are significant players in the banking sector in Tunisia. Four state-owned banks accounted for more than 30 percent of banking sector assets in 2015 and some were recapitalized in 2016. The Housing Bank was recapitalized at €42.7 million and "issued €25.7 million in subordinated debt to further boost its capital base."[41]

Eight microfinance institutions were operating in Tunisia at end of 2017 under the domain of the Microfinance Control Authority (ACM):

1) ENDA Tamweel
2) Microcred Tunisie
3) Zitouna Tamkeen
4) Taysir Microfinance

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[40] Ibid.
[41] Ibid.

5) Centre Financier aux Entrepreneurs
6) ADVANS Tunisie
7) ASAD Tamweel
8) AKDI[42]

ENDA Tamweel, in particular, has been able to issue more than 100 000 Dorna loans for improving and upgrading homes in Tunisia, totaling more than US$50 million. Private equity manager Blue Orchard has been an investor as too has the MENA Transition Fund.

Housing production

Most houses built in Tunisia are self-builds. Many of these are informal. According to Oxford Business Group, "Tunisia's housing stock stood at roughly 3.3m units," with a shortfall of more than 70 000 a year.[43] Of the actual developers in Tunisia, the Oxford Business Group says "20 of them are large-scale developers, with development capacity of 100-200 units per year."[44]

The amount of social housing produced by the public sector has dwindled in the 21st century, with the government moving towards more of a facilitator role. Many find access to financing difficult, and the absence of private developers able to take on large-scale social housing projects means production has not picked up. Even with ambitious and progressive housing programmes, such as the 2012 Ministry of Equipment, Housing and Territorial Development's (MEHAT) €45 million programme to build 30 000 social housing units, production has not been able to keep up with demand, which has the consequence of keeping people in the informal and self-build sectors. MEHAT had only built 2 000 units by the end of 2015 so the ministry revised their numbers "to build between 6 000 and 10 000 new social housing units between 2016 and 2020." The private sector, on the other hand, has only been able to build around 400 units of social housing a year.[45]

6 Investment challenges and opportunities to improve the investment landscape

Tunisia has taken many steps toward improving its attractiveness to investors. While the real estate sector may be a promising path toward inviting new, more, and different kinds of investments, affordable housing does not immediately represent a priority for institutional investments. Investments are still largely driven by the individual Tunisian builder-owner and some small developers operating within a mortgage market that, while mature and more competitive, is still dominated by only three institutions. Without significant increases in employment and income, particularly for young, educated Tunisians in urban areas, the future workers of a 21st century service economy, the tax base that might be able to support continued investment in an affordable housing economy will continue to find opportunities abroad.

The new Investment Law and continued efforts at structural reforms and building on Tunisia's history of progressive and ambitious social housing goals can be seen as a marker of hope and encourages investors to consider the business case of affordable housing for one of the MENA region's most

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[42] Central Bank of Tunisia (2018). Financial Statistics. https://www.bct.gov.tn/bct/siteprod/documents/BSF_ang.pdf

[43] Oxford Business Group, "Real estate sector steps up to build social housing projects in Tunisia," https://oxfordbusinessgroup.com/overview/safe-haven-new-plans-social-housing-projects-are-set-increase-activity-real-estate-sector.

[44] Ibid.

[45] Ibid.

progressive nations. Where banks are unable or unwilling to go down-market, cultivating a class of SME mission-driven housing developers with a mix of microfinance programmes and public-private investment could lead to the emergence of a reinvigorated social and affordable housing sector.

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